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TATA Health International Holdings Limited

TATA 健康國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1255)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS		2020	2019
Revenue	<i>HK\$'000</i>	155,363	341,773
Gross profit	<i>HK\$'000</i>	34,283	199,473
Loss before taxation	<i>HK\$'000</i>	(172,683)	(67,446)
Loss attributable to owners of the Company	<i>HK\$'000</i>	(151,869)	(60,925)
Gross profit margin	<i>%</i>	22.1	58.4
Loss margin attributable to owners of the Company	<i>%</i>	(97.8)	(17.8)
Loss per share — basic and diluted	<i>HK\$</i>	(0.71)	(0.28)

The board (the “Board”) of directors (the “Directors”) of TATA Health International Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	155,363	341,773
Cost of sales		(121,080)	<u>(142,300)</u>
Gross profit		34,283	199,473
Other income		14,013	996
Other gains and losses		3,467	2,490
Impairment loss on			
— property, plant and equipment		(5,570)	(3,937)
— goodwill		(3,956)	(27,071)
— intangible assets		(28,978)	—
Impairment loss under expected credit loss model, net		(37)	(209)
Selling and distribution costs		(82,044)	(137,237)
Administrative expenses		(101,071)	(99,087)
Share of results of an associate		780	—
Finance costs		(3,570)	<u>(2,864)</u>
Loss before taxation	6	(172,683)	(67,446)
Taxation	7	(396)	<u>544</u>
Loss for the year		(173,079)	(66,902)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(3,162)	316
Release of translation reserve upon disposal of a subsidiary		—	(15)
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation gain on property, plant and equipment upon transfer to investment properties		3,870	—
Total comprehensive expense for the year		<u>(172,371)</u>	<u>(66,601)</u>

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(151,869)	(60,925)
Non-controlling interests		(21,210)	(5,977)
		<u>(173,079)</u>	<u>(66,902)</u>
 Total comprehensive expense for the year attributable to:			
Owners of the Company		(150,999)	(60,624)
Non-controlling interests		(21,372)	(5,977)
		<u>(172,371)</u>	<u>(66,601)</u>
 Loss per share — basic and diluted (<i>HK\$</i>)	 9	 <u>(0.71)</u>	 <u>(0.28)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		21,943	46,771
Investment properties		4,000	—
Goodwill		—	3,956
Intangible assets		—	30,358
Interests in associates		2,483	—
Loan to an associate		497	546
Deferred tax assets		6,461	10,713
Deposit and prepayment for a life insurance policy		1,912	1,906
Rental deposits and prepayment		1,395	6,696
		38,691	100,946
Current assets			
Inventories		46,748	131,246
Trade and other receivables	10	22,628	39,272
Amount due from an associate		4,882	1,150
Taxation recoverable		—	18
Time deposit over three months		20,273	—
Bank balances and cash		28,208	46,820
		122,739	218,506
Current liabilities			
Trade and other payables	11	42,212	28,325
Contract liabilities		214	—
Amount due to an associate		—	7,274
Amount due to immediate holding company		—	3,393
Amount due to a related company		2,152	762
Taxation payable		541	711
Lease liabilities		13,607	24,047
Other borrowing — due within one year		15,000	—
Bank borrowings — due within one year		27,742	36,068
		101,468	100,580
Net current assets		21,271	117,926
Total assets less current liabilities		59,962	218,872

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	3,560	14,216
Loans from related companies	32,856	13,462
Amount due to an associate	5,740	—
Amount due to immediate holding company	7,342	—
Other borrowing — due after one year	—	15,000
Deferred tax liabilities	—	3,667
	<u>49,498</u>	<u>46,345</u>
Net assets	<u>10,464</u>	<u>172,527</u>
Capital and reserves		
Share capital	2,140	2,140
Reserves	7,940	158,489
	<u>10,080</u>	<u>160,629</u>
Equity attributable to owners of the Company	10,080	160,629
Non-controlling interests	384	11,898
	<u>10,464</u>	<u>172,527</u>
Total equity	<u>10,464</u>	<u>172,527</u>

NOTES

1. GENERAL INFORMATION

The Company is a listed public company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company while its subsidiaries are principally engaged in the trading of footwear products and healthcare products, and provision of financial services and online medical services.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”.

Except as described below, the application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening accumulated losses at 1 January 2020. The Group has benefited from one to eight months waiver of lease payments on several leases of retail shops and offices. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK\$896,000, which has been recognised as variable lease payments in profit or loss for the current year.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company are given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK\$173,079,000 and net cash outflow of approximately HK\$18,697,000 during the year ended 31 December 2020.

In order to improve the liquidity and financial position of the Group, the Company have entered into five subscription agreements with five subscribers on 25 March 2021, pursuant to which the subscribers have agreed to subscribe for, and the Company has agreed to allot and issue to the subscribers, an aggregate of 28,845,000 shares of the Company at a subscription price of HK\$2.6 per share. The completion of the subscription is subject to the fulfilment of certain conditions, among which some of these conditions cannot be controlled by the Group, among others, (i) successful obtaining approval from the Stock Exchange for the subscription; (ii) successful passing of a resolution of the Company's shareholders approving the transactions contemplated under those subscription agreements and granting the specific mandate to the directors of the Company to allot and issue the Company's shares; and (iii) successful fulfilling the obligations under subscription agreements by those subscribers. Details of the subscription's conditions precedent were disclosed in the announcement of the Company dated 25 March 2021. The directors of the Company consider that, if the subscription is completed in April 2021, the gross proceeds from the subscription will be amounted to HK\$74,997,000 in aggregate. However, the ultimate success of the share subscription could not be determined as of the date of the approval of these consolidated financial statements.

The directors of the Company consider that after taking into account the share subscription, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

4. REVENUE

Disaggregation of revenue from contracts with customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of goods		
Footwear products	128,683	270,055
Healthcare products	5,476	51,550
Financial services	20,339	20,168
Online medical services	865	—
	<u>155,363</u>	<u>341,773</u>
Sales of channel		
Retail	124,225	264,581
Wholesale	4,458	15,413
Internet	6,341	41,611
Corporate	20,339	20,168
	<u>155,363</u>	<u>341,773</u>
Time of revenue recognition		
A point in time	135,076	327,619
Over time	20,287	14,154
	<u>155,363</u>	<u>341,773</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

For the year ended 31 December 2020

	Segment revenue <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Footwear products	128,683	—	128,683
Healthcare products	5,476	—	5,476
Financial services	21,300	(961)	20,339
Online medical services	865	—	865
	<u>156,324</u>	<u>(961)</u>	<u>155,363</u>

For the year ended 31 December 2019

	Segment revenue <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Footwear products	270,055	—	270,055
Healthcare products	51,550	—	51,550
Financial services	21,082	(914)	20,168
	<u>342,687</u>	<u>(914)</u>	<u>341,773</u>

The Group sells footwear products to the wholesale market and directly to customers through its retail shops and concession counters in department stores.

For sales of footwear products to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the wholesaler's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon delivery.

For sales of footwear products to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail shops and concession counters in department stores. Sales made at retail shops are settled by cash or credit cards at the point the customer purchases the goods. The department stores collect payments from customers and then repay the balance after deducting the concessionaire commission to the Group. The credit term granted to department stores range from 30 to 60 days.

The Group sells healthcare products through internet sales. Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

Revenue from provision of financial services is recognised (i) at a point in time when the services are rendered to customers, being at the point that the customer receives the services and the Group has present right to payment and collection of the consideration is probable; or (ii) over time using input method, i.e. based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, when services are provided.

Revenue from provision of online medical services is recognised (i) at a point in time when the services are rendered to customers, being at the point that the customer receives the services and the Group has present right to payment and collection of the consideration is probable; or (ii) over time using output method, i.e. based on the direct measurements of the value of services transferred to the customers to date relative to the remaining goods or services promised under the contract, when services are provided.

All services contracts are for periods of one year or less with fixed consideration. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. OPERATING SEGMENT

Information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable segments under HKFRS 8 “Operating Segments” are as follows:

1. Trading of footwear products
2. Trading of healthcare products
3. Financial services
4. Online medical services

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segments:

For the year ended 31 December 2020

	Trading of footwear products <i>HK\$'000</i>	Trading of healthcare products <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Online medical services <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue							
External sales	128,683	5,476	20,339	865	155,363	—	155,363
Inter-segment sales	—	—	961	—	961	(961)	—
	<u>128,683</u>	<u>5,476</u>	<u>21,300</u>	<u>865</u>	<u>156,324</u>	<u>(961)</u>	<u>155,363</u>
Segment results	<u>(96,394)</u>	<u>(6,210)</u>	<u>(29,055)</u>	<u>(26,859)</u>	<u>(158,518)</u>	<u>—</u>	<u>(158,518)</u>
Unallocated income							12
Unallocated expenses							<u>(14,177)</u>
Loss before taxation							<u>(172,683)</u>

For the year ended 31 December 2019

	Trading of footwear products <i>HK\$'000</i>	Trading of healthcare products <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Online medical services <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue							
External sales	270,055	51,550	20,168	—	341,773	—	341,773
Inter-segment sales	—	—	914	—	914	(914)	—
	<u>270,055</u>	<u>51,550</u>	<u>21,082</u>	<u>—</u>	<u>342,687</u>	<u>(914)</u>	<u>341,773</u>
Segment results	<u>(11,981)</u>	<u>(3,198)</u>	<u>(30,090)</u>	<u>(9,986)</u>	<u>(55,255)</u>	<u>—</u>	<u>(55,255)</u>
Unallocated income							2,067
Unallocated expenses							<u>(14,258)</u>
Loss before taxation							<u>(67,446)</u>

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the loss from each segment without allocation of central administration costs, change in fair value of investment properties and rental income. This is the measure reported to the CODM of the Company for the purpose of resource allocation and performance assessment.

Other segment information

For the year ended 31 December 2020

	Trading of footwear products <i>HK\$'000</i>	Trading of healthcare products <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Online medical services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in measure of segment results or segment assets:						
Addition of non-current assets (<i>note</i>)	7,357	—	—	266	4,000	11,623
Loan to an associate	—	497	—	—	—	497
Depreciation	(21,272)	(223)	(991)	(90)	—	(22,576)
Amortisation of intangible assets	—	(439)	—	(1,399)	—	(1,838)
Allowance for inventories	(63,169)	—	—	—	—	(63,169)
Interest income	274	1	—	4	—	279
Finance costs	(1,660)	—	(60)	—	(1,850)	(3,570)

For the year ended 31 December 2019

	Trading of footwear products <i>HK\$'000</i>	Trading of healthcare products <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Online medical services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in measure of segment results or segment assets:						
Addition of non-current assets (<i>note</i>)	25,073	3,735	3,071	7,187	—	39,066
Loan to an associate	—	546	—	—	—	546
Depreciation	(28,768)	(694)	(1,793)	(10)	(4)	(31,269)
Amortisation of intangible assets	—	(409)	—	(646)	—	(1,055)
Allowance for inventories	(1,469)	—	—	—	—	(1,469)
Interest income	8	—	4	—	15	27
Finance costs	(2,403)	(21)	(15)	—	(425)	(2,864)

Note: Non-current assets included goodwill, property, plant and equipment, investment properties and intangible assets.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the respective group entities' operations:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	143,097	266,245
Australia	5,476	41,611
Macau	5,839	14,705
Mainland China	865	9,940
Singapore	86	9,272
	<u>155,363</u>	<u>341,773</u>

Information about the Group's non-current assets is presented based on the location of the assets:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	27,852	75,500
Singapore	2,483	—
Mainland China	2	6,446
Australia	1	2,068
Macau	—	27
	<u>30,338</u>	<u>84,041</u>

Note: Non-current assets excluded loan to an associate, deferred tax assets and rental deposits.

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during both years.

6. LOSS BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Directors' remuneration	10,218	5,757
Other staff costs	79,041	86,543
Share-based payments	101	238
Retirement benefit schemes contributions for other staff	3,577	3,011
	<u>92,937</u>	<u>95,549</u>
Covid-19-related rent concession	(896)	—
Auditors' remuneration	2,300	2,861
Allowance for inventories	63,169	1,469
Cost of inventories recognised as expenses (including allowance for inventories)	121,080	142,300
Depreciation of property, plant and equipment	22,576	31,269
Amortisation of intangible assets	1,838	1,055
Premium charges on a life insurance policy	27	26
	<u>27</u>	<u>26</u>

7. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	64	14
Macau Complementary Tax	—	174
	<u>64</u>	<u>188</u>
Overprovision in prior years	(253)	(82)
Deferred taxation	585	(650)
	<u>396</u>	<u>(544)</u>

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the British Virgin Islands, have no assessable profits for both years.

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Macau Complementary Tax is calculated at the rate of 12% (2019: 12%) on the estimated assessable profit for both years.

Under the applicable corporate tax law in Australia, income tax is charged at 30% of the estimated assessable profit. No provision for Australian income tax has been made in the consolidated financial statements as the subsidiary operating in Australia has no assessable profits for both years.

Taiwan income tax is calculated at 17% (2019: 17%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods in Taiwan for the year. No provision for Taiwan income tax has been made in the consolidated financial statements as the branch operating in Taiwan has no assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2019: 25%). No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements as the subsidiaries operating in the PRC have no assessable profits for both years.

8. DIVIDENDS

No dividend was paid proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2020 is based on the loss for the year attributable to owners of the Company of HK\$151,869,000 (2019: HK\$60,925,000) and the weighted average number of 214,000,000 (2019: 214,000,000) ordinary shares for the purpose of basic and diluted loss per share during the year.

The calculation of diluted loss per share for both years does not assume the vesting of share award scheme of a subsidiary of the Group since it would result in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

Retail sales of footwear products are made at retail shops and concession counters in department stores. The department stores collect payments from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores range from 30 to 60 days. Sales made at retail shops are settled by cash or credit cards. For wholesale of footwear products, trading of healthcare products and provision of financial services, the Group allows a credit period ranging from 30 to 90 days to its trade customers. For wholesale of footwear products, trading of healthcare products and provision of financial services and online medical services, the Group allows a credit period ranging from 15 to 90 days to its trade customers. The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of each reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	5,242	13,154
31 to 60 days	472	2,678
61 to 90 days	514	4,355
Over 90 days	799	1,980
	<u>7,027</u>	<u>22,167</u>

11. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables based on the invoice date at the end of each reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	1,354	4,469
31 to 60 days	16	206
61 to 90 days	—	114
Over 90 days	498	1,239
	<u>1,868</u>	<u>6,028</u>

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I present the annual results of the Group for the year ended 31 December 2020 (the "Year").

According to the information published by the Hong Kong Tourism Board, due to the impact of the coronavirus disease (2019) ("Covid-19") pandemic, the total number of visitor arrivals to Hong Kong during the Year decreased by approximately 93.6% from the corresponding year in 2019 to approximately 3.57 million visitors. Further, the number of Mainland visitors to Hong Kong decreased by over 90% year-on-year to approximately 2.71 million visitors. The significant decrease in visitors to Hong Kong directly resulted in a shrink of approximately 52.3% in revenue from the Group's footwear business during the Year as compared to the corresponding year in 2019. During the Year, the footwear business recorded a revenue of approximately HK\$128.7 million.

Under the impact of the Covid-19 pandemic, consumers have become more cautious amid the deteriorating global economy. The healthcare business as another major source of revenue for the Group was also affected. During the Year, revenue from this business segment amounted to approximately HK\$5.5 million. Considering the impact of the Covid-19 pandemic, the Group plans to suspend its business relating to the trading of healthcare products temporarily. Despite this, the Group continues to have an optimistic view towards the future global healthcare market, and the Group will continue to increase investment in this business segment once the Group has raised funds upon completion of the proposed subscription of new shares of the Company as announced on 25 March 2021 (the "Proposed Subscription"), so as to continue promoting profitable and popular natural healthcare products.

For the financial services business, it recorded a revenue of approximately HK\$20.3 million during the Year.

Our online medical services business, which is a crucial part of the Group's strategic transformation towards the big health industry, is at the end of its start-up stage. After completing the establishment of a one-stop Internet hospital platform, a total revenue of approximately HK\$0.9 million was recorded during the Year.

The Group is currently at the critical period of its strategic transformation towards the big health industry. Despite that the global economic environment is still being impacted by various uncertainties, such as Covid-19, the Group will actively seek financing opportunities to fund its operation and further development of various business segments. In addition to maintaining its developments in continuous operations, it will also continue to put efforts in expanding its market position in the big health industry. In hopes of streamlining our corporate structure, effective market development and cost reduction strategies will also be implemented. I, together with other members of the Board, will continue to contribute our intelligence and effort to achieve sustainable and optimal returns to our shareholders.

By order of the Board

TATA Health International Holdings Limited

Yang Jun

Chairman

31 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW AND FUTURE DEVELOPMENT

In 2020, due to the deterioration of the global economy caused by Covid-19, the retail industry was seriously affected, the Company faced severe challenges. Nevertheless, the Group still actively seeks financing opportunities to make efforts to expand its market position in the big health industry. In addition to ensuring the sustainable and stable operation of its main business — the footwear business, the Group completed the construction of the one-stop Internet medical platform, and will also implement effective market development strategies, reduce costs, streamline the organizational structure and expand the healthcare products business in Australia.

Footwear Business

Revenue of the Group's footwear business for the Year was HK\$128.7 million, representing an approximately 52.3% decrease from HK\$270.1 million for the even year of 2019. We had recorded a same store sales decline of approximately 39.6% during the Year (2019: approximately 12.3%). This was mainly due to weak retail climate in Hong Kong, as a result of the continuous material decline in the number of visitors to Hong Kong and the lingering severe adverse impact of the Covid-19 pandemic.

Healthcare Business

The revenue of the healthcare business unit for the Year was approximately HK\$5.5 million (2019: HK\$51.6 million), while a segment loss for the Year of approximately HK\$6.2 million (2019: HK\$3.2 million) was recorded. This was mainly due to the outbreak of Covid-19 in 2020.

Taking the current Covid-19 situation into consideration, we have kept optimizing the product structure of healthcare products, mainly focusing on the sales of leading brands, pregnancy & babies and new brand AXS supplements and Mere beauty, which could generate higher profit margin. Furthermore, we will update our Zebra e-commerce platform together with developing a mini app to increase user experience so as to maintain and attract more variety of clients.

Financial Services

The operating revenue of DSG Management (Cayman) Company Limited and DSG Finance Holdings (Hong Kong) Limited (collectively referred to as the "DSG Group") derives from: (i) investment management services; (ii) advisory services in securities; and (iii) advisory services in corporate finance.

Due to the market downturn caused by Covid-19, DSG Group failed to achieve its expected sales target, which is basically the same as 2019. During the Year, DSG Group had achieved a total revenue of approximately HK\$20.3 million (2019: HK\$20.2 million).

During the Year, although the turnover remained basically unchanged, DSG Group still recorded a net loss of approximately HK\$29.1 million (2019: HK\$30.1 million), which was due to substantial costs of approximately HK\$25.4 million incurred in operating the business. Even if the DSG Group has benefited from Cyberport's rental concession measures and rental waiver, the huge salary expenses and the increase in consultancy fees and referral fees contributed to the increase of total expenses incurred.

Online Medical Services Business

The Group's online medical services segment, which remains a crucial part of strategic transformation towards the big health industry, is at the end of its start-up stage. After completing the establishment of a one-stop Internet hospital platform for this business segment, a total revenue of approximately HK\$0.9 million was recorded during the Year (2019: Nil).

Prospects

In 2020, according to the statistics from the Tourism Board, due to the impact of Covid-19, the overall visitor arrivals decreased by approximately 93.6% as compared with the corresponding year of 2019, which impacted the retail business of footwear industry seriously. The Group will continue to face tremendous operation pressure from the footwear business, and will cautiously run this business.

In response to the economic downturn, the DSG Group will keep strengthening business cooperation with other business sectors of the Group to achieve synergy and sustainable growth.

For the healthcare business, Zebra e-platform currently engages in the provision of Australian healthcare products to small to medium B2C e-commerce platforms and the Daigou group in China. Per study by the Tenba Group and TMO Group, China's retail imports of cross-border e-commerce Chinese CBEC reached approximately USD88.6 billion in 2019, and small to medium B2C e-commerce platforms account for approximately 17.5% of the total market share in 2019. Obviously, there will be huge room for the Group to expand its current business. However, considering the impact of Covid-19's deterioration on the Group's sustainable operation, the Group plans to suspend its business relating to the trading of healthcare products in the near future until the Group has raised funds after the completion of the Proposed Subscription. Nevertheless, the development of Australian healthcare products is still an important part of the Group's big health transformation strategy. As such, the Group still plans to expand its healthcare business from Australia to other markets in the future in order to increase the revenue and profits of this segment and, where appropriate, diversify the entire healthcare business.

In light of the Group's strategic transformation towards the big health industry, the online medical services business is at the end of its start-up stage. After completing the construction of the one-stop Internet medical platform, the Group will strengthen marketing efforts and expand sales performance. Similar to the healthcare business, considering the impact of Covid-19's deterioration on the Group's sustainable operation, the management has decided to temporarily suspend this business segment until the Group has raised fund after the completion of the Proposed Subscription.

The Group will continue to integrate the businesses of footwear, financial services, healthcare and online medical services to rationalise our structure of business segments, and will continue to look for strategic partnerships in the health sector to build up a healthy business ecosystem, and create substantial value to our shareholders.

FINANCIAL REVIEW

Revenue

Revenue of the Group's businesses for the Year was HK\$155.4 million, representing an approximately 54.5% decrease from HK\$341.8 million for the even year of 2019. The decrease of revenue was mainly due to the decrease of revenue of footwear business and healthcare business in the amount of HK\$141.4 million and HK\$46.1 million, respectively.

Revenue from footwear business

Revenue of the Group's footwear business for the Year was HK\$128.7 million, representing an approximately 52.3% decrease from HK\$270.1 million for the even period of 2019.

With regard to the sales of the major brands under distribution agreements for the Year as compared with the even period of 2019, sales of "Clarks" footwear products and "Josef Seibel" footwear products had decreased by approximately 50.5% and approximately 56.8%, respectively.

As at 31 December 2020, the Group operated 31 retail outlets in Hong Kong (2019: 43) and no retail outlets in Macau (2019: 2).

Revenue from the provision of financial services

Revenue of the Group's financial services for the Year was HK\$20.3 million, representing an approximately 0.8% increase from HK\$20.2 million for the even period of 2019, which was mainly attributable to the increase of asset management fee income and service fee income.

Revenue from healthcare business

Revenue of the Group's healthcare business for the Year was HK\$5.5 million, representing an approximately 89.4% decrease from HK\$51.6 million for the even period of 2019. The main reason for the sales decrease as compared with the even period of 2019 was due to the outbreak of Covid-19.

With regard to the sales of the major brands under distribution agreements for the Year, sales of "Aptamil" milk powder, "AXS" supplement products, "Bio Lands" supplement products and other leading brands supplement products represented approximately 26.2%, 19.3%, 16.9% and 37.6% of revenue from the healthcare business, respectively.

Revenue from online medical services business

Revenue of the Group's online medical services business for the Year was approximately HK\$0.9 million (2019: Nil), as this business only commenced its operation since August 2019.

Cost of Goods Sold

Our cost of goods sold amounted to HK\$121.1 million for the Year, representing approximately 77.9% of the Group's revenue (2019: HK\$142.3 million, representing approximately 41.6% of the Group's revenue). The decrease in cost of goods sold was mainly due to the overall decrease in footwear and healthcare sales activities of the Group, but the increase in cost of sales as a percentage of revenue was due to the allowance for inventories with the amount of approximately HK\$63.2 million, representing 52.2% of cost of sales.

Gross Profit

The gross profit (gross profit equals to revenue minus cost of goods sold) of the Group for the Year was HK\$34.3 million, representing a decrease of approximately 82.8% from HK\$199.5 million of the year of 2019. Gross profit margin of the Group for the Year was approximately 22.1% (2019: approximately 58.4%). Such decrease in gross profit margin was predominantly attributable to the decrease of average selling price for products of the footwear business and the allowance for inventories with the amount of approximately HK\$63.2 million, representing approximately 52.2% of the Group's revenue.

Depreciation

Depreciation accounted for approximately 14.5% of revenue for the Year (2019: approximately 9.1%).

Staff Costs

Staff costs for the Year were HK\$92.9 million, representing approximately 59.8% of the Group's revenue (2019: HK\$95.5 million, representing approximately 27.9% of the Group's revenue). The decrease in staff costs was mainly due to the decrease in number of staff of the Group as compared to the even year of 2019.

Finance Costs

Our finance costs for the Year amounted to HK\$3.6 million (2019: HK\$2.9 million). The finance costs mainly consist of interest expenses incurred on the trade related financing facilities with banks, other borrowing and lease liabilities, and imputed interest on loans from related companies. The increase of finance costs was mainly due to the recognition of imputed interest on loans from related companies with the amount of approximately HK\$0.65 million for the Year.

Loss Before Tax

As a result of the foregoing, our loss before tax for the Year was HK\$172.7 million, as compared to a loss before tax of HK\$67.4 million for the year ended 31 December 2019.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows, other borrowing and bank borrowings. As at 31 December 2020, the Group had bank deposits and cash amounting to approximately HK\$28.2 million (31 December 2019: approximately HK\$46.8 million), representing a decrease of approximately 39.8% from 31 December 2019. Most bank deposits and cash were denominated in Hong Kong Dollars. As at 31 December 2020, the Group had short-term bank borrowings amounting to approximately HK\$27.7 million (31 December 2019: approximately HK\$36.1 million) and other borrowing with the amount of approximately HK\$15.0 million (2019: HK\$15.0 million). As at 31 December 2020, the Group did not have any outstanding long-term bank borrowings, except for loans from related companies and amounts due to an associate and immediate holding company of approximately HK\$32.9 million, HK\$5.7 million and HK\$7.3 million, respectively.

Pledge of Asset

As at 31 December 2020, leasehold land and buildings, investment properties and deposit and prepayment for a life insurance policy (31 December 2019: leasehold land and buildings, deposit and prepayment for a life insurance policy) were pledged to secure the bank borrowings and banking facilities granted to the Group.

Gearing Ratio

As at 31 December 2020, the Group's gearing ratio (total debt to total equity) was approximately 722.5% (31 December 2019: approximately 37.4%). The higher gearing ratio was mainly attributable to the decrease of non-current assets as a result of the Impairments (as defined below) and the decrease of current assets due to the allowance for inventories with the amount of approximately HK\$63.2 million.

Goodwill, Intangible Assets and Property, Plant and Equipment Impairment related to Financial Services

Circumstances leading to the impairment:

Due to the Covid-19 pandemic, which led to a downturn in the financial market in Hong Kong in 2020, the DSG Group did not reach the expected sales target. The management of the Company therefore took a cautious approach to the forecast of the DSG Group. Based on the said external factors, the forecast income target decreased accordingly, which led to a loss in valuation as compared with the even period of 2019.

The assets subject to the impairment are the goodwill and intangible assets arising from the acquisition of the DSG Group (the "DSG Impairment"), as a result of the aforementioned external factors. As the DSG Group experienced negative business conditions, including decrease revenue, it indicated that the relevant property, plant and equipment, goodwill and intangible assets may be required to be further impaired.

After deliberation, the Company reassessed the financial forecast based on a more conservative business strategy for the future, and engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent third-party valuer, to re-evaluate the valuation of the DSG Group in order to achieve a fair and reasonable assessment of the DSG Impairment.

During the Year, based on the valuation performed by JLL, it was determined that the value-in-use of cash-generating units in the DSG Group as provided by JLL was lower than its carrying value, resulting in the DSG Impairment of goodwill, intangible assets and property, plant and equipment amounting to approximately HK\$3.9 million, HK\$22.2 million and HK\$0.8 million, respectively (2019: HK\$27.1 million, nil and nil).

Valuation methodology conducted by JLL:

In order to assess the value-in-use of the DSG Group, JLL applied the income approach known as the discounted cash flow method.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile. This approach allows for the prospective valuation of future profits and has numerous empirical and theoretical justifications for the present value of expected future cash flows.

The discounted cash flow method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks, including intrinsic and extrinsic uncertainties in relation to the DSG Group. Under this method, value depends on the present worth of future economic benefits to be derived from the projected sales income. Indications of value have been developed by discounting projected future net cash flows available for payment of investors' interest to their present worth at a discount rate, which in the Board's opinion is appropriate for the risk of the business.

In calculating the value-in-use of the DSG Group, cash flow projections covering a five-year period based on the most recent financial budgets approved by the management of the Company and a discount rate of 18.06% were used. For cash flows beyond the said five-year period, the cash flow projections have been extrapolated using an estimated constant growth rate of 2.4% which do not exceed the average growth rate for the relevant markets.

Key assumptions made by JLL:

In the course of assessing the value-in-use of the DSG Group, JLL made certain key assumptions, including but not limited to:

1. the valuation methodology was primarily based on the financial projects and latest historical financial information made available to JLL;
2. the financial information provided was prepared on a reasonable basis;
3. the DSG Group has, or will have, sufficient capital needs to achieve or contribute to its current and future production; and
4. there will be no material change in the core operations of the DSG Group.

In view of the above and after discussions with JLL, the Board is of the view that the DSG Impairment was calculated in a fair and reasonable manner, and is an one-off and non-cash item, and has no effect on the cashflow of the Group.

Intangible Assets Impairment related to Online Medical Services Business and Healthcare Business

Circumstances leading to the impairment:

Due to the outbreak of the Covid-19 pandemic, the management of the Company concluded that there was an indication for impairment in relation to the online medical services business and healthcare business and conducted an impairment assessment on recoverable amounts of software with carrying amounts of approximately HK\$6.8 million (the “Software Impairment”, and together with the DSG Impairment, collectively as the “Impairments”). The Group estimates the recoverable amounts of the cash-generating unit of provision of online medical services segment and cash-generating unit of trading of healthcare products segment to which the assets belong cannot generate cash inflows individually when reasonable consistent basis can be established.

Based on the results of the impairment assessment, the management of the Company determined that the recoverable amount of each cash-generating unit is lower than the carrying amount. Based on the value-in-use calculation, an impairment of approximately HK\$6.8 million has been recognised against the carrying amount of software during the Year (2019: Nil) which was mainly attributable to the sharp decline in performance caused by Covid-19.

Valuation methodology conducted by the Group:

In order to assess the value-in-use of the online medical services business and healthcare business, the Company applied the income approach known as the discounted cash flow method which was also applied by JLL as stated above.

In calculating the value-in-use of the online medical services business and healthcare business, cash flow projections covering a five-year period based on the most recent financial budgets approved by the management of the Company and a discount rate of 18.48% was used. For cash flows beyond the said five-year period, the cash flow projections have been extrapolated using an estimated constant growth rate of 2.5% which do not exceed the average growth rate for the relevant markets.

In view of the above, the Board is of the view that the Software Impairment was calculated in a fair and reasonable manner, and is a one-off and non-cash item, and has no effect on the cashflow of the Group.

Assets Classified as Investment Properties

The Group leases out carpark under operating leases with rentals payable monthly. The leases typically run for an initial period of one year (2019: nil), with unilateral rights to extend the lease beyond initial period held by lessees only. The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currency of a group entity. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

During the Year, the use of carpark of the Group had been changed from owner-occupation to capital appreciation and leasing out for rental income. The leasehold land and building with net carrying value of HK\$130,000 at date of transfer were transferred from property, plant and equipment to investment properties at the date of the end of owner-occupation. The difference of HK\$3,870,000 between the net carrying value and the fair value of the properties of HK\$4,000,000 was recognised in other comprehensive income and accumulated in "property revaluation reserve" upon the transfer.

Future Plans for Material Investments or Capital Assets

As disclosed in the paragraph headed "Prospects" above, the Group will continue to integrate the business and look for strategic partnerships in the health sector to build up a healthy business ecosystem. The Company will also actively seek various kinds of financing, including the Proposed Subscription, to make efforts to transform the big health industry.

However, considering the deterioration impact of the continuous outbreak of Covid-19 on the Group's sustainable operation, the management plans to suspend the trading of healthcare products and the provision of online medical services temporarily until the completion of the Proposed Subscription.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no significant investments held, nor any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Treasury Policy

The Group adopts a treasury policy that aims to better control its treasury operations and lower borrowing costs. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board will also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

Capital Contribution into Shangying Hospital

On 7 February 2020, Hengying Trading (Shanghai) Co., Limited* (恆贏商貿(上海)有限公司) ("Hengying Trading", a wholly-owned subsidiary of the Company), Shangying Global Co., Ltd. ("Shangying Global", a company listed on the Shanghai Stock Exchange, stock code: 600146), Shanghai Xinran Investment Management Consulting Co., Limited* (上海欣然投資管理諮詢有限公司) ("Shanghai Xinran") and Shangying Hospital Management (Shanghai) Company Limited* (商贏醫院管理(上海)有限公司) ("Shangying Hospital", a company then owned by Hengying Trading, Shangying Global and Shanghai Xinran as to 52%, 39.65% and 8.35%, respectively) entered into a capital contribution agreement, pursuant to which Hengying Trading, Shangying Global and Shanghai Xinran injected an aggregate of RMB37.8 million into Shangying Hospital in proportion to their respective equity interests in Shangying Hospital (the "Capital Contribution"). Immediately after completion of the Capital Contribution, Shangying Hospital continued to be owned as to 52% by the Group, 39.65% by Shangying Global and 8.35% by Shanghai Xinran. The proceeds of the Capital Contribution were intended for the business operations of Shanghai Shangying Internet Hospital Co., Limited (上海商贏互聯網醫院有限公司), a company wholly-owned by Shangying Hospital.

As Mr. Yang Jun (the chairman of the Board, an executive Director and the controlling shareholder of the Company) was deemed as the de facto controller of Shangying Global, and he was a (i) general manager from December 2018 to April 2020; and (ii) director from January 2019 to April 2020, of Shangying Global, respectively. Shangying Hospital was thus a connected subsidiary of the Company.

For further details of the Capital Contribution, please refer to the announcement of the Company dated 7 February 2020.

Announcement pursuant to Rule 3.7 the Takeovers Code

On 7 May 2020, the Company had received a letter from Alvarez & Marsal Asia Limited regarding the appointment of Ms. Yeung Mei Lee and Ms. Wing Sze Tiffany Wong as joint and several receivers and managers (collectively, the “Receivers”) over 119,993,617 shares of the Company (the “Charged Shares”) held by Shang Ying Financial Holding Co., Limited (the “Borrower”), which had been charged to Great Wall International Investment X Limited. The Charged Shares represented approximately 56.07% of the issued Shares as at the date of this announcement, and the Company was given to understand that the Receivers may look for potential purchaser(s) for the Charged Shares (the “Possible Transaction”). For further details of the Possible Transaction, please refer to the announcements of the Company dated 8 May 2020, 12 May 2020, 12 June 2020, 13 July 2020, 13 August 2020, 11 September 2020, 12 October 2020, 12 November 2020, 11 December 2020, 12 January 2021, 11 February 2021 and 12 March 2021, respectively.

Foreign Currency Risk

The Group’s sales and purchases for the Reporting Period were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, Singapore dollars, Euros, US dollars and Australian dollars. The Renminbi is not a freely convertible currency, and the currency market for Macau Pataca is relatively small and undeveloped. In view of the above, future exchange rates of the above currencies could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the respective governments and the depth and breadth of the respective markets of currency exchange. The respective exchange rates may also be affected by economic developments and geopolitical changes domestically and internationally, and the demand and supply of the respective currencies. The appreciation or devaluation of the respective currencies against Hong Kong dollars may also have an impact on the Group’s results.

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group did not enter into any foreign currency forward contracts to hedge against foreign currency risk as at 31 December 2020.

Human Resources

As at 31 December 2020, the Group employed 228 employees (2019: 257). Remuneration packages are generally structured by reference to market terms and individual qualifications and experience. During the Year, various training activities, such as training of product and service knowledge, management skills as well as local consumer laws were conducted to improve the quality of sales services.

Dividends

The Board has resolved not to recommend the payment of a final dividend for the Year (2019: Nil).

Total Shareholder Return

Total shareholder return (“TSR”) is calculated based on capital gains and dividends of the shares of the Company. The Company had a TSR of approximately negative 22.9% for the Year (2019: positive 54.0%).

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Year.

CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Year.

Insufficient Number of Independent Non-executive Directors during the Year

Pursuant to Rule 3.10A of the Listing Rules, a listed issuer must appoint independent non-executive directors representing at least one-third of the board. During the Year, following the appointment of Mr. Chen Anhua as a non-executive Director on 23 January 2020, the number of independent non-executive Directors fell below the minimum number prescribed under Rule 3.10A of the Listing Rules. The Company had not appointed an additional independent non-executive Director within three months from 23 January 2020 as required under Rule 3.11 of the Listing Rules, and only re-complied with the aforesaid requirement upon the appointment of Prof. Yan Haifeng and Ms. Tan Yuying as independent non-executive Directors on 5 May 2020. Following the appointment of Mr. Chen Anhua, the Company had taken practicable steps to identify suitable candidates to act as the independent non-executive Director for the purpose of complying with the abovementioned Listing Rules requirements, including but not limited to, identifying and shortlisting around five individuals as potential candidates to act as the independent non-executive Director in accordance with the Company’s Director nomination policy. However, the Company had spent more time than expected due to Covid-19 in the selection process, confirming the final candidate of the independent non-executive Director and attending to necessary formalities in order to effect the relevant appointment. For further details, please refer to the announcements of the Company dated 23 January 2020, 23 April 2020, 5 May 2020 and 8 May 2020, respectively.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ dealings in the Company’s securities. Following specific enquiry made to the Directors, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The audit committee, comprising Mr. Lum Pak Sum, Mr. Xie Rongxing and Prof. Yan Haifeng, each an independent non-executive Director, has reviewed with management the principal accounting policies adopted by the Group and discussed the risk management and internal control systems and financial reporting matters, including a review of the audited consolidated financial statements, for the Year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

INDEPENDENT AUDITOR’S REPORT

The Group’s auditor has issued an unmodified opinion with a Material Uncertainty Related to Going Concern section in the independent auditor’s report on the audit of the consolidated financial statements of the Group for the year ended 31 December 2020. An extract of the independent auditor’s report is as set out below:

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$173,079,000 and net cash outflow of approximately HK\$18,697,000 during the year ended 31 December 2020. In order to improve the liquidity and financial position of the Group, the Company has entered into five subscription agreements with five subscribers on 25 March 2021, pursuant to which the subscribers have agreed to subscribe for, and the Company has agreed to allot and issue to the subscribers, an aggregate of 28,845,000 shares of the Company at a subscription price of HK\$2.6 per share, subject to the conditions as set out in note 3.1 to the consolidated financial statements. The directors of the Company consider that, if the subscription is completed in April 2021, the gross proceeds from the subscription will be amounted to HK\$74,997,000 in aggregate. However, the ultimate success of the subscription could not be determined as of the date of the approval of the consolidated financial statements. The directors of the Company consider that after taking into account the shares subscription, the Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of the approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The information included in note 3.1 to the consolidated financial statements mentioned above are set out in note 3 above in this announcement.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Save for the Proposed Subscription as disclosed above and in the announcement of the Company dated 25 March 2021, the Group had no significant event happened after the Year.

APPRECIATION

The Board would like to thank the management of the Group and all its staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group.

By order of the Board
TATA Health International Holdings Limited
Yang Jun
Chairman

Hong Kong, 31 March 2021

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Yang Jun and Mr. Lai Wenjing, five non-executive Directors, namely, Mr. Lin Zheming, Mr. Law Fei Shing, Mr. Lin Jun, Mr. Chu Chun Ho, Dominic and Mr. Chen Anhua and four independent non-executive Directors, namely, Mr. Xie Rongxing, Mr. Lum Pak Sum, Prof. Yan Haifeng and Ms. Tan Yuying.