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Tycoon Group Holdings Limited

滿貫集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3390)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2021 was HK\$380.7 million, representing an increase of 107.3% compared to HK\$183.6 million for the six months ended 30 June 2020.
- Gross profit of the Group for the six months ended 30 June 2021 was HK\$71.5 million, representing an increase of 97.5% compared to HK\$36.2 million for the six months ended 30 June 2020.
- Net loss of the Group for the six months ended 30 June 2021 was HK\$10.2 million, representing a decrease in loss of 78.9% compared to a loss of HK\$48.4 million for the six months ended 30 June 2020.
- The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Unaudited	
		Six months ended 30 June	
		2021 <i>HK\$'000</i>	2020 HK\$'000
Revenue	6	380,660	183,632
Cost of sales	7	<u>(309,171)</u>	<u>(147,429)</u>
Gross profit		71,489	36,203
Other income and gains	6	10,691	2,114
Selling and distribution expenses	7	(47,166)	(30,123)
General and administrative expenses	7	<u>(40,353)</u>	<u>(56,406)</u>
Operating loss		(5,339)	(48,212)
Finance costs		(3,029)	(2,970)
Share of results of investments accounted for using the equity method		<u>(1,513)</u>	<u>(132)</u>
Loss before income tax		(9,881)	(51,314)
Income tax (expense)/credit	8	<u>(317)</u>	<u>2,956</u>
Loss for the period		<u>(10,198)</u>	<u>(48,358)</u>
Other comprehensive income/(loss)			
<i>Item that has been reclassified or may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		<u>32</u>	<u>(226)</u>
Total comprehensive loss for the period		<u>(10,166)</u>	<u>(48,584)</u>

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
(Loss)/profit attributable to:			
Equity holders of the Company		(10,972)	(48,358)
Non-controlling interests		774	—
		(10,198)	(48,358)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(10,940)	(48,584)
Non-controlling interests		774	—
		(10,166)	(48,584)
Loss per share attributable to equity holders of the Company			
Basic and diluted (HK cents per share)	<i>9</i>	(1)	(7)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		61,890	63,271
Right-of-use assets	11	13,328	15,266
Goodwill		26,139	26,139
Intangible assets		6,137	6,621
Prepayments and deposits		2,575	3,542
Investments accounted for using the equity method		38,341	39,846
Financial assets at fair value through profit or loss		32,831	23,430
Deferred income tax assets		9,946	9,946
Total non-current assets		191,187	188,061
Current assets			
Inventories		153,553	125,336
Prepayments, deposits and other receivables		105,513	61,142
Amounts due from related parties		2,779	1,911
Trade receivables	12	135,736	124,116
Cash and cash equivalents		104,517	119,344
Total current assets		502,098	431,849
Total assets		693,285	619,910
Non-current liabilities			
Lease liabilities	11	5,877	7,413
Deferred income tax liabilities		662	778
Total non-current liabilities		6,539	8,191

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	Notes		
Current liabilities			
Trade payables	13	152,383	66,484
Other payables and accruals		35,780	50,045
Bank borrowings		153,442	131,865
Loan from a shareholder		50,000	50,000
Amounts due to related parties		4,376	–
Amount due to the ultimate holding company		–	996
Lease liabilities	11	8,437	9,042
Current tax liabilities		576	12,848
Total current liabilities		404,994	321,280
Total liabilities		411,533	329,471
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	8,000	8,000
Reserves		270,696	280,157
		278,696	288,157
Non-controlling interests		3,056	2,282
Total equity		281,752	290,439
Total equity and liabilities		693,285	619,910

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Tycoon Empire Investment Limited, which was incorporated in the British Virgin Islands (the “**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 (the “**Board**”) on 27 August 2021.

This interim condensed consolidated financial information has not been audited.

Significant events and transactions

Write-down of inventories

During the six months ended 30 June 2021, the ongoing global pandemic of coronavirus disease 2019 (the “**COVID-19**”) has been affecting the demand of certain of the Group’s health and well-being related products. Management had carried out an assessment over the realisability of inventories based on their expiry dates, physical condition, expected market demand and other factors. As a result, HK\$11,140,000 of inventories (six months ended 30 June 2020: HK\$15,040,000) has been written down to their net realisable values and was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

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

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

2 BASIS OF PREPARATION

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

3 ACCOUNTING POLICIES

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

New and amended standards adopted by the Group

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

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

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

4 ESTIMATES

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

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

5 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

	Distribution		Retail stores		E-commerce		Total	
	unaudited	audited	unaudited	audited	unaudited	audited	unaudited	audited
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>307,966</u>	<u>345,534</u>	<u>1,604</u>	<u>1,980</u>	<u>186,738</u>	<u>36,247</u>	<u>496,308</u>	<u>383,761</u>
Investments accounted for using the equity method							38,341	39,846
Financial assets at fair value through profit or loss							32,831	23,430
Deferred income tax assets							9,946	9,946
Amounts due from related parties							2,779	1,911
Cash and cash equivalents							104,517	119,344
Corporate and other unallocated assets							<u>8,563</u>	<u>41,672</u>
Total							<u>693,285</u>	<u>619,910</u>
	Distribution		Retail stores		E-commerce		Total	
	unaudited	audited	unaudited	audited	unaudited	audited	unaudited	audited
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	<u>(71,809)</u>	<u>(84,281)</u>	<u>(285)</u>	<u>(81)</u>	<u>(100,835)</u>	<u>(12,593)</u>	<u>(172,929)</u>	<u>(96,955)</u>
Deferred income tax liabilities							(662)	(778)
Bank borrowings							(153,442)	(131,865)
Loan from a shareholder							(50,000)	(50,000)
Amounts due to related parties							(4,376)	–
Amount due to the ultimate holding company							–	(996)
Current tax liabilities							(576)	(12,848)
Corporate and other unallocated liabilities							<u>(29,548)</u>	<u>(36,029)</u>
Total							<u>(411,533)</u>	<u>(329,471)</u>

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

6 REVENUE, OTHER INCOME AND GAINS

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

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Revenue		
Sale of goods	<u>380,660</u>	<u>183,632</u>
Disaggregated revenue information		
Geographical markets		
Hong Kong	98,391	108,143
Mainland China	230,493	63,919
Macau	51,226	11,498
Singapore	477	72
Others	<u>73</u>	<u>–</u>
	<u>380,660</u>	<u>183,632</u>
Timing of revenue recognition		
Goods transferred at a point of time	<u>380,660</u>	<u>183,632</u>

Unaudited
Six months ended 30 June
2021 2020
HK\$'000 **HK\$'000**

Other income and gains

Fair value gain on financial assets at fair value through profit or loss	9,401	–
Gain on disposal of property, plant and equipment	200	651
Gain on disposal of subsidiaries	–	109
Government subsidies (<i>Note</i>)	230	1,348
Others	860	6
	10,691	2,114

Note:

The amounts 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.

7 EXPENSES BY NATURE

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

Unaudited
Six months ended 30 June
2021 2020
HK\$'000 **HK\$'000**

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

Note:

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

8 INCOME TAX EXPENSE/(CREDIT)

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

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

9 LOSS PER SHARE

Basic

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

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

Diluted

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

Diluted loss per share presented is the same as the basic loss per share as there was no potentially dilutive ordinary share outstanding for the period ended 30 June 2021 (six months ended 30 June 2020: same).

10 DIVIDEND

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

11 LEASES

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

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

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

12 TRADE RECEIVABLES

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

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

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	70,892	64,297
Amounts due to related parties	81,491	2,187
	<hr/>	<hr/>
Total	152,383	66,484
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As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date is as follows:

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

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

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

Notes:

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

15 EVENT OCCURRING AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

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

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

Distribution business

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

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

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

E-commerce business

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

New product offerings

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

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

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

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

FUTURE OUTLOOK

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

Recovery of the retail and distribution industry

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

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

Further expansion of e-commerce business

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

Future marketing strategies

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

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

Favourable policy of the PRC

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

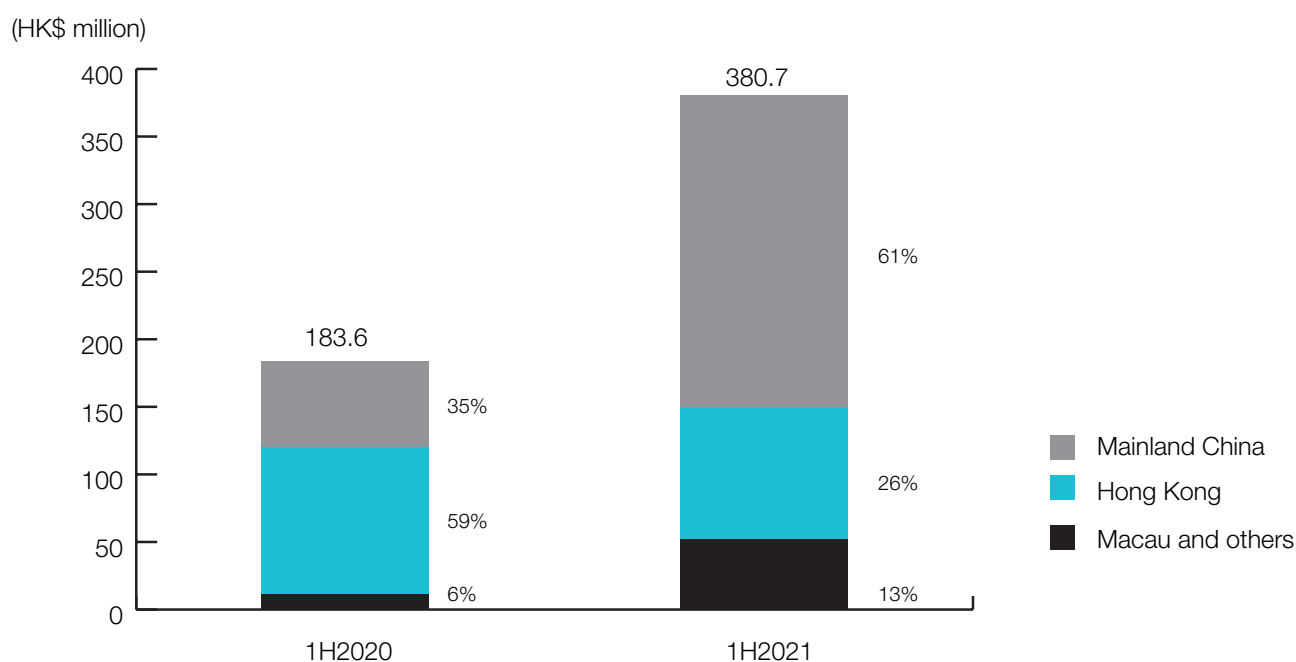
Given the large population in Mainland China and the strong demand for reputable PCM and health supplement products, together with the favorable policy stated above, the Group expects that the future business growth will mainly come from Mainland China, and therefore will continue to actively develop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

Aging population

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

FINANCIAL REVIEW

Revenue



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

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

Profitability

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

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

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

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

Other income and gains

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

Loss attributable to shareholders

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CAPITAL STRUCTURE

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

PLEDGE OF ASSETS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in this announcement, 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

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

CONTINGENT LIABILITIES

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

UPDATE ON THE PRE-IPO SHAREHOLDERS AGREEMENT

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

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

Under the Pre-IPO Shareholders Agreement, CR Pharma, 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 to liaise for amendment of certain terms of the Pre-IPO Shareholders Agreement. On 18 June 2021, the Company, the Controlling Shareholders, Pre-IPO Investor A and Pre-IPO Investor B entered into a modification deed to amend the Pre-IPO Shareholders Agreement (“**Amended Pre-IPO Shareholders Agreement**”). Pursuant to the Amended Pre-IPO Shareholders Agreement, certain special rights granted to Pre-IPO Investor A by the Controlling Shareholders were amended such as (i) the profit guarantee period is extended to 31 December 2023; and (ii) the Target Profit is still HK\$274.0 million but covering five financial years ending 31 December 2023.

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

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

DIVIDEND

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

USE OF PROCEEDS FROM LISTING

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

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

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

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

EVENT OCCURRING AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE CODE

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

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

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

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

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

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

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.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Board (“**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.

PUBLICATION OF THE 2021 INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tycoongroup.com.hk). The interim report of the Company for the Period containing all the information required under the Listing Rules will be published on the aforesaid websites of the Stock Exchange and the Company and will be despatched to the Company's shareholders in due course.

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

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Wong Ka Chun Michael; three non-executive Directors, namely Mr. Yao Qingqi, Ms. Chong Yah Lien and Ms. Li Ka Wa Helen; and three independent non-executive Directors, namely Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa.