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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

		For the six months ended 30 June	
		2022	2021
Revenue	<i>HK\$'000</i>	63,516	73,116
Gross profit	<i>HK\$'000</i>	52,549	44,102
Profit/(loss) before taxation	<i>HK\$'000</i>	16,706	(31,654)
Profit/(loss) attributable to owners of the Company	<i>HK\$'000</i>	20,169	(27,083)
Gross profit margin	<i>%</i>	82.7	60.3
Profit/(loss) margin attributable to owners of the Company	<i>%</i>	31.8	(37.0)
Earning/(loss) per share — basic and diluted	<i>HK\$</i>	0.083	(0.123)
		As at	
		30 June	31 December
		2022	2021
Current ratio		0.8 times	0.7 times
Gearing ratio		116.1%	311.8%
Average trade receivables turnover period		19.4 days	17 days
Average trade payables turnover period		70 days	16.4 days
Average inventory turnover period		346.9 days	215.4 days

The board (the “Board”) of directors (the “Directors”) of TATA Health International Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 (the “Reporting Period”) together with comparative figures for the corresponding period in 2021, and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 together with audited comparative figures as at 31 December 2021. The unaudited condensed consolidated interim financial statements have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended	
		30.6.2022	30.6.2021
	<i>Notes</i>	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	3	63,516	73,116
Cost of sales		(10,967)	(29,014)
Gross profit		52,549	44,102
Other income		2,624	2,716
Other gain and loss	5	31,882	(776)
Impairment loss under expected credit loss model, net		(48)	—
Selling and distribution costs		(28,886)	(28,237)
Administrative expenses		(39,928)	(48,104)
Share of results of an associate		(400)	(881)
Finance costs		(1,087)	(474)
Profit/(loss) before taxation	6	16,706	(31,654)
Taxation	7	—	—
Profit/(loss) for the period		16,706	(31,654)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		2,560	199
Total comprehensive income/(expense) for the period		19,266	(31,455)

		Six months ended	
		30.6.2022	30.6.2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		20,169	(27,083)
Non-controlling interests		(3,463)	(4,571)
		<u>16,706</u>	<u>(31,654)</u>
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		22,007	(26,655)
Non-controlling interests		(2,741)	(4,800)
		<u>19,266</u>	<u>(31,455)</u>
Earning/(loss) per share — basic and diluted (<i>HK\$</i>)	9	<u>0.08</u>	<u>(0.12)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	At 30.6.2022 HK\$'000 (unaudited)	At 31.12.2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		24,668	10,938
Investment properties		2,100	2,100
Interests in associates		—	400
Loans to an associate		43,191	42,673
Deferred tax assets		5,150	5,150
Deposits and prepayment for a life insurance policy		1,920	1,918
Rental deposits and prepayment		2,946	2,127
		79,975	65,306
Current assets			
Inventories		22,456	19,578
Trade and other receivables	10	27,643	28,054
Amount due from a related company		2,587	7,071
Amounts due from associates		2,071	1,776
Pledged time deposits		20,336	20,292
Bank balances and cash		24,320	26,743
		99,413	103,514
Assets classified as held for sale		—	8,041
		99,413	111,555
Current liabilities			
Trade and other payables	11	76,536	67,439
Contract liabilities		153	216
Amounts due to related companies		8,770	42,355
Taxation payable		835	564
Lease liabilities		12,998	8,278
Other borrowing — due within one year		15,000	15,000
Bank borrowings — due within one year		11,902	15,707
		126,194	149,559

	At 30.6.2022 <i>HK\$'000</i> (unaudited)	At 31.12.2021 <i>HK\$'000</i> (audited)
Net current liabilities	<u>(26,781)</u>	<u>(38,004)</u>
Total assets less current liabilities	<u>53,194</u>	<u>27,302</u>
Non-current liabilities		
Lease liabilities	9,075	1,982
Loan from a related company	<u>11,248</u>	<u>11,715</u>
	<u>20,323</u>	<u>13,697</u>
Net assets	<u><u>32,871</u></u>	<u><u>13,605</u></u>
Capital and reserves		
Share capital	2,428	2,428
Reserves	<u>42,589</u>	<u>20,582</u>
Equity attributable to owners of the Company	45,017	23,010
Non-controlling interests	<u>(12,146)</u>	<u>(9,405)</u>
Total equity	<u><u>32,871</u></u>	<u><u>13,605</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company.

As at 30 June 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$26,781,000 (31 December 2021: HK\$38,004,000).

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

1) Financial support from ultimate controlling party

Mr. Yang Jun, the ultimate controlling party of the Company who has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from date of approval for issue of these consolidated financial statements.

2) Alternative sources of external funding

At 30 June 2022, the Group had unutilised banking facilities.

3) Disposal of existing assets

The Group will also consider to dispose its properties and other assets at a favorable consideration to improve its liquidity when appropriate.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/ or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended	
	30.6.2022 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (unaudited)
Sales of goods		
Footwear products	61,951	66,870
Healthcare products	222	621
Financial services	964	4,250
Online medical services	379	1,375
	<u>63,516</u>	<u>73,116</u>
Sales of channel		
Retail	60,208	64,729
Wholesale	1,743	2,141
Internet	601	1,996
Corporate	964	4,250
	<u>63,516</u>	<u>73,116</u>
Time of revenue recognition		
A point in time	62,173	68,662
Over time	1,343	4,454
	<u>63,516</u>	<u>73,116</u>

4. OPERATING SEGMENT

Information reported to the executive directors of the Company, being the chief operating decision makers (the “CODM”), for the purpose 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 six months ended 30 June 2022 (unaudited)

	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	<u>61,951</u>	<u>222</u>	<u>964</u>	<u>379</u>	<u>63,516</u>	<u>—</u>	<u>63,516</u>
Segment results	<u>31,095</u>	<u>(2,304)</u>	<u>(1,767)</u>	<u>(5,003)</u>	<u>22,021</u>	<u>—</u>	<u>22,021</u>
Share of results of an associate							(400)
Unallocated income							593
Unallocated expenses							<u>(5,508)</u>
Profit before taxation							<u>16,706</u>

For the six months ended 30 June 2021 (unaudited)

	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	<u>66,870</u>	<u>621</u>	<u>4,250</u>	<u>1,375</u>	<u>73,512</u>	<u>—</u>	<u>73,116</u>
Segment results	<u>(13,824)</u>	<u>(2,635)</u>	<u>(2,145)</u>	<u>(7,474)</u>	<u>(26,078)</u>	<u>—</u>	<u>(26,078)</u>
Unallocated Income							72
Unallocated expenses							<u>(5,648)</u>
Loss before taxation							<u>(31,654)</u>

Geographical information

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

	Six months ended	
	30.6.2022 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (unaudited)
Hong Kong	58,056	66,662
Australia	222	621
Macau	4,859	4,458
Mainland China	<u>379</u>	<u>1,375</u>
	<u>63,516</u>	<u>73,116</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit/(loss) resulted from each segment without allocation of central administration costs and rental income. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 30.6.2022 <i>HK\$'000</i> (unaudited)	At 31.12.2021 <i>HK\$'000</i> (audited)
<i>Segment assets</i>		
Trading of footwear products	110,868	98,134
Trading of healthcare products	1,329	1,392
Financial services	7,766	8,860
Online medical services	5,660	5,359
	<hr/>	<hr/>
Total reportable segment assets	125,623	113,745
Unallocated assets	53,765	63,116
	<hr/>	<hr/>
Consolidated assets	<u>179,388</u>	<u>176,861</u>
<i>Segment liabilities</i>		
Trading of footwear products	69,414	52,560
Trading of healthcare products	3,493	1,512
Financial services	4,704	3,624
Online medical services	23,067	18,974
	<hr/>	<hr/>
Total reportable segment liabilities	100,678	76,670
Unallocated liabilities	45,839	86,586
	<hr/>	<hr/>
Consolidated liabilities	<u>146,517</u>	<u>163,256</u>

5. OTHER GAIN AND LOSS

	Six months ended	
	30.6.2022 <i>HK\$'000</i> (unaudited)	30.6.2021 <i>HK\$'000</i> (unaudited)
Net exchange loss	(1,077)	(776)
Gain on disposal of properties	32,959	—
	<hr/>	<hr/>
	<u>31,882</u>	<u>(776)</u>

6. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended	
	30.6.2022	30.6.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	5,991	8,379
Premium charges on a life insurance policy	14	14
Staff costs, including directors' emoluments	38,164	40,857
Reversal of allowance for inventories, included in cost of sales	(13,162)	—
COVID-19-related rent concessions	(625)	(335)
Allowance for expected credit losses on financial assets (<i>Note</i>)	48	—
Rental income	(72)	(72)
Government grants, included in other income	(1,696)	—
Interest income	(608)	(116)
Imputed interest income on rental deposits	(62)	(103)
Imputed interest income from deposits and prepayment for a life insurance policy	(16)	(16)
	<u> </u>	<u> </u>

Note: The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

7. TAXATION

	Six months ended	
	30.6.2022	30.6.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	—	—
Macau Complementary Tax	—	—
	<u> </u>	<u> </u>
Deferred taxation	—	—
	<u> </u>	<u> </u>
	<u> </u>	<u> </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 periods.

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 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%.

Macau Complementary Tax is calculated at the rate of 12% (six months ended 30 June 2021: 12%) on the estimated assessable profit exceeding MOP600,000 for the period.

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 condensed consolidated financial statements as the subsidiary operating in Australia has no assessable profits for both periods.

Taiwan income tax is calculated at 20% (six months ended 30 June 2021: 20%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods Company Limited in Taiwan for the period. No provision for Taiwan income tax has been made in the condensed consolidated financial statements as the branch operating in Taiwan has no assessable profits for both periods.

Under the Law of the People’s Republic of China (“PRC”) on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (six months ended 30 June 2021: 25%). No provision for PRC Enterprise Income Tax has been made in the condensed consolidated financial statements as the subsidiaries operating in the PRC have no assessable profits for both periods.

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2021: nil). The directors of the Company have determined that no dividends will be paid in respect of the interim period.

9. EARNING/(LOSS) PER SHARE

The calculation of the basic and diluted earning/(loss) per share for the six months ended 30 June 2022 is based on the profit for the period attributable to owners of the Company of approximately HK\$20,169,000 (six months ended 30 June 2021: loss for the period attributable to owners of the Company of approximately HK\$27,083,000) and the weighted average number of 242,845,000 (six months ended 30 June 2021: 221,012,044) ordinary shares for the purpose of basic and diluted earning/(loss) per share during the period.

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 periods granted to the 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. The following is an aging analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	At 30.6.2022 <i>HK\$'000</i> (unaudited)	At 31.12.2021 <i>HK\$'000</i> (audited)
Within 30 days	4,548	5,507
31 to 60 days	321	989
61 to 90 days	441	512
Over 90 days	421	892
	<u>5,731</u>	<u>7,900</u>

11. TRADE AND OTHER PAYABLES

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

	At 30.6.2022 <i>HK\$'000</i> (unaudited)	At 31.12.2021 <i>HK\$'000</i> (audited)
Within 30 days	535	1,296
31 to 60 days	1,556	219
61 to 90 days	367	—
Over 90 days	2,830	1,677
	<u>5,288</u>	<u>3,192</u>

The average credit period of trade payables is 30 days.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Footwear Business

Under the influence of the decline of Hong Kong's overall retail industry in the first half of 2022, revenue of the Group's footwear business for the Reporting Period was approximately HK\$62.0 million, representing an approximately 7.3% decrease from HK\$66.9 million from the corresponding period of 2021. The Group had also recorded a same store sales decline of approximately 2.6% during the Reporting Period (30 June 2021: same store sales growth of approximately 12.2%).

Healthcare Business

Revenue of the Group's healthcare business for the Reporting Period was approximately HK\$0.2 million (30 June 2021: approximately HK\$0.6 million). The slight decrease in revenue compared with the corresponding period of 2021 was due to the months of lockdown and customs blockade caused by the COVID pandemic in Australia.

Financial Services Business

The operating revenue of DSG Finance Holdings (Hong Kong) Limited (a subsidiary of the Company) and its subsidiaries (collectively, the "DSG Group") derives from: (i) advisory services in securities; (ii) investment management services; and (iii) advisory services in corporate finance.

During the Reporting Period, due to the lasting impact of the COVID pandemic, the DSG Group had only achieved a revenue of approximately HK\$1.0 million (30 June 2021: approximately HK\$4.3 million), which was mainly investment management income; and recorded a net loss of approximately HK\$1.8 million (30 June 2021: approximately HK\$2.1 million), which was due to the high labour costs, rental expenses & consultancy fees incurred.

Online Medical Services Business

The online medical services business of the Group, being the first to obtain an internet medical licence, is still the first and only class III comprehensive Internet Hospital in Shanghai. It is entering into the post-entrepreneurial phase after completing the establishment of a one-stop Internet hospital platform.

During the Reporting Period, the recognized revenue of this business segment was approximately HK\$0.4 million (30 June 2021: approximately HK\$1.4 million), with a segment loss of approximately HK\$5.0 million (30 June 2021: approximately HK\$7.5 million), which was mainly due to high operation costs and the lockdown of Shanghai during the Reporting Period. By the end of the Reporting Period, the cumulative number of registered users of the Internet Hospital and orders for online consultation reached were approximately 98,500 and 20,000, respectively.

Prospects

In the past six months, the global economy continued to be affected by the COVID pandemic. The Hong Kong Tourism Board announced on 28 July 2022 that there were about 76,000 visitors to Hong Kong in the first half of 2022, an 125% increase year on year. Nevertheless, the overall GDP of Hong Kong still decreased by 1.3% compared with the same period in 2021. The degree of economic recovery is still unsatisfactory.

In addition, according to the data released by the Census and Statistics Department of the HKSAR Government on 2 August 2022, the provisional estimate of the value of total retail sales in the first half of 2022 decreased by 2.6% year on year. Although the second stage consumption coupons to be issued will help support consumer demand, the future performance of the retail industry will still depend on the development of the epidemic in Hong Kong and the impact of the tightening of financial conditions on customers' consumption ability and atmosphere. As part of the retail industry, the footwear business is also seriously affected. The Group will operate the footwear business prudently and continue to expand the source of customers on the premise of maintaining stable income in the second half of 2022.

Due to the unfavourable business environment in the past few years, the DSG Group did not carry out any type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and the management of the DSG Group considered that it is no longer feasible to maintain the liquid capital required for such licence. The application in relation to the reduction of regulated activities has been approved in mid-July 2022. After the said reduction, members of the DSG Group are still licensed to carry out type 4 (advising in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO. The DSG Group will continue to focus on developing the financing consultancy business and seek opportunities during the second half of 2022.

For the Group's healthcare business in Australia, by fully understanding and integrating this huge market opportunity and customer demand, Sixth Avenue Plus Pty Ltd. ("SAP"), a subsidiary of the Company, will continue to build a competitive brand, supply chain and management model, develop and introduce new high-quality health supplements to customers, ensure supply stability and price advantage in order for the Australian natural health supplements and the 100% genuine security system to gain favor with customers in China.

SAP will also remain dedicated to developing more sales channels and quality Australian supplement products with good, easy and fast services. In addition, SAP intends to work with highly undervalued brands with huge potential and to become their exclusive distributor in the China market.

As a major layout under the great health transformation strategy, the internet medical sector is at the end of its initial stage. On the basis of completing the construction of a one-stop Internet hospital platform, the Company will strengthen its marketing efforts and expand sales performance.

Overall, there is still uncertainty in the future, and the performance of the Group may still be affected by unstable factors such as the COVID pandemic, etc. Nonetheless, the Group is committed to its strategic transformation towards the big health industry and will continue to strive to expand its healthcare business and implement effective market development strategies.

FINANCIAL REVIEW

Revenue

Revenue of the Group's businesses for the Reporting Period was approximately HK\$63.5 million, representing a decrease of approximately 13.1% from approximately HK\$73.1 million from the corresponding period of 2021.

Revenue from the Footwear Business

Revenue of the Group's footwear business for the Reporting Period was approximately HK\$62.0 million, representing an approximately 7.3% decrease from HK\$66.9 million from the corresponding period of 2021. With regard to the sales of footwear products of the major brands for the Reporting Period as compared with the corresponding period of 2021, sales of "Clarks" footwear products had decreased by approximately 14.3% and sales of "Josef Seibel" footwear products had increased by approximately 36.2%.

As at 30 June 2022, the Group operated 27 retail outlets in Hong Kong (30 June 2021: 30) and 1 retail outlet in Macau (30 June 2021: 1).

Revenue from the Financial Services Business

Revenue of the Group's financial services business for the Reporting Period was approximately HK\$1.0 million (30 June 2021: approximately HK\$4.3 million). The decrease in revenue was mainly due to the decrease of the demand of advisory services in securities and corporate finance as affected by the COVID pandemic.

Revenue from the Healthcare Business

Revenue of the Group's healthcare business for the Reporting Period was approximately HK\$0.2 million (30 June 2021: approximately HK\$0.6 million). The main reason for the continuous low level of sales activities was due to the COVID pandemic and the months of lockdown and customs blockade in Australia during the Reporting Period.

With regard to the sales of the major brands under distribution agreements for the Reporting Period, sales of AXS products accounted for almost 100% of the total sales turnover.

Revenue from the Online Medical Services Business

Revenue of the Group's online medical services business for the Reporting Period was approximately HK\$0.4 million (30 June 2021: approximately HK\$1.4 million). The decrease in revenue was mainly due to the decrease in the number of registered users and orders for on-line consultations reached compared with the corresponding period of 2021.

Cost of Sales

Cost of sales amounted to approximately HK\$11.0 million for the Reporting Period, representing approximately 17.3% of revenue (30 June 2021: approximately HK\$29.0 million, representing approximately 39.6% of revenue). The significant decrease in cost of sales was mainly due to the decrease in sales activities of the healthcare business and the decrease of inventory allowance for the footwear products.

Gross Profit

Gross profit (which equals to revenue minus cost of sales) of the Group for the Reporting Period was approximately HK\$52.5 million, representing an increase of approximately 19.0% from approximately HK\$44.1 million from the corresponding period of 2021. Gross profit margin of the Group for the Reporting Period was approximately 82.7% (30 June 2021: approximately 60.3%). The increase in gross profit margin was due to the significant reduction in the above-mentioned cost of sales.

Staff Costs

Staff costs for the Reporting Period were approximately HK\$38.2 million, representing approximately 60.1% of revenue (30 June 2021: approximately HK\$40.9 million, representing approximately 55.8% of revenue). The decrease in staff costs was mainly due to the decrease in number of staff of the online medical services business and the healthcare business as compared to the corresponding period of 2021.

Depreciation

Depreciation accounted for approximately 7.7% of revenue for the Reporting Period (30 June 2021: approximately 11.8%).

Finance Costs

Finance costs for the Reporting Period amounted to approximately HK\$1.1 million (30 June 2021: approximately HK\$0.47 million). The finance costs mainly consist of interest expenses incurred on the trade related financing facilities with banks, other borrowing and lease liabilities.

Profit Before Taxation

As a result of the foregoing, profit before taxation for the Reporting Period was approximately HK\$16.7 million (30 June 2021: loss before taxation of approximately HK\$31.7 million).

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows, bank borrowings and financial support from the Company's shareholders. As at 30 June 2022, the Group had bank deposits and cash amounting to approximately HK\$24.3 million (31 December 2021: approximately HK\$26.7 million), representing a decrease of approximately 8.9% from 31 December 2021. Most bank deposits and cash were denominated in Hong Kong dollars. As at 30 June 2022, the Group had short-term bank borrowings amounting to approximately HK\$11.9 million (31 December 2021: approximately HK\$15.7 million). As at 30 June 2022, the Group did not have any outstanding long-term borrowings, except for a loan from a related company and lease liabilities in the amount of approximately HK\$11.2 million and HK\$9.1 million, respectively (31 December 2021: approximately HK\$11.7 million and HK\$2.0 million, respectively).

Pledge of Assets

As at 30 June 2022, investment properties, land and buildings, deposit and prepayment for a life insurance policy, time deposits and related company's land and buildings (31 December 2021: leasehold land and buildings, assets classified as held for sale, investment properties and 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 30 June 2022, the Group's gearing ratio (which equals to total debt to total equity) was approximately 116.1% (31 December 2021: approximately 311.8%). The decrease in gearing ratio resulted from the increase in net assets, which was due to the increase in non-current assets caused by no impairment of goodwill and intangible assets, and the decrease in current liabilities in the amount of approximately HK\$23.4 million, resulting from a reduction in the amounts due to related companies of HK\$37.0 million as set off against the consideration for the disposal of the properties under the trading of footwear products segment in early 2022.

Treasury Policy

The Group adopts a treasury policy that aims to better control its treasury operations and lower its borrowing cost. As such, the Group endeavors to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board also considers various funding sources depending on the Group's needs so as to ensure 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.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Announcements pursuant to Rule 3.7 of the Code on Takeovers and Mergers of Hong Kong

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 certain shares of the Company (the "Charged Shares") held by Shang Ying Financial Holding Co., Limited, which had been charged to Great Wall International Investment X Limited. The number of Charged Shares was 123,993,617 and represented approximately 51.06% of the issued share capital of the Company 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") which was subsequently suspended in April 2021 and resumed in January 2022. 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, 12 March 2021, 12 April 2021, 13 January 2022, 11 February 2022, 11 March 2022, 13 April 2022, 13 May 2022, 13 June 2022, 13 July 2022 and 12 August 2022, respectively.

Foreign Currency Risks

The Group's sales and purchases for the Reporting Period were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, Singapore dollars, Euros, United States dollars and Australian dollars. 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 30 June 2022.

HUMAN RESOURCES

As at 30 June 2022, the Group employed 153 employees (31 December 2021: 185). Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications and experience. During the Reporting Period, various training activities, such as training of product and service knowledge, management skills as well as local consumer laws, had been conducted to improve the performance of our staff members.

DIVIDENDS

The Board has resolved not to declare an interim dividend for the Reporting Period (30 June 2021: Nil).

PURCHASE, SALE OR 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 Reporting Period.

CORPORATE GOVERNANCE

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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Reporting Period.

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" (Appendix 10 to the Listing Rules) (the "Model Code") 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 Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (comprising three independent non-executive Directors, namely Mr. Xie Rongxing, Ms. Tan Yuying and Mr. Wang Jian) has reviewed with management the principal accounting policies adopted by the Group and discussed the risk management, internal controls and financial reporting matters including a review of the interim financial statements for the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, no major subsequent events affecting the Group had occurred since the end of the Reporting Period and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.s-culture.com). The 2022 interim report of the Company, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to thank the management of the Group and all our 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 August 2022

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Yang Jun and Mr. Lai Wenjing; four non-executive Directors, namely Mr. Lin Zheming, Mr. Lin Jun, Mr. Chu Chun Ho, Dominic and Mr. Chen Anhua; and three independent non-executive Directors, namely, Mr. Xie Rongxing, Ms. Tan Yuying and Mr. Wang Jian.