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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 2023

		For the six months ended 30 June	
		2023	2022
Revenue	<i>HK\$'000</i>	104,131	63,516
Gross profit	<i>HK\$'000</i>	85,233	52,549
(Loss)/profit before taxation	<i>HK\$'000</i>	(14,290)	16,706
(Loss)/profit attributable to owners of the Company	<i>HK\$'000</i>	(12,327)	20,169
Gross profit margin	<i>%</i>	81.9	82.7
(Loss)/profit margin attributable to owners of the Company	<i>%</i>	(11.8)	31.8
(Loss)/earning per share — basic and diluted	<i>HK\$</i>	(0.05)	0.083
		As at	
		30 June 2023	31 December 2022
Current ratio		0.6 times	0.7 times
Gearing ratio		356.3%	102.6%
Average trade receivables turnover period		13.9 days	19.7 days
Average trade payables turnover period		61.8 days	75.6 days
Average inventory turnover period		256.5 days	242.6 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 2023 (the “Reporting Period”) together with comparative figures for the corresponding period in 2022, and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 together with audited comparative figures as at 31 December 2022. 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 2023

	Notes	Six months ended	
		30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
Revenue	3	104,131	63,516
Cost of sales		<u>(18,898)</u>	<u>(10,967)</u>
Gross profit		85,233	52,549
Other income		2,004	2,624
Other gain and loss	5	(961)	31,882
Impairment loss under expected credit loss model, net		—	(48)
Selling and distribution costs		(37,508)	(28,886)
Administrative expenses		(61,987)	(39,928)
Share of results of an associate		—	(400)
Finance costs		<u>(1,071)</u>	<u>(1,087)</u>
(Loss)/profit before taxation	6	(14,290)	16,706
Taxation	7	<u>—</u>	<u>—</u>
(Loss)/profit for the period		(14,290)	16,706
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		<u>2,011</u>	<u>2,560</u>
Total comprehensive (expense)/income for the period		<u><u>(12,279)</u></u>	<u><u>19,266</u></u>

	<i>Note</i>	Six months ended	
		30.6.2023	30.6.2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(12,327)	20,169
Non-controlling interests		(1,963)	(3,463)
		<u>(14,290)</u>	<u>16,706</u>
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(11,011)	22,007
Non-controlling interests		(1,268)	(2,741)
		<u>(12,279)</u>	<u>19,266</u>
(Loss)/earning per share — basic and diluted (<i>HK\$</i>)	9	<u>(0.05)</u>	<u>0.08</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	At 30.6.2023 HK\$'000 (unaudited)	At 31.12.2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		27,174	22,433
Investment properties		2,100	2,100
Interests in associates		—	—
Loans to an associate		43,883	42,967
Deferred tax assets		4,252	4,252
Deposits and prepayment for a life insurance policy		1,929	1,924
Rental deposits and prepayment		3,438	2,314
		82,776	75,990
Current assets			
Inventories		32,377	21,177
Trade and other receivables	10	24,663	22,150
Amounts due from associates		2,598	2,547
Pledged time deposits		26,940	20,539
Bank balances and cash		17,873	33,649
		104,451	100,062
Current liabilities			
Trade and other payables	11	101,526	91,951
Contract liabilities		127	175
Amounts due to related companies		20,109	13,956
Loan from a related company		10,646	10,917
Lease liabilities		12,320	11,478
Other borrowing — due within one year		15,000	15,000
Bank borrowings — due within one year		8,722	5,000
		168,450	148,477

	At 30.6.2023 <i>HK\$'000</i> (unaudited)	At 31.12.2022 <i>HK\$'000</i> (audited)
Net current liabilities	<u>(63,999)</u>	<u>(48,415)</u>
Total assets less current liabilities	<u>18,777</u>	<u>27,575</u>
Non-current liabilities		
Lease liabilities	<u>12,119</u>	<u>8,638</u>
	<u>12,119</u>	<u>8,638</u>
Net assets	<u><u>6,658</u></u>	<u><u>18,937</u></u>
Capital and reserves		
Share capital	2,428	2,428
Reserves	<u>20,210</u>	<u>31,221</u>
Equity attributable to owners of the Company	22,638	33,649
Non-controlling interests	<u>(15,980)</u>	<u>(14,712)</u>
Total equity	<u><u>6,658</u></u>	<u><u>18,937</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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.

The Group incurred a net loss of approximately HK\$14,290,000 for the six months ended 30 June 2023. As at 30 June 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$63,999,000 (31 December 2022: HK\$48,415,000).

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) Alternative sources of external funding

At 30 June 2023, the Group had unutilised banking facilities of approximately HK\$46,985,000.

2) Disposal of existing assets

The Group will also consider to dispose of 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of amendments to HKFRSs in the Reporting 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	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
Sales of goods		
Footwear products	100,660	61,951
Healthcare products	—	222
Financial services	3,369	964
Online medical services	102	379
	<u>104,131</u>	<u>63,516</u>
Sales of channel		
Retail	98,466	60,208
Wholesale	2,194	1,743
Internet	102	601
Corporate	3,369	964
	<u>104,131</u>	<u>63,516</u>
Time of revenue recognition		
A point in time	100,660	62,173
Over time	3,471	1,343
	<u>104,131</u>	<u>63,516</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 2023 (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>100,660</u>	<u>—</u>	<u>3,369</u>	<u>102</u>	<u>104,131</u>	<u>—</u>	<u>104,131</u>
Segment results	<u>(1,254)</u>	<u>(697)</u>	<u>360</u>	<u>(4,457)</u>	<u>(6,048)</u>	<u>—</u>	<u>(6,048)</u>
Share of results of an associate							—
Unallocated income							978
Unallocated expenses							<u>(9,220)</u>
Loss before taxation							<u>(14,290)</u>

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>

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	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
Hong Kong	95,061	58,056
Australia	—	222
Macau	8,968	4,859
Mainland China	102	379
	<u>104,131</u>	<u>63,516</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the (loss)/profit 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 30.6.2023 <i>HK\$'000</i> (unaudited)	At 31.12.2022 <i>HK\$'000</i> (audited)
<i>Segment assets</i>		
Trading of footwear products	128,845	118,823
Trading of healthcare products	1,855	1,844
Financial services	5,356	5,037
Online medical services	1,129	3,707
	<hr/>	<hr/>
Total reportable segment assets	137,185	129,411
Unallocated assets	50,042	46,641
	<hr/>	<hr/>
Consolidated assets	<u>187,227</u>	<u>176,052</u>
<i>Segment liabilities</i>		
Trading of footwear products	87,110	75,880
Trading of healthcare products	5,478	5,041
Financial services	2,467	2,950
Online medical services	27,177	26,180
	<hr/>	<hr/>
Total reportable segment liabilities	122,232	110,051
Unallocated liabilities	58,337	47,064
	<hr/>	<hr/>
Consolidated liabilities	<u>180,569</u>	<u>157,115</u>

5. OTHER GAIN AND LOSS

	Six months ended	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
Net exchange loss	(961)	(1,077)
Gain on disposal of properties	—	32,959
	<hr/>	<hr/>
	<u>(961)</u>	<u>31,882</u>

6. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2023	30.6.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
(Loss)/profit before taxation has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	6,042	5,991
Premium charges on a life insurance policy	13	14
Staff costs, including directors' emoluments	39,130	38,164
Reversal of allowance for inventories, included in cost of sales	(13,177)	(13,162)
COVID-19-related rent concessions	—	(625)
Allowance for expected credit losses on financial assets (<i>Note</i>)	—	48
Rental income	(62)	(72)
Government grants, included in other income	—	(1,696)
Interest income	(620)	(608)
Imputed interest income on rental deposits	(41)	(62)
Imputed interest income from deposits and prepayment for a life insurance policy	(18)	(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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

7. TAXATION

	Six months ended	
	30.6.2023	30.6.2022
	<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.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of 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 not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2023 as the Group has sufficient tax losses brought forward available to offset the current year estimated assessable profits (2022: Nil).

Macau Complementary Tax is calculated at the rate of 12% (six months ended 30 June 2022: 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 17% (six months ended 30 June 2022: 17%) 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 2022: 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 2022: nil). The directors of the Company have determined that no dividends will be paid in respect of the interim period.

9. (LOSS)/EARNING PER SHARE

The calculation of the basic and diluted (loss)/earning per share for the six months ended 30 June 2023 is based on the loss for the period attributable to owners of the Company of approximately HK\$12,327,000 (six months ended 30 June 2022: earning for the period attributable to owners of the Company of approximately HK\$20,169,000) and the weighted average number of 242,845,000 (six months ended 30 June 2022: 242,845,000) ordinary shares for the purpose of basic and diluted (loss)/earning 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 30.6.2023 <i>HK\$'000</i> (unaudited)	At 31.12.2022 <i>HK\$'000</i> (audited)
Within 30 days	5,442	5,541
31 to 60 days	1,293	1,163
61 to 90 days	1,306	530
Over 90 days	257	478
	<u>8,298</u>	<u>7,712</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 30.6.2023 <i>HK\$'000</i> (unaudited)	At 31.12.2022 <i>HK\$'000</i> (audited)
Within 30 days	1,706	1,350
31 to 60 days	147	10
61 to 90 days	—	3,868
Over 90 days	1,543	4,274
	<u>3,396</u>	<u>9,502</u>

The average credit period of trade payables is 30 days.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Footwear Business

With the gradual recovery of the Hong Kong economy after the COVID pandemic, revenue of the Group's footwear business for the Reporting Period was approximately HK\$100.7 million, representing an approximately 62.5% increase from approximately HK\$62.0 million from the corresponding period of 2022. The Group had recorded a same store sales growth of approximately 54.3% during the Reporting Period (30 June 2022: same store sales decline of 2.6%).

Nevertheless, there was a loss of HK\$1.19 million during the Reporting Period, mainly due to an increase of approximately HK\$23.0 million in administrative expenses as compared to the corresponding period of 2022, which was caused principally by the increase of medical expenses and directors' remuneration in the footwear segment.

Healthcare Business

Revenue of the Group's healthcare business for the Reporting Period was zero (30 June 2022: approximately HK\$0.2 million). Due to the impact of customs blockades and tight funding in the previous years, the Group has decided to temporarily maintain the sustainability of this segment at the lowest cost, thus suspending the operation of related businesses in the first half of the year.

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.

In the first half year of 2023, resulting from the gradual improvement of Hong Kong's economic environment and the HKSAR Government's post-pandemic measures to boost the economy, DSG Group had achieved a total turnaround of approximately HK\$3.4 million, which was mainly contributed by consulting income of approximately HK\$1.7 million and investment management income of approximately HK\$0.9 million. In addition, it also achieved a net profit of approximately HK\$0.4 million during the same period.

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\$0.1 million (30 June 2022: approximately HK\$0.4 million), with a segment loss of approximately HK\$4.5 million (30 June 2022: approximately HK\$5.0 million), which was mainly due to high operation costs and the economic downturn in 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 consultations reached were 114,297 and 17,080, respectively.

Prospects

In the past six months, the overall global economic environment was still unstable, with the gradual improvement of Hong Kong's economic environment and the measures taken by the HKSAR Government to boost the economy after the COVID pandemic, the year-on-year growth rate of Hong Kong's overall GDP (1.5%) has been significantly higher than that of 2022 (-3.5%). The Hong Kong Tourism Board announced on 14 July 2023 that the number of visitors to Hong Kong reached 13 million during the Reporting Period, compared to only 76,000 in the same period last year.

In addition, according to the data released by the Census and Statistics Department of the HKSAR Government on 1 August 2023, the provisional estimate of the value of total retail sales in the first half of 2023 increased by 20.7% year-on-year. As part of the retail industry, with the gradual improvement of Hong Kong's economic environment, with respect to the footwear business, which is the main business of the Company, the sales increased by 65.5% in the first half of the year compared to the same period last year, and it is expected to continue to expand in the second half of the year. In addition, based on the significant growth of Josef Seibel footwear products of nearly 2.5 times, we will focus more on the diversification of our range of footwear products, explore potential business cooperations and introduce new brands with growth potential and high gross profit margins.

For the DSG Group, which is also located in Hong Kong, its future performance will also achieve positive growth and will continue to focus on developing its financing consulting business and explore new market opportunities, such as Singapore, in the second half of 2023.

For the Group's healthcare business in Australia, based on concerns about the instability of the mainland market in China, which is the main source of income, and in order to maintain sustainability at the lowest cost and due to the lack of sufficient funds, the Group has decided to suspend its development temporarily.

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. However, with the gradual recovery of the Hong Kong economy, the Group's Hong Kong business is expected to achieve significant growth in the future, while the recovery of other sectors still needs time. The Group will be cautious and flexible in adjusting its business strategy in a timely manner based on the future economic situation.

FINANCIAL REVIEW

Revenue

Revenue of the Group's businesses for the Reporting Period was approximately HK\$104.1 million, representing an increase of 63.9% from approximately HK\$63.5 million from the corresponding period of 2022.

Revenue from the Footwear Business

Revenue of the Group's footwear business for the Reporting Period was approximately HK\$100.7 million, representing a 62.5% increase from HK\$62.0 million of the corresponding period of 2022. With regard to the sales of footwear products of the major brands for the Reporting Period as compared with the corresponding period of 2022, sales of "Clarks" footwear products and "Josef Seibel" footwear products had increased by approximately 15.4% and 236.9%, respectively.

As at 30 June 2023, the Group operated 32 retail outlets in Hong Kong (30 June 2022: 27) and 1 retail outlet in Macau (30 June 2022: 1).

Revenue from the Financial Services Business

Revenue of the Group's financial services business for the Reporting Period was approximately HK\$3.4 million (30 June 2022: approximately HK\$1.0 million). The increase in revenue was mainly due to the increase in the demand for consulting services and investment management caused by the gradual improvement of Hong Kong's economic environment and the HKSAR Government's post-pandemic measures to boost the economy.

Revenue from the Healthcare Business

Revenue of the Group's healthcare business for the Reporting Period was zero (30 June 2022: approximately HK\$0.2 million). The main reason for the suspension of sales activities was due to the customs blockade and insufficient funding in the previous years.

Revenue from the Online Medical Services Business

Revenue of the Group's online medical services business for the Reporting Period was approximately HK\$0.1 million (30 June 2022: approximately HK\$0.4 million). The decrease in revenue was mainly due to the decrease in the number of orders for on-line consultations reached compared with the corresponding period of 2022.

Cost of Sales

Cost of sales amounted to approximately HK\$19.0 million for the Reporting Period, representing approximately 18.4% of revenue (30 June 2022: approximately HK\$11 million, representing approximately 17.3% of revenue). The significant increase in cost of sales was mainly due to the increase in sales activities of the footwear business.

Gross Profit

Gross profit (which equals to revenue minus cost of sales) of the Group for the Reporting Period was approximately HK\$85.2 million, representing an increase of approximately 59.2% from approximately HK\$52.5 million from the corresponding period of 2022. Gross profit margin of the Group for the Reporting Period was approximately 81.9% (30 June 2022: approximately 82.7%), which was largely stable.

Staff Costs

Staff costs for the Reporting Period were approximately HK\$39.1 million, representing approximately 38.2% of revenue (30 June 2022: approximately HK\$38.2 million, representing approximately 60.1% of revenue).

Depreciation

Depreciation accounted for approximately 0.4% of revenue for the Reporting Period (30 June 2022: approximately 7.7%).

Finance Costs

Finance costs for the Reporting Period amounted to approximately HK\$1.1 million (30 June 2022: approximately HK\$1.1 million). The finance costs mainly consist of interest expenses incurred on the trade related financing facilities with banks, other borrowings and lease liabilities.

Profit Before Taxation

As a result of the foregoing, loss before taxation for the Reporting Period was approximately HK\$14.3 million (30 June 2022: profit before taxation of approximately HK\$16.7 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 2023, the Group had bank deposits and cash amounting to approximately HK\$17.9 million (31 December 2022: approximately HK\$33.6 million), representing a decrease of approximately 46.7% from 31 December 2022. Most bank deposits and cash were denominated in Hong Kong dollars. As at 30 June 2023, the Group had short-term bank borrowings amounting to approximately HK\$8.7 million (31 December 2022: approximately HK\$5.0 million). As at 30 June 2023, 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\$10.6 million and HK\$12.3 million, respectively (31 December 2022: approximately HK\$10.9 million and HK\$11.5 million, respectively).

Pledge of Assets

As at 30 June 2023, investment properties, land and buildings, deposit and prepayment for a life insurance policy, pledged time deposits and related company's land and buildings (31 December 2022: leasehold land and buildings, pledged time deposits, 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 2023, the Group's gearing ratio (which equals to total debt to total equity) was approximately 356.3% (31 December 2022: approximately 102.6%). The growth of Hong Kong's main business, and the borrowings generated to maintain the sustainability of the healthcare and online medical services segments led to an increase in current liabilities of approximately HK\$20.0 million, which is the direct reason for the increase in the gearing ratio.

Advance to an Entity

On 1 August 2018, Shang Ying Health Holdings Limited (an indirect wholly-owned subsidiary of the Company) ("SY Health"), as lender, entered into a loan agreement (the "Loan Agreement") with Century Health Holdings Co., Limited ("Century Health"), as borrower, pursuant to which SY Health had agreed to grant a secured loan to Century Health with a principal amount of AUD8.0 million bearing interest at a rate of 2.5% per annum for a term of 3.5 years (the "Loan"), for the purpose of funding the health products business of Century Health and its subsidiaries (the "CH Group"). For further details, please refer to the announcement of the Company dated 1 August 2018. The Loan in the principal amount of AUD8.0 million had been advanced to Century Health during the period from January to September 2021, which was secured by the personal guarantees provided by certain key individuals of the CH Group. As of 30 June 2023, the outstanding amount of the Loan was AUD8.0 million.

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, 12 August 2022, 13 September 2022, 13 October 2022, 11 November 2022, 13 December 2022, 13 January 2023, 13 February 2023, 13 March 2023, 13 April 2023, 12 May 2023, 15 June 2023, 13 July 2023 and 14 August 2023, 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 2023.

HUMAN RESOURCES

As at 30 June 2023, the Group employed 120 employees (31 December 2022: 156). 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 2022: 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

Non-Compliance with Rule 13.46(2)(b) of the Listing Rules

The Company did not convene any annual general meeting for the year ended 31 December 2022 (the “AGM”) on or before 30 June 2023 (within 6 months from the financial year end date). Such postponement constitutes a non-compliance of Rule 13.46(2)(b) of the Listing Rules. For details of the postponements, please refer to the announcements of the Company dated 29 June 2023 and 27 July 2023.

According to the memorandum and articles of association of the Company (the “M&A”), the Company shall in each year hold its annual general meeting and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. The Company had held its previous annual general meeting on 8 June 2022, therefore its next annual general meeting should be held on or before 7 September 2023. As set out in the latest notice of AGM dated 16 August 2023, the AGM is now scheduled to be convened on Thursday, 7 September 2023 at 11:00 a.m. Accordingly, the latest scheduled date of AGM will not contravene with the requirements of the M&A or any requirement under the laws of the Cayman Islands.

Save as disclosed above, 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 2023 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 2023

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.