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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 2022

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2022 ("**Period**" or "**1H2022**") was HK$588.2 million, representing an increase of 54.5% compared to HK$380.7 million for the six months ended 30 June 2021 ("**Last Period**" or "**1H2021**").
- Gross profit of the Group for 1H2022 was HK$128.4 million, representing an increase of 112.7% compared to HK$60.3 million for 1H2021.
- Gross profit margin increased by 5.9 percentage points from 15.9% in 1H2021 to 21.8% in 1H2022.
- Net profit of the Group for 1H2022 was HK$22.8 million, turned around from a loss of HK$10.2 million for 1H2021.
- The net profit of the Group for 1H2022, after excluding the fair value loss (1H2021: gain) on investment, was HK$27.4 million (1H2021: the net loss of HK$19.8 million).
- The Board has resolved not to declare any interim dividend for 1H2022 (1H2021: Nil).

The board ("**Board**") of directors ("**Directors**") of Tycoon Group Holdings Limited ("**Company**") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**Tycoon Group**") for 1H2022, together with the comparative figures for 1H2021:

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

	Notes	Unaudited Six months ended 30 June **2022** ***HK$'000***	 2021 *HK$'000* *As restated* *(Note 2.2)*
Revenue	*6*	**588,203**	380,660
Cost of sales	*7*	**(459,818)**	(320,311)
Gross profit		**128,385**	60,349
Other (losses) and income/gains, net	*6*	**(3,491)**	10,691
Selling and distribution expenses	*7*	**(52,766)**	(47,166)
General and administrative expenses	*7*	**(35,784)**	(29,213)
Operating profit/(loss)		**36,344**	(5,339)
Finance costs		**(4,057)**	(3,029)
Share of results of investments accounted for using the equity method		**(2,850)**	(1,513)
Profit/(loss) before income tax		**29,437**	(9,881)
Income tax expense	*8*	**(6,642)**	(317)
Profit/(loss) for the period		**22,795**	(10,198)
Other comprehensive (loss)/income			
Item that has been reclassified or may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		**(2,359)**	32
Total comprehensive profit/(loss) for the period		**20,436**	(10,166)

	Notes	Unaudited Six months ended 30 June **2022** ***HK$'000***	 2021 *HK$'000* *As restated* *(Note 2.2)*
Profit/(loss) attributable to:			
Equity holders of the Company		**22,472**	(10,972)
Non-controlling interests		**323**	774
		22,795	(10,198)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**20,113**	(10,940)
Non-controlling interests		**323**	774
		20,436	(10,166)
Earnings/(loss) per share attributable to equity holders of the company			
Basic and diluted (HK cents per share)	*9*	**3**	(1)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Notes	Unaudited As at 30 June 2022 *HK$'000*	Audited As at 31 December 2021 *HK$'000*
Current liabilities			
Trade payables	*13*	**285,330**	306,637
Other payables and accruals		**63,759**	71,992
Bank borrowings		**226,946**	178,960
Loan from a shareholder		**50,000**	50,000
Amounts due to related parties		**8**	8
Lease liabilities	*11*	**9,490**	6,503
Current tax liabilities		**1,740**	1,104
Total current liabilities		**637,273**	615,204
Total liabilities		**650,686**	620,201
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**8,000**	8,000
Reserves		**264,060**	249,918
		272,060	257,918
Non-controlling interests		**(37)**	3,344
Total equity		**272,023**	261,262
Total equity and liabilities		**922,709**	881,463

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") by way of global offering ("**Global Offering**") since 15 April 2020.

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

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Tycoon Empire Investment Limited, which was incorporated in the British Virgin Islands ("**BVI**").

This interim condensed consolidated financial information is presented in thousands of units of Hong Kong dollars ("***HK$'000***"), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the board of directors of the Company ("**Board**") on 30 August 2022.

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

2 BASIS OF PREPARATION

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information is for the Group consisting of the Company and its subsidiaries. This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

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

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021, as described in the annual consolidated financial statements, except for the estimation of income tax, the adoption of new and amended standards and the accounting policies related to investment in an insurance contract as set out below. Income tax expenses for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

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

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

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

(c) Investment in an insurance contract

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

4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 SEGMENT INFORMATION

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

(a) the e-commerce segment, which includes the operation of online stores and wholesale to e-commerce customers;

(b) the distribution segment, which includes the operation of distributing products to chain retailers, non-chain retailers and traders; and

(c) others, which include the operation of retail stores.

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

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

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

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

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

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

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

	E-commerce		Distribution		Others		Total	
	Unaudited As at 30 June 2022	Audited As at 31 December 2021	**Unaudited As at 30 June 2022**	Audited As at 31 December 2021	**Unaudited As at 30 June 2022**	Audited As at 31 December 2021	**Unaudited As at 30 June 2022**	Audited As at 31 December 2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**418,966**	385,429	**322,878**	318,829	**–**	307	**741,844**	704,565
Investments accounted for using the equity method							**34,050**	36,900
Financial assets at fair value through profit or loss							**18,565**	23,633
Deferred income tax assets							**5,778**	11,897
Amounts due from related parties							**7,523**	4,561
Cash and cash equivalents							**96,573**	71,625
Corporate and other unallocated assets							**18,376**	28,282
Total							**922,709**	881,463

	E-commerce		Distribution		Others		Total	
	Unaudited As at 30 June 2022	Audited As at 31 December 2021	**Unaudited As at 30 June 2022**	Audited As at 31 December 2021	**Unaudited As at 30 June 2022**	Audited As at 31 December 2021	**Unaudited As at 30 June 2022**	Audited As at 31 December 2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment liabilities	**(228,324)**	(215,525)	**(130,464)**	(135,496)	**–**	(162)	**(358,788)**	(351,183)
Deferred income tax liabilities							**(1,266)**	(1,379)
Bank borrowings							**(226,946)**	(178,960)
Loan from a shareholder							**(50,000)**	(50,000)
Amounts due to related parties							**(8)**	(8)
Current tax liabilities							**(1,740)**	(1,104)
Corporate and other unallocated liabilities							**(11,938)**	(37,567)
Total							**(650,686)**	(620,201)

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

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

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**588,203**	380,660
Disaggregated revenue information		
Geographical markets		
Mainland China	**300,909**	230,493
Hong Kong	**222,951**	98,391
Macau	**54,192**	51,226
Singapore	**10,032**	477
Others	**119**	73
Timing of revenue recognition		
Goods transferred at a point of time	**588,203**	380,660

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Other (losses) and income/gains, net		
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(4,600)**	9,401
Gain on disposal of property, plant and equipment	**–**	200
Loss on disposal of subsidiaries	**(8)**	–
Government subsidies *(Note)*	**565**	230
Others	**552**	860
	(3,491)	10,691

Note:

The amounts recognised were primarily related to the government subsidies in relation to the COVID-19 pandemic. There were no unfulfilled conditions and other contingencies attaching to these grants.

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

Note:

During the six months ended 30 June 2022, the ongoing global pandemic of COVID-19 has been affecting the demand of certain of the Group's health and well-being related products. Management had carried out an assessment over the realisability of inventories based on their expiry dates, physical condition, expected market demand and other factors. As a result, HK$2,248,000 (six month ended 30 June 2021: HK$11,140,000) of inventories has been written down to their net realisable values and was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at 16.5% (six months ended 30 June 2021: same) of the estimated assessable profits for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Unaudited Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Current tax – Hong Kong	**–**	–
Current tax – Macau	**637**	433
Deferred tax	**6,005**	(116)
Total income tax expense for the period	**6,642**	317

9 EARNINGS/(LOSS) PER SHARE

Basic

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

	Unaudited Six months ended 30 June	
	2022	2021
Profit/(loss) attributable to equity holders of the Company (*HK$'000*)	**22,472**	(10,972)
Weighted average number of ordinary shares in issue (in thousands)	**780,548**	780,000
Basic earnings/(loss) per share (HK cents)	**3**	(1)

Diluted

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

For the six months ended 30 June 2022, the calculation of diluted earnings/(loss) per share was based on the profit attributable to equity holders of the Company and the adjusted weighted average number of ordinary shares outstanding assuming the conversion of all potentially dilutive ordinary shares, which was calculated as follows:

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

For the six months ended 30 June 2021, the diluted loss per share was the same as the basic loss per share as the share awards would result in an antidilutive impact to the basic loss per share.

10 DIVIDEND

No dividends have been declared for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

11 LEASES

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

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

12 TRADE RECEIVABLES

	Unaudited As at 30 June 2022 ***HK$'000***	Audited As at 31 December 2021 *HK$'000*
Trade receivables	**182,647**	190,392
Amounts due from related parties	**10,414**	14,579
Total	**193,061**	204,971

The Group's credit terms to trade debtors range generally from 30 to 105 days. As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade receivables (including amounts due from related parties in trade nature) based on invoice date is as follows:

	Unaudited As at 30 June 2022 ***HK$'000***	Audited As at 31 December 2021 *HK$'000*
Trade receivables		
Within 90 days	**125,401**	172,629
91 to 180 days	**50,774**	25,912
Over 180 days	**16,886**	6,430
Total	**193,061**	204,971

13 TRADE PAYABLES

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

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date is as follows:

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

14 SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

MARKET REVIEW

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

BUSINESS REVIEW

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

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

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

E-commerce business

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

Distribution business

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

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

Strategic collaborations with CR Pharma

The Group has set up a joint venture company in China with a wholly-owned subsidiary of China Resources Pharmaceutical Group Limited ("**CR Pharma**", stock code: 3320.hk), one of the substantial shareholders of the Company. The joint venture has commenced operation since the fourth quarter of 2021, leveraging on CR Pharma's sales network of more than 130,000 downstream customers and over 800 self-owned retail pharmacies across Mainland China to expand the distribution business and explore offline market in Mainland China for several renowned or century-old local PCM brand products.

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

Omnichannel brand marketing and management services for brands

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

International Strategies

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

FUTURE OUTLOOK

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

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

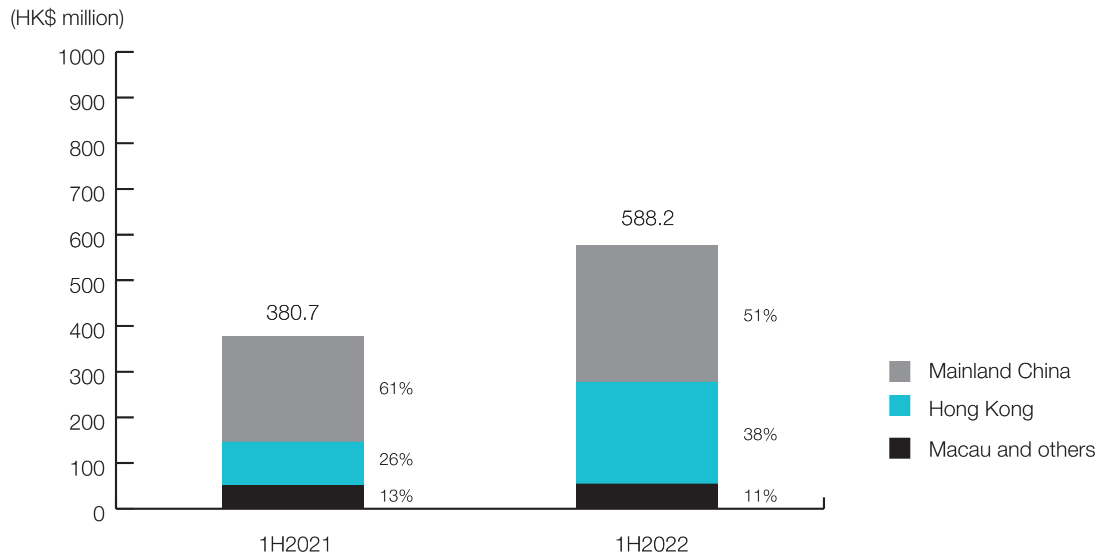
On the market side, despite the severe impact of the COVID-19 pandemic on the retail and distribution markets, the Group remains optimistic about the future outlook of the healthcare industry. Despite that (i) the travel restrictions and social distancing measures are still in place, (ii) the travel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

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

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

FINANCIAL REVIEW

Revenue



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

- The Group's total revenue for the Period was up by 54.5% to HK$588.2 million (Last Period: HK$380.7 million).

- During the Period, revenue from Mainland China increased by 30.6% to HK$300.9 million (Last Period: HK$230.5 million), as a result of continuous efforts in the development and expansion of e-commerce sales in Mainland China.

- In Hong Kong, revenue for the Period jumped by 126.6% to HK$223.0 million (Last Period: HK$98.4 million) as there is a significant increase in the distribution sale as we optimised our product portfolio.

- In Macau, revenue for the Period increased stably by 5.8% to HK$54.2 million (Last Period: HK$51.2 million).

- In other markets such as Singapore, revenue for the Period increased by 1,745.6% to HK$10.1 million (Last Period: HK$0.6 million) as a result of the acquisition of Fu Qing Chinese Medical Trading Pte. Limited in August 2021.

Profitability

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

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

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

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

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

Other losses and income/gains, net

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

Profit/loss attributable to shareholders

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CAPITAL STRUCTURE

As at 30 June 2022, the borrowings included secured interest-bearing bank borrowings of approximately HK$143.3 million (31 December 2021: HK$140.0 million), unsecured interest-bearing bank borrowings of approximately HK$83.6 million (31 December 2021: HK$39.0 million) and loan from a shareholder with maturity date on 30 September 2022 of approximately HK$50 million (31 December 2021: HK$50 million). Except for the Group's interest-bearing bank borrowings of HK$9.8 million (31 December 2021: HK$10.3 million) which was denominated in MOP, the Group's interest-bearing bank borrowings are all denominated in Hong Kong dollars. All borrowings are at floating rates.

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

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

As at 30 June 2022, the Company's issued share capital was HK$8.0 million and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

PLEDGE OF ASSETS

As at 30 June 2022, (i) certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK$54.6 million (31 December 2021: HK$55.9 million) were pledged to secure certain bank loans granted to the Group; and (ii) all the Group's equity interest in Hong Ning Hong Limited were pledged to secure a loan from a shareholder granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

Save as disclosed in this 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

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

CONTINGENT LIABILITIES

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

UPDATE ON THE PRE-IPO SHAREHOLDERS AGREEMENT

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

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

Under the Pre-IPO Shareholders Agreement, China Resources Pharmaceutical Retail Group Limited ("**CR Pharma Retail**"), being one of the pre-IPO investors, was granted certain special rights by the Controlling Shareholders, which have survived after listing of the shares ("**Shares**") of the Company on the Stock Exchange ("**Global Offering**"). Such rights include, without limitation, the right to receive compensation from the Controlling Shareholders in the event that the aggregated sum of the audited consolidated net profit of the Company for the two financial years ended 31 December 2020 (excluding certain expenses) is less than HK$274.0 million ("**Target Profit**").

Given that the Target Profit was not met, the Controlling Shareholders had approached CR Pharma Retail to liaise for amendment of certain terms of the Pre-IPO Shareholders Agreement. On 18 June 2021, the Company, the Controlling Shareholders, Pre-IPO Investor A and Pre-IPO Investor B entered into a modification deed to amend the Pre-IPO Shareholders Agreement ("**Amended Pre-IPO Shareholders Agreement**"). Pursuant to the Amended Pre-IPO Shareholders Agreement, certain special rights granted to Pre-IPO Investor A by the Controlling Shareholders were amended such as (i) the profit guarantee period is extended to 31 December 2023; and (ii) the Target Profit is still HK$274.0 million but covering the five financial years ending 31 December 2023.

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

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

200,000,000 ordinary shares of the Company are charged by Tycoon Empire Investment Limited ("**Tycoon Empire**"), the controlling shareholder of the Company, in favour of CR Pharma Retail, a wholly-owned subsidiary of CR Pharma ("**Share Charge**") as security for the performance by Tycoon Empire and Mr. Wong Ka Chun Michael of their obligations under the Amended Pre-IPO Shareholders Agreement.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 174 employees in Hong Kong, Mainland China, Macau, Singapore, Malaysia, Australia, Japan and Thailand (30 June 2021: 178). During the Period, the total staff costs incurred was approximately HK$27.8 million (Last Period: HK$25.6 million). The Group's remuneration policy is based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and subsidies. The performance appraisal cycle varies according to the positions of employees. In order to provide incentives to and to recognise the contributions of employees of the Group, the Group has also adopted a Share Award Scheme and a Share Option Scheme.

DIVIDEND

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

USE OF PROCEEDS FROM LISTING

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

The Group has utilised and will continue to utilise the Net IPO Proceeds in accordance with the purposes set out in "Future Plans and Use of Proceeds" in the Prospectus. The table below sets out the planned applications of the Net IPO Proceeds and actual usage as at 30 June 2022:

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

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

ADOPTION OF NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

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

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

CORPORATE GOVERNANCE 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 six months ended 30 June 2022, except for the deviation from code provision C.2.1 of the CG Code.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions of the Company by the Directors ("**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with the Directors, all the Directors confirmed that they had complied with the Securities Dealing Code during the Period.

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 2022 INTERIM RESULTS ANNOUNCEMENT AND 2022 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.

On behalf of the Board
Tycoon Group Holdings Limited
Wong Ka Chun Michael
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, 30 August 2022

As at the date of this announcement, the executive Director is Mr. Wong Ka Chun Michael; the non-executive Directors are Mr. Cao Weiyong, Ms. Chong Yah Lien, Ms. Li Ka Wa Helen and Mr. Lau Ka On David; and the independent non-executive Directors are Mr. Chung Siu Wah, Ms. Chan Ka Lai Vanessa and Mr. Mak Chung Hong (also known as Mak Tommy Chung Hong).