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美瑞健康国际产业集团

Meilleure Health International Industry Group

**MEILLEURE HEALTH INTERNATIONAL INDUSTRY GROUP LIMITED**

**美瑞健康國際產業集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2327)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Meilleure Health International Industry Group Limited (the “**Company**”) are pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”).

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	4	141,120	133,289
Cost of goods sold and service rendered		(78,974)	(82,485)
<b>Gross profit</b>		62,146	50,804
Fair value gains/(losses) on investment properties	10	11,313	(10,495)
Gain on partial disposal of investment in an associate		—	31,713
Gain on deemed disposal of investment in a joint venture	11	6,522	—
Gain on deemed disposal of investment in an associate	11	343	—
Other income and gains, net		10,974	12,635
Selling and distribution expenses		(3,155)	(2,725)
Administrative expenses		(19,096)	(18,431)
Impairment losses of receivables, net		(398)	(432)
Finance costs	5	(4,340)	(6,835)
Share of profits and losses of associates		(2,270)	2,535
Share of profits and losses of joint ventures		(3,811)	(140)
<b>Profit before tax</b>		58,228	58,629
Income tax expense	6	(14,973)	(15,720)
<b>Profit for the period</b>	7	43,255	42,909
<b>Attributable to:</b>			
Owners of the Company		43,190	42,543
Non-controlling interests		65	366
		43,255	42,909
<b>Earnings per share</b>	9		
Basic		HK1.01 cents	HK1.00 cents
Diluted		HK1.00 cents	HK1.00 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>43,255</b>	<b>42,909</b>
<b>Other comprehensive income/(loss):</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investments at fair value through other comprehensive income	(8,671)	(8,154)
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	3,864	(17,316)
Share of other comprehensive loss of an associate	(18)	—
	<b>3,846</b>	<b>(17,316)</b>
<b>Other comprehensive loss for the period, net of tax</b>	<b>(4,825)</b>	<b>(25,470)</b>
<b>Total comprehensive income for the period</b>	<b>38,430</b>	<b>17,439</b>
<b>Attributable to:</b>		
Owners of the Company	38,288	17,060
Non-controlling interests	142	379
	<b>38,430</b>	<b>17,439</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		1,872	1,688
Right-of-use assets		2,083	5,118
Investment properties	10	578,043	559,685
Goodwill		18,500	18,500
Other intangible assets		39	59
Investments in associates	11	53,235	47,327
Investments in joint ventures	11	72,754	69,164
Investments at fair value through profit or loss		29,597	—
Equity investments at fair value through other comprehensive income	11	—	28,572
Derivative financial assets		—	243
Deferred tax assets		15,405	12,325
		<b>771,528</b>	<b>742,681</b>
<b>Current assets</b>			
Inventories		28,209	16,163
Properties held for sale under development		248,878	245,344
Trade receivables	12	118,898	63,174
Prepayments, deposits and other receivables	13	262,239	348,432
Investments at fair value through profit or loss		4,401	47,813
Derivative financial assets		246	—
Current tax assets		28	—
Bank and cash balances		264,747	233,467
		<b>927,646</b>	<b>954,393</b>
Investment properties held for sale		5,859	5,786
		<b>933,505</b>	<b>960,179</b>
<b>Current liabilities</b>			
Trade payables	14	219	1,680
Contract liabilities		4,091	15,814
Accruals and other payables		16,436	31,929
Amounts due to related parties		7,447	7,456
Bank borrowings		20,351	30,575
Lease liabilities		1,094	2,474
Current tax liabilities		18,814	18,969
		<b>68,452</b>	<b>108,897</b>
<b>Net current assets</b>		<b>865,053</b>	<b>851,282</b>
<b>Total assets less current liabilities</b>		<b>1,636,581</b>	<b>1,593,963</b>

		<b>30 June</b>	31 December
		<b>2021</b>	2020
		<b>HK\$'000</b>	HK\$'000
<i>Notes</i>		<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>			
Accruals and other payables		<b>6,012</b>	5,938
Bank borrowings		<b>115,520</b>	120,250
Lease liabilities		—	1,538
Deferred tax liabilities		<b>70,510</b>	62,974
		<hr/>	<hr/>
		<b>192,042</b>	190,700
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>1,444,539</b>	1,403,263
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	15	<b>42,718</b>	42,718
Reserves		<b>1,399,338</b>	1,358,204
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>1,442,056</b>	1,400,922
Non-controlling interests		<b>2,483</b>	2,341
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>1,444,539</b>	1,403,263
		<hr/>	<hr/>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(64,250)</b>	<b>(29,335)</b>
Deferred considerations received in respect of disposals of subsidiaries in prior year	27,600	—
Deferred consideration received in respect of partial disposal of investment in an associate in prior year	2,390	—
Proceeds from partial disposal of investment in an associate	—	17,723
Capital injected to an associate	—	(11,132)
Advances of loans to third parties	(145,596)	(88,613)
Interest received	125	3,511
Dividend received from an associate	—	28,245
Dividend received from equity investments at fair value through other comprehensive income	—	332
Dividend received from investments at fair value through profit or loss	1,075	—
Purchases of property, plant and equipment	(650)	(180)
Purchases of intangible assets	—	(7)
Purchases of investments at fair value through profit or loss (non-current)	(21,808)	—
Consideration received in respect of redemption of unlisted fund investment in prior year	212,011	—
Decrease in current portion of investments at fair value through profit or loss	43,736	84,258
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>118,883</b>	<b>34,137</b>

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Decrease in pledged bank deposits	—	79,494
Proceeds from bank borrowings	—	9,969
Repayment of bank borrowings	<b>(16,729)</b>	(86,087)
Interest paid	<b>(4,271)</b>	(6,613)
Repayment of lease liabilities	<b>(1,047)</b>	(3,678)
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(22,047)</b>	(6,915)
	<hr/>	<hr/>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>32,586</b>	(2,113)
Effect of foreign exchange rate changes	<b>(1,306)</b>	(1,589)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>233,467</b>	156,229
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>264,747</b>	152,527
	<hr/>	<hr/>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<b>264,747</b>	152,527
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# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**).

The principal activities of the Group are operation of industrial hemp business and healthcare-related business, trading of construction materials, provision of real estate agency services, property investment and leasing, and development of residential properties.

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (**"HKAS"**) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the **"HKICPA"**) and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the **"Listing Rules"**).

These interim condensed consolidated financial statements should be read in conjunction with the 2020 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2020.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (**"HKFRSs"**) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior years.



#### 4. REVENUE AND SEGMENT INFORMATION

The Group has six (six months ended 30 June 2020: five) reportable segments as follows:

- (a) Industrial hemp business – Cannabidiol (“**CBD**”) downstream product application
- (b) Healthcare-related business – Health management services, aesthetic medical services, healthcare-related product sale agency services and sale of healthcare-related products
- (c) Trading business – Trading of construction materials
- (d) Agency service – Real estate agency services
- (e) Property investment and leasing – Leasing of investment properties
- (f) Property development – Development and selling of residential properties

During the six months ended 30 June 2021, in view of the increasing contributions of revenue and profit from industrial hemp business of the Group, the Group has reorganised its internal reporting structure resulting in changes to the composition of its reportable segments and groupings on revenue information. The industrial hemp business is now separated as a single segment. Prior period revenue and segment disclosures have been re-presented to conform with the current period’s presentation.

## Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments:

For the six months ended 30 June 2021 (Unaudited)

	Industrial hemp business HK\$'000	Healthcare- related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Property investment and leasing HK\$'000	Property development HK\$'000	Total HK\$'000
Revenue from external customers	<u>22,528</u>	<u>9,124</u>	<u>77,523</u>	<u>21,669</u>	<u>10,276</u>	<u>–</u>	<u>141,120</u>
Segment profit/(loss)	<u>11,617</u>	<u>2,788</u>	<u>15,928</u>	<u>16,416</u>	<u>19,997</u>	<u>(114)</u>	<u>66,632</u>
Gain on deemed disposal of investment in a joint venture							6,522
Gain on deemed disposal of investment in an associate							343
Fair value gains on investments at fair value through profit or loss							7,606
Share of losses of associates							(2,270)
Share of losses of joint ventures							(3,811)
Unallocated income							694
Unallocated expense							(13,148)
Finance costs							(4,340)
Profit before tax							<u>58,228</u>

For the six months ended 30 June 2020 (Re-presented) (Unaudited)

	Industrial hemp business <i>HK\$'000</i>	Healthcare- related business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Agency service <i>HK\$'000</i>	Property investment and leasing <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	142	29,827	75,848	17,397	10,075	–	133,289
Segment profit/(loss)	(4,839)	11,562	10,779	14,291	(1,022)	(67)	30,704
Gain on partial disposal of investment in an associate							31,713
Fair value gains on investments at fair value through profit or loss							6,190
Share of profits and losses of associates							2,535
Share of profits and losses of joint ventures							(140)
Unallocated income							109
Unallocated expense							(5,647)
Finance costs							(6,835)
Profit before tax							58,629

## Segment assets and liabilities

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

### *Segment assets*

	<b>30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	<b>31 December 2020 <i>HK\$'000</i> (Audited)</b>
Industrial hemp business	117,278	114,408
Healthcare-related business	117,597	153,804
Trading business	268,960	222,442
Agency service	47,733	42,407
Property investment and leasing	591,265	580,684
Property development	422,150	250,068
	<hr/>	<hr/>
Total assets of reportable segments	1,564,983	1,363,813
	<hr/>	<hr/>
Deferred tax assets	15,405	12,325
Current tax assets	28	—
Unallocated corporate assets	124,617	326,722
	<hr/>	<hr/>
Consolidated total assets	<b>1,705,033</b>	<b>1,702,860</b>

## Segment liabilities

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Industrial hemp business	2,376	17,303
Healthcare-related business	12,893	14,279
Trading business	3,287	14,829
Agency service	995	689
Property investment and leasing	149,494	154,134
Property development	1,093	—
Total liabilities of reportable segments	170,138	201,234
Deferred tax liabilities	70,510	62,974
Current tax liabilities	18,814	18,969
Unallocated corporate liabilities	1,032	16,420
Consolidated total liabilities	260,494	299,597

## Revenue

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (Re-presented)
Sale of CBD downstream products	22,528	142
Healthcare management service income	6,249	21,420
Healthcare-related products sale agency service income	2,222	6,265
Sale of healthcare-related products	20	1,527
Aesthetic medical service income	633	615
Sale of construction materials	77,523	75,848
Property sales and consultancy service income	21,669	17,397
Revenue from contracts with customers	130,844	123,214
Rental income	10,276	10,075
Total revenue	141,120	133,289

## Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2021 (Unaudited)

Segments	Industrial hemp business HK\$'000	Healthcare- related business HK\$'000	Trading business HK\$'000	Agency service HK\$'000	Total HK\$'000
<b>Major products/services</b>					
Sale of CBD downstream products	22,528	—	—	—	22,528
Healthcare management services	—	6,249	—	—	6,249
Healthcare-related products sale agency services	—	2,222	—	—	2,222
Sale of healthcare-related products	—	20	—	—	20
Aesthetic medical services	—	633	—	—	633
Sale of construction materials	—	—	77,523	—	77,523
Property sales and consultancy services	—	—	—	21,669	21,669
Total	<u>22,528</u>	<u>9,124</u>	<u>77,523</u>	<u>21,669</u>	<u>130,844</u>
<b>Geographical markets</b>					
The People's Republic of China, excluding Hong Kong (the "PRC")	22,159	6,902	77,523	21,669	128,253
Others	<u>369</u>	<u>2,222</u>	<u>—</u>	<u>—</u>	<u>2,591</u>
Total	<u>22,528</u>	<u>9,124</u>	<u>77,523</u>	<u>21,669</u>	<u>130,844</u>
<b>Timing of revenue recognition</b>					
At a point in time	22,528	2,875	77,523	21,669	124,595
Over time	<u>—</u>	<u>6,249</u>	<u>—</u>	<u>—</u>	<u>6,249</u>
Total	<u>22,528</u>	<u>9,124</u>	<u>77,523</u>	<u>21,669</u>	<u>130,844</u>

For the six months ended 30 June 2020 (Unaudited) (Re-presented)

Segments	Industrial hemp business <i>HK\$'000</i>	Healthcare- related business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Agency service <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Major products/services</b>					
Sale of CBD downstream products	142	—	—	—	142
Healthcare management services	—	21,420	—	—	21,420
Healthcare-related products sale					
agency services	—	6,265	—	—	6,265
Sale of healthcare-related products	—	1,527	—	—	1,527
Aesthetic medical services	—	615	—	—	615
Sale of construction materials	—	—	75,848	—	75,848
Property sales and consultancy services	—	—	—	17,397	17,397
Total	142	29,827	75,848	17,397	123,214
<b>Geographical market</b>					
PRC	22	17,984	75,641	17,397	111,044
Hong Kong	—	6,761	207	—	6,968
Others	120	5,082	—	—	5,202
Total	142	29,827	75,848	17,397	123,214
<b>Timing of revenue recognition</b>					
At a point of time	142	8,407	75,848	17,397	101,794
Over time	—	21,420	—	—	21,420
Total	142	29,827	75,848	17,397	123,214

## 5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans	4,271	6,445
Interest on lease liabilities	69	390
	<u>4,340</u>	<u>6,835</u>

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax expense		
– PRC Enterprise Income Tax (“EIT”)	10,738	14,525
– Australia withholding tax on interest income	965	622
– Hong Kong Profits Tax	–	1,504
Deferred income tax expense/(credit)	<u>3,270</u>	<u>(931)</u>
	<u>14,973</u>	<u>15,720</u>

EIT of the PRC has been provided at the rate of 25% (six months ended 30 June 2020: 25%) on the estimated assessable profits arising in the PRC for the period.

Australia corporate income tax has been provided at the rate of 30% (six months ended 30 June 2020: 30%) on the estimated assessable profits arising in Australia for the period.

A group entity, which is non-tax resident enterprise in Australia, is subject to Australia withholding tax at the tax rate of 10% (six months ended 30 June 2020: 10%) on the gross interest income arising from its loans provided to another group entity, which is tax resident enterprise in Australia.



Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the period, except for one group entity operating in Hong Kong which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK\$2 million of assessable profits are taxed at the rate of 8.25% (six months ended 30 June 2020: 8.25%) and the remaining assessable profits are taxed at the rate of 16.5% (six months ended 30 June 2020: 16.5%).

Corporate income tax in other jurisdictions has been provided at the rates of taxation prevailing in the jurisdictions in which the group entities operate on the estimated assessable profits arising from those jurisdictions for the both periods.

## 7. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging/(crediting) the following items that are unusual because of their nature, size or incidence:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Impairment losses on trade receivables	<b>398</b>	432
Gain on deemed disposal of investment in an joint venture	<b>(6,522)</b>	—
Gain on deemed disposal of investment in an associate	<b>(343)</b>	—
Gain on partial disposal of investment in an associate	—	(31,713)
Fair value gains on investment at fair value through profit or loss	<b>(7,606)</b>	(6,190)
Net foreign exchange losses	<b>6,157</b>	434
Loss on written off of property, plant and equipment	<b>4</b>	—
Written off of lease liabilities, net	<b>(191)</b>	—
	<b>=====</b>	<b>=====</b>

## 8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<b>43,190</b>	42,543
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings per share calculation	<b>4,271,752,636</b>	4,271,752,636
Effect of dilutive potential ordinary shares arising from share options ( <i>note a</i> )	<b>27,197,240</b>	—
Weighted average number of ordinary shares used in diluted earnings per share calculation	<b>4,298,949,876</b>	4,271,752,636

*Note:*

- (a) For the six months ended 30 June 2020, as the average market share price of the Company's share was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, accordingly, there would be no dilutive impact.

## 10. INVESTMENT PROPERTIES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>Carrying amount</b>		
As at 1 January 2021/1 January 2020	559,685	594,177
Fair value gains/(losses)	11,313	(16,869)
Disposal of a subsidiary	—	(50,300)
Exchange differences	7,045	32,677
	<hr/>	<hr/>
<b>Carrying amount</b>		
As at 30 June 2021/31 December 2020	<u>578,043</u>	<u>559,685</u>

## 11. INVESTMENTS IN ASSOCIATES/INVESTMENTS IN JOINT VENTURES/EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investment in Shenzhen Wingor Biotechnology Co, Ltd\* (深圳市茵冠生物科技有限公司) (“Wingor Bio”)

During the six months ended 30 June 2021, Wingor Bio effected an increase in registered capital whereby a new investor injected additional capital to Wingor Bio. As a result of such increase in registered capital, the Group’s equity interest in Wingor Bio was diluted from 45% to 41.55% and a dilution gain of HK\$6,522,000 (six months ended 30 June 2020: Nil) was recognised. Despite the dilution in equity interest, the Group was still able to exert joint control over the financial and operating activities of Wingor Bio. Accordingly, the Group continues to account for such investment as a joint venture.

### Investment in Shenzhen Gippro Technology Innovation Limited\* (深圳龍舞科技創新有限公司) (“Shenzhen Gippro”)

Shenzhen Gippro is a company incorporated in the PRC with limited liability and is principally engaged in manufacturing and sales of electronic cigarettes and other nicotine free atomised devices.

As at 31 December 2020, the Group held 13.81% equity interest of Shenzhen Gippro and this investment was recorded as equity investments at fair value through other comprehensive income.

During the six months ended 30 June 2021, the Group appointed a representation on the board of directors of Shenzhen Gippro. With the Group's presence on the board of directors of Shenzhen Gippro and participation in the financial and operating policies of Shenzhen Gippro, the Directors considered that the Group could exercise significant influence over Shenzhen Gippro despite the interest held by the Group is below 20%. Accordingly, the investment was accounted for as an associate since then and a cumulative loss on deemed disposal of previously held equity investment at fair value through other comprehensive income of HK\$17,233,000 has been transferred to retained profits. Shenzhen Gippro then effected an increase in registered capital whereby a new investor injected additional capital to Shenzhen Gippro. As a result of such increase in registered capital, the Group's equity interest in Shenzhen Gippro was diluted from 13.81% to 13.54% and a dilution gain of HK\$343,000 (six months ended 30 June 2020: Nil) was recognised. Despite the dilution in equity interest, the Group was still able to exert significant influence over Shenzhen Gippro. Accordingly, the Group continues to account for such investment as an associate.

### Other unlisted equity investments

During the six months ended 30 June 2021, one of the unlisted equity investments classified as equity investments at fair value through other comprehensive income was disposed of with, a consideration amounting to HK\$13,168,000 with which was also the fair value as at the date of disposal. A cumulative gain on disposal of HK\$1,141,000 has been transferred to retained profits.

## 12. TRADE RECEIVABLES

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 to 30 days	27,493	31,376
31 to 90 days	36,993	17,908
Over 90 days	54,412	13,890
	<u>118,898</u>	<u>63,174</u>

### 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Loan receivables ( <i>note a</i> )	146,192	–
Consideration receivables in relation to:		
– Disposals of subsidiaries	31,240	58,840
– Partial disposal of investment in an associate	21,643	23,752
– Redemption of unlisted fund investment	–	212,011
Prepayments	26,573	20,446
Performance bond receivable	24,048	23,752
Loan interest income receivables ( <i>note a</i> )	7,098	–
Other tax receivables	4,400	7,298
Other receivables	1,301	2,573
Deposits paid	132	143
	<hr/> 262,627	<hr/> 348,815
Provision for loss allowance	(388)	(383)
	<hr/> 262,239	<hr/> 348,432
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (a) As at 30 June 2021, loan receivables with carrying amount of HK\$96,192,000 (31 December 2020: Nil) are denominated in Chinese Yuan Renminbi (“**RMB**”), unsecured and bear fixed interest rate of 11% per annum. The remaining loan receivable of HK\$50,000,000 (31 December 2020: Nil) is denominated in Hong Kong dollars (“**HKD**”), unsecured and bear fixed interest rate of 7% per annum. The entire amount of principals and interests shall be received in full in December 2021.

#### 14. TRADE PAYABLES

The ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
0 to 90 days	116	1,675
Over 90 days	103	5
	<u>219</u>	<u>1,680</u>

#### 15. SHARE CAPITAL

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
4,271,752,636 ordinary shares of HK\$0.01 each	<u>42,718</u>	<u>42,718</u>

#### 16. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Contracted, but not provided for:		
Capital contribution to a joint venture	3,246	3,207
Capital contribution to an associate	10,822	10,688
Capital contribution to an unlisted long-term investment	—	14,251
Acquisition of equity interest of an unlisted long-term investment	—	7,126

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

Below is a summary of the financial information of the Group:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue	141,120	133,289
Gross profit	62,146	50,804
Gross profit margin	44.0%	38.1%
Other income and gains, net	10,974	12,635
Total operating expenses ( <i>Note</i> )	22,251	21,156
Finance costs	4,340	6,835
Profit before tax	58,228	58,629
Profit after tax	43,255	42,909
Profit attributable to owners of the Company	43,190	42,543

*Note: Total operating expenses included (i) selling and distribution expenses; and (ii) administrative expenses.*

#### Revenue

Revenue for the six months ended 30 June 2021 was HK\$141.1 million (six months ended 30 June 2020: HK\$133.3 million), mainly generated by (i) sale of CBD downstream products; (ii) healthcare management service income; (iii) healthcare-related products sale agency service income; (iv) sale of healthcare-related products; (v) aesthetic medical service income; (vi) sale of construction materials; (vii) property sales and consultancy service income; and (viii) rental income.

Revenue increased by approximately 5.9% from HK\$133.3 million for the six months ended 30 June 2020 to HK\$141.1 million for the six months ended 30 June 2021. The increase in revenue of HK\$7.8 million was mainly due to an increase in sale of CBD downstream products of HK\$22.4 million. Such increase was offset by a decline in healthcare management service income of HK\$15.2 million.

## **Gross Profit and Gross Profit Margin**

The Group's gross profit for the six months ended 30 June 2021 was HK\$62.1 million (six months ended 30 June 2020: HK\$50.8 million), representing an increase of 22.2% compared to that for the six months ended 30 June 2020. Gross profit margin for the six months ended 30 June 2021 increased slightly to 44.0% from 38.1% for the six months ended 30 June 2020.

The increase in gross profit of HK\$11.3 million and the increase in gross profit margin was mainly due to (i) an increase in gross profit in industrial hemp business of HK\$19.0 million mainly benefited from the sale of Mazhuang products since the second half of 2020 while such sales have relatively high gross profit margins; and (ii) an increase in gross profit in trading business of HK\$2.7 million resulted from an increase in gross profit margin which was in line with increase in steel price. Such increases were offset by a decrease in gross profit in healthcare-related business of HK\$12.8 million which was mainly due to (i) a decrease in gross profit of HK\$7.1 million resulted from the disposal of clinics in Hong Kong and Shanghai during the second half of 2020; and (ii) a decrease in gross profit of HK\$3.4 million arising from decline in healthcare-related products sale agency service income.

## **Other Income and Gains, Net**

Other income and gains, net for the six months ended 30 June 2021 was HK\$11.0 million (six months ended 30 June 2020: HK\$12.6 million), representing a decrease of HK\$1.6 million or 12.7% as compared to that for the six months ended 30 June 2020. Such decrease was mainly due to a negative financial impact arising from foreign exchange rate changes, which lead to an increase in exchange loss of HK\$5.7 million for the six months ended 30 June 2021. Such decrease was offset by (i) an increase in interest income of HK\$3.2 million; and (ii) an increase in fair value gains on investments at fair value through profit or loss of HK\$1.4 million.

## **Total Operating Expenses**

Total operating expenses for the six months ended 30 June 2021 was HK\$22.3 million (six months ended 30 June 2020: HK\$21.2 million) representing an increase of HK\$1.1 million or 5.2% as compared to that for the six months ended 30 June 2020. Such increase was mainly due to an increase of marketing and promotion expenses of HK\$0.9 million resulted from promotion of products under the Group's self-owned brand "Mazhuang".



## **Finance Costs**

Finance costs for the six months ended 30 June 2021 was HK\$4.3 million (six months ended 30 June 2020: HK\$6.8 million), representing a decrease of HK\$2.5 million or 36.8% as compared to that for the six months ended 30 June 2020. Such decrease was mainly due to (i) a decrease in interest on bank loans of HK\$2.2 million; and (ii) a decrease in interest on lease liabilities of HK\$0.3 million.

## **Profit After Tax**

Profit after tax for the six months ended 30 June 2021 was HK\$43.3 million (six months ended 30 June 2020: HK\$42.9 million), representing an increase of HK\$0.4 million or 0.9% as compared to that for the six months ended 30 June 2020. Such increase was mainly due to:

- (i) an increase in fair value on investment properties, which changed from a loss of HK\$10.5 million for the six months ended 30 June 2020 to a gain of HK\$11.3 million for the same period in 2021;
- (ii) an increase in gross profit of HK\$11.3 million;
- (iii) the recognition of one-off gain on deemed disposals of investments in an associate and a joint venture of HK\$6.9 million during the six months ended 30 June 2021; and
- (iv) a decrease in finance cost of HK\$2.5 million.

Such increases were offset by (i) the absence of the one-off gain on partial disposal of investment in an associate of HK\$31.7 million recorded in the six months ended 30 June 2020; (ii) negative financial impact arising from share of results of associates, which changed from share of profits of HK\$2.5 million to share of losses of HK\$2.3 million; (iii) an increase in share of losses of joint ventures of HK\$3.7 million; and (iv) a decrease in other income and gains, net of HK\$1.6 million.

## **BUSINESS REVIEW**

To better reflect the Group's latest business strategy and operations, the Group has reorganised the composition of its reportable segments and now the Group has six business segments in 2021, namely, (i) industrial hemp business; (ii) healthcare-related business; (iii) trading business; (iv) agency service; (v) property investment and leasing; and (vi) property development. Details of the change are set out in note 4 to the interim condensed consolidated financial statements contained in this announcement.

## **Industrial Hemp Business**

The revenue derived from the industrial hemp business for the six months ended 30 June 2021 was HK\$22.5 million, representing an increase of nearly 111.5 times compared to HK\$0.2 million for the six months ended 30 June 2020. The result for this segment changed from a loss of HK\$4.9 million for the six months ended 30 June 2020 to a profit of HK\$11.6 million for the six months ended 30 June 2021. This was mainly contributed by an increase in gross profit of HK\$19.0 million, which was mainly benefited from sale of Mazhuang products launched in the second half of 2020.

## **Healthcare-related Business**

The revenue derived from the healthcare-related business for the six months ended 30 June 2021 was HK\$9.1 million, representing a decrease of 69.5% as compared to HK\$29.8 million for the six months ended 30 June 2020. The profit derived from this segment for the six months ended 30 June 2021 was HK\$2.8 million, representing a decrease of 75.9% as compared to HK\$11.6 million for the six months ended 30 June 2020. This was mainly due to (i) a decrease in profit of HK\$2.7 million resulted from the disposal of clinics in Hong Kong and Shanghai during the second half of 2020; and (ii) a decrease in gross profit of HK\$3.4 million arising from decline in healthcare-related products sale agency service income.

## **Trading Business**

The revenue derived from the trading business for the six months ended 30 June 2021 was HK\$77.5 million, representing an increase of 2.2% as compared to HK\$75.8 million for the six months ended 30 June 2020. The profit derived from this segment was HK\$15.9 million, representing an increase of 47.2% as compared to HK\$10.8 million for the six months ended 30 June 2020, which was mainly due to (i) an increase in gross profit of HK\$2.7 million resulted from an increase in gross profit margin which was in line with increase in steel price; and (ii) a decrease in operating expenses of HK\$1.9 million due to effective expense control in this segment during the six months ended 30 June 2021.

## **Agency Service**

The revenue derived from the agency service for the six months ended 30 June 2021 was HK\$21.7 million, representing an increase of 24.7% as compared to HK\$17.4 million for the six months ended 30 June 2020. The profit derived from this segment for the six months ended 30 June 2021 was HK\$16.4 million, representing an increase of approximately 14.7% as compared to HK\$14.3 million for the six months ended 30 June 2020, which was mainly due to an increase in customers' demand for property sales and consultancy service.

## **Property Investment and Leasing**

The revenue from the property investment and leasing business for the six months ended 30 June 2021 was HK\$10.3 million, representing an increase of 2.0% as compared to HK\$10.1 million for the six months ended 30 June 2020. The result for this segment changed from a loss of HK\$1.0 million for the six months ended 30 June 2020 to a profit of HK\$20.0 million for the six months ended 30 June 2021. This was mainly due to an increase in fair value on investment properties, which changed from a loss of HK\$10.5 million for the six months ended 30 June 2020 to a gain of HK\$11.3 million for the six months ended 30 June 2021.

## **Property Development**

The Group has a 100% interest in residential development project located at Lot A & B, 626 Heidelberg Road, Alphington, VIC, 3078, Australia. The project covers a total site area of approximately 11,488 square meters ("sq.m.") and a total gross floor area of approximately 18,752 sq.m.. During the six months ended 30 June 2021, the project was progressing satisfactorily. Up to 30 June 2021, the civil works of the project was in progress and the civil phase is expected to be completed in October 2021 and the construction phase is scheduled to be commenced in November 2021.

## REVIEW OF FINANCIAL POSITION

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Investment properties	578,043	559,685
Investments in joint ventures	72,754	69,164
Investments in associates	53,235	47,327
Investments at fair value through profit or loss	29,597	—
Goodwill	18,500	18,500
Equity investments at fair value through other comprehensive income	—	28,572
Others	19,399	19,433
Total Non-Current Assets	771,528	742,681
<b>CURRENT ASSETS</b>		
Bank and cash balances	264,747	233,467
Prepayment, deposits and other receivables	262,239	348,432
Properties held for sale under development	248,878	245,344
Trade receivables	118,898	63,174
Investments at fair value through profit or loss	4,401	47,813
Others	34,342	21,949
Total Current Assets	933,505	960,179
Total Assets	1,705,033	1,702,860
<b>LIABILITIES</b>		
Bank borrowings	135,871	150,825
Deferred tax liabilities	70,510	62,974
Accruals and other payables	22,448	37,867
Contract liabilities	4,091	15,814
Others	27,574	32,117
Total Liabilities	260,494	299,597
Net Assets	1,444,539	1,403,263

Non-current assets of the Group as at 30 June 2021 were HK\$771.5 million (31 December 2020: HK\$742.7 million), representing an increase of HK\$28.8 million which was mainly due to an increase in investments at fair value through profit or loss of HK\$29.6 million. Current assets were HK\$933.5 million (31 December 2020: HK\$960.2 million), representing a decrease of HK\$26.7 million which was mainly due to a decrease in prepayment, deposits and other receivables of HK\$86.2 million. Such decrease was offset by an increase in trade receivables of HK\$55.7 million.

As at 30 June 2021, the Group's total liabilities were HK\$260.5 million (31 December 2020: HK\$299.6 million), representing a decrease of HK\$39.1 million which was mainly due to (i) a decrease in bank borrowings of HK\$15.0 million; (ii) a decrease in accruals and other payables of HK\$15.4 million; and (iii) a decrease in contract liabilities of HK\$11.7 million.

## NET ASSET VALUE

As at 30 June 2021, the Group's total net assets amounted to HK\$1,444.5 million (31 December 2020: HK\$1,403.3 million), representing an increase of HK\$41.2 million which was mainly due to profit for the six months ended 30 June 2021 amounting to HK\$43.3 million.

## LIQUIDITY AND FINANCIAL RESOURCES

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash used in operating activities	<b>(64,250)</b>	(29,335)
Net cash generated from investing activities	<b>118,883</b>	34,137
Net cash used in financing activities	<b>(22,047)</b>	(6,915)
Net increase/(decrease) in cash and cash equivalents	<b>32,586</b>	(2,113)
Effect of foreign exchange rate changes	<b>(1,306)</b>	(1,589)
Cash and cash equivalents at beginning of period	<b>233,467</b>	156,229
Cash and cash equivalents at end of period	<b>264,747</b>	152,527

As at 30 June 2021, total cash and cash equivalents of the Group were HK\$264.7 million (31 December 2020: HK\$233.5 million), of which approximately 65.5% was denominated in Australian dollars (“AUD”), 16.6% was in RMB, 15.1% was in HKD, 1.9% was in United States dollars (“USD”) and 0.9% was in Japanese Yen (“JPY”) (31 December 2020: 76.6% was in RMB, 17.6% was in HKD, 2.4% was in USD, 2.1% was in AUD, 1.2% was in JPY and 0.1% was in Swiss Franc).

Net cash used in operating activities for the six months ended 30 June 2021 was HK\$64.3 million, which was mainly due to satisfying the Group’s working capital required for daily operation during the six months ended 30 June 2021.

Net cash generated from investing activities was HK\$118.9 million which was mainly attributable to (i) net amount of acquisition and redemption of a fund investment and investment in financial products of HK\$255.7 million; and (ii) deferred consideration received in respect of disposals of subsidiaries in prior year of HK\$27.6 million. Such cash inflows were offset by (i) short-term interest-bearing loans advanced to certain independent third parties of HK\$145.6 million; and (ii) considerations paid for acquisition of unlisted equity investments of HK\$21.8 million.

Net cash used in financing activities was HK\$22.0 million, which mainly represented (i) repayment of bank borrowings of HK\$16.7 million; and (ii) payment of loan interest of HK\$4.3 million.

As at 30 June 2021, total bank borrowings of the Group were HK\$135.9 million (31 December 2020: HK\$150.8 million), which are mainly used as working capital of the Group. The unutilised banking facilities were HK\$42.9 million as at 30 June 2021 (31 December 2020: HK\$31.7 million).

The following table illustrates the composition of the Group’s bank borrowings:

	<b>30 June 2021 HK\$'000</b>	<b>31 December 2020 HK\$'000</b>
Floating rate RMB bank loans	<b>135,871</b>	140,137
Fixed rate RMB bank loans	—	10,688
	<b>135,871</b>	<b>150,825</b>

The following table illustrates the maturity profile of the Group's bank borrowings:

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within 1 year	<b>20,351</b>	30,575
Between 1 year and 2 years	<b>20,579</b>	19,629
Between 2 years and 5 years	<b>55,718</b>	54,837
Over 5 years	<b>39,223</b>	45,784
	<hr/>	<hr/>
	<b>135,871</b>	150,825
	<hr/>	<hr/>

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities and equity financing. The Group has adequate and stable sources of funds and unutilised bank facilities to meet its future capital expenditures and working capital requirements.

## **CAPITAL STRUCTURE OF THE GROUP**

The capital structure of the Group consists of equity attributable to owners of the Company (i.e. issued share capital and reserves).

### **Placing of New Shares under General Mandate**

On 11 April 2019, a total of 360,000,000 new shares were successfully placed by the placing agent to not less than six placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK\$0.91 per placing share pursuant to the terms and conditions of the placing agreement under general mandate and the placing of new shares raised net proceeds, after deducting related placing commission, professional fees and all related expenses, of HK\$325.7 million (with a net price of approximately HK\$0.905 per placing share) which was intended to be used for investing in the industrial hemp CBD extraction and application businesses and as general working capital of the Group.

As at 30 June 2021, the net proceeds have been used in the following manner:

*HK\$ million*

Net proceeds unutilised as at 31 December 2020	225.2
<b>Net proceeds utilised during the six months ended 30 June 2021</b>	
Working capital for operation of industrial hemp business	(0.6)
Working capital for development of residential properties	(9.5)
	<hr/>
Net proceeds unutilised as at 30 June 2021	215.1
	<hr/> <hr/>

As at 30 June 2021, net proceeds unutilised of approximately HK\$215.1 million was kept in bank accounts of the Group and used as general working capital.

## GEARING RATIO

The Group's gearing ratio, expressed as the percentage of net debts (includes bank borrowings, trade payables, contract liabilities, accruals and other payables and amounts due to related parties, less bank and cash balances) over the sum of equity attributable to owners of the Company and net debt, was negative (i.e. -7.0%) (31 December 2020: -1.4%).

As at 30 June 2021, the Group had net cash (i.e. negative net debt) of HK\$94.7 million (31 December 2020: net cash of HK\$19.8 million), while the equity attributable to owners of the Company was amounted to HK\$1,442.1 million (31 December 2020: HK\$1,400.9 million).

## CAPITAL EXPENDITURE

During the six months ended 30 June 2021, the expenditure of purchasing property, plant and equipment amounted to HK\$0.7 million (six months ended 30 June 2020: HK\$0.2 million).

## CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitments of HK\$14.1 million (31 December 2020: HK\$35.3 million) in respect of capital contributions payable to a joint venture and an associate (31 December 2020: (i) capital contributions payable to a joint venture, an associate and an unlisted long-term investment; and (ii) acquisition of equity interest of an unlisted long-term investment), which are contracted for but not provided for in the consolidated financial statements.



## **CHARGES ON GROUP ASSETS**

As at 30 June 2021, the bank borrowings amounting to HK\$135.9 million (31 December 2020: HK\$150.8 million) was secured by the investment properties situated in the PRC with a carrying amount of HK\$319.2 million (31 December 2020: HK\$338.7 million).

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

## **GENERAL DESCRIPTION ON THE GROUP'S INVESTMENT STRATEGIES**

With continued acceleration of the legalisation of industrial hemp in the overseas markets in recent years, cannabinoid, with CBD as its representative product, will have increasingly wide applications in healthcare and consumer goods fields. In addition, the population aging further deepened in the PRC, which brought huge development opportunities for the healthcare industry. Against such backdrop, the Group has been adopting the “one core and two wings” strategy, which focused on high-end health management business driven by the health applications of cell therapy and cannabinoid. The Group manages its investment portfolio with a primary objective to capture market opportunities associated with the increasingly wider applications of industry hemp as well as cell therapy, to facilitate the establishment of the Group's business presence in the global industrial hemp market and to establish an endogenous association between the health management business and other business segments.

On the other hand, in order to preserve liquidity and enhance interest yields, the Group had allocated certain resources to various investment in financial products in order to maximise the return on its unutilised funds before the Group utilises the funds to invest in the industrial hemp and other healthcare-related business.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Saved as disclosed elsewhere in this announcement, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021 and up to the date of this announcement.

## **SIGNIFICANT INVESTMENTS HELD**

As at 30 June 2021, the Group did not hold any significant investment.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Saved as disclosed in the section “Capital Commitments” above, these were no other plans authorised by the Board for material investments or additions of capital assets as at 30 June 2021.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE**

The revenue, expenses and monetary assets and liabilities of the Group are mainly denominated in RMB, HKD and AUD.

The Group did not enter into any foreign currency forward contract during the six months ended 30 June 2021. As at 30 June 2021 and 31 December 2020, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2021, the Group had approximately 109 employees (31 December 2020: 116 employees).

The Group’s remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees (including the Directors). Apart from base salaries, other staff benefits included pension schemes and medical schemes. The remuneration policy and remuneration packages of the Directors and members of the senior management of the Group are reviewed by the remuneration committee of the Company.

The Company adopted a share option scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

## RECENT DEVELOPMENT

### Judgement and Perseverance

The Group is optimistic about the future development of the healthcare industry. The Group will persevere in the long-term development.

In the first half of 2021, the result of the seventh population<sup>#</sup> census of the PRC displayed that the population aging further deepened with 264,020,000 elders above 60 years old, accounting for 18.70% of the total population, which brought huge development opportunities for the healthcare industry. The novel coronavirus disease epidemic (the “**Epidemic**”) since 2020 also greatly aroused the public health awareness and lifted their demands for healthcare services. Meanwhile, gross domestic product per capita in the PRC was approximately US\$5,800 in the first half of 2021, and the annual gross domestic product per capita will probably exceed US\$12,000 in 2021, reaching or exceeding the world’s average level. The improvement in national gross domestic product has objectively provided economic support for the development of the healthcare consumption. Pursuing for health and anti-aging have become popular service demands.

Meanwhile, the improving policies on cell treatment and industrial hemp industries, as well as increasing industrial capital, have created a favorable environment for the industrial development. Since 2021, Chinese government at various levels have released several supportive policies for the cell industry, which accelerated the development of cell’s clinical research and translational application. During the Reporting Period, the relaxation of the international convention led to more liberal industrial hemp policies in a number of countries around the world. Although Chinese government raised new regulatory requirements on the industrial hemp extract in the first half of 2021, the Group is still optimistic about the future development of the healthcare industry. The Group firmly believes that pursuing for health and anti-aging are eternal objectives of human beings despite the recession in the short period.

During the Reporting Period, the Group adhered to the “one core and two wings” strategy which focused on high-end health management business driven by the health applications of cell therapy and cannabinoid, achieving good results. Meanwhile, the Group continues to conduct in-depth research on skin health management, and develops product and business model integrating skincare products with efficacy and cosmetic medicine for skin health management by making full use of its advantages in research and development (“**R&D**”), brand and channel in terms of skin health management.

During the Reporting Period, despite different challenges and policy changes, the Group still maintained an increase in revenue with a year-over-year (“**YoY**”) increase of 5.9%, and profit attributable to owners of the Company also experienced a YoY increase of 1.5%.

## Health Management and Cell Therapy Business

In respect of this business, the Group pursues a development strategy of paying equal attention to upstream multi-disease R&D with cellular technology and downstream products and services.

In terms of the upstream of the industrial chain and products, the Group made its deployment in the area of cellular immunotherapy through the acquisition of Wingor Bio in 2019, a state-level high-tech enterprise, and the establishment of Beijing Mei Ai Kang Technology Co., Ltd.\* (北京美艾康科技有限公司) (“**Mei Ai Kang**”) in 2020. Thanks to several supportive policies on the cell industry released by Chinese government at various levels since 2021, the clinical research and application of cellular technology have entered the phase of rapid development, and the Group’s cell therapy business has ushered in rapid development. At the level of the central government, “stem cell research and organ repair” was again listed by the Ministry of Science and Technology as the “14th Five-year” (2021-2026) National Key R&D Program, and “research, application and industrial development of stem cells and immune cells” were mentioned for several times in the documents released by National Health Commission of the PRC and the General Office of the State Council. At the level of local governments, according to 2021 key work points formally published by the Standing Committee of Shenzhen Municipal People’s Congress on 3 March 2021, the emphasis of the legislation of the Municipal People’s Congress was on the emerging field of the cell gene. On 8 June 2021, the Government of Nanshan District, Shenzhen City released the announcement of the Implementation Plan on the Promotion of Pilot Development of the Biomedical Industry in Nanshan District (2021-2025), which supported the research and application of new technology such as stem cells and immune cells by medical institutions and scientific research institutions in Shenzhen Free Trade Zone, and strengthened the piloting of clinical trials of stem cells in Shenzhen Free Trade Zone. As the leading enterprise in the local cell treatment industry in Shenzhen, Wingor Bio has powerful R&D innovation strength and leading professional technology in the industry after eight years’ engagement in the cell therapy industry. Once the specific policies on cell treatment are implemented, Wingor Bio will be likely to realise qualitative development based on its first-mover advantage. Against such backdrop, Wingor Bio has also achieved much progress in business during the Reporting Period.

In terms of technology field, after over three years' research, Shenzhen Key Technological Breakthrough Program—"R&D of Key Technology for Treatment of Malignant Tumors with New Chimeric Antigen Receptor T-Cell ("CAR-T") Technology (Z20170457)" undertaken by Wingor Bio since 2018 passed the inspection of scientific and technological program by the Scientific and Technological Innovation Commission of Shenzhen on 11 June 2021. On 7 February 2021, Wingor Bio's new patent for invention was licensed, which was entitled B-cell Maturation Antigen ("BCMA") Chimeric Antigen Receptor ("CAR") Based on Single Domain Antibody and Its Applications. Compared with BCMA CAR derived from traditional antibodies, such invention has stronger binding with target cells, better killing effects and longer duration in the body. The acquisition of national patent of BCMA CAR Based on Single Domain Antibody and Its Applications will speed up the clinical research of Wingor Bio in CAR-T cell treatment, promote its further exploration in the tumor field, and bring opportunities for patients in the treatment of relapsing and refractory advanced tumors.

In terms of supporting facilities, Wingor Bio started to use the newly built biological cell preparation center in March 2021. The center is designed and constructed as per international standards such as cGMP (Current Good Manufacturing Practice), is certified by Chinese Academy of Sciences, and has the most advanced B+A level clean laboratory in the industry. The initiation of such new laboratory will further enhance the scientific research strength of Wingor Bio.

In terms of financing, Wingor Bio obtained a new round of strategic financing of tens of millions at the beginning of 2021, of which the valuation continued to grow in multiples. Thanks to advantages in policies, strength and funds, Wingor Bio may boast a new round of stronger growth.

During the Reporting Period, Mei Ai Kang made several achievements. It cooperated with the Fifth Medical Centre of the General Hospital of the People's Liberation Army, the Fourth People's Hospital of Nanning, Shanghai Public Health Clinical Centre and Yunnan Provincial Infectious Disease Hospital to conduct clinical studies and overcame the adverse effect brought forth by the Epidemic. It enrolled 17 cases in the study, improved clinical proposals, and detailed the experimental process for the convenience of application for treatment technology in future. Mei Ai Kang is currently applying for relevant patent cluster related to the core technology of the project, and a patent of self-transfusion injector has been approved.

In terms of downstream products and services and high-end health management, the public demand for healthcare has been on the rise due to the Epidemic. Policies from the central to local governments have been introduced to accelerate the research and application of cellular technology. With favorable policies, the Group has made considerable progress in basic cellular research and its application, and has been operating steadily in the health management segment. In addition, the Group formally put the clinic into operation in Nanjing in March 2021, which marked the first and important step towards the high-end health management strategy. The Group will constantly develop the healthcare business and extend the business model in the most promising cities across the country, in order to bring new growth points to the Group.

With the gradually loosened and refined policies, the Group will continue to leverage on its strengths in the industry chain to strengthen exploration and investment in the cell treatment field and derivative industries of cellular technology, constantly develop new products and services, and expand external cooperation to establish an endogenous association between the health management business and other business segments.

### **Industrial Hemp Business**

At the end of 2020, the United Nations Commission on Narcotic Drugs (CND) voted to remove cannabis and cannabis-related substances from Schedule IV of the Single Convention on Narcotic Drugs of 1961, lowering the level of control on cannabis and cannabis-related substances. During the Reporting Period, the relaxation of the international convention led to more liberal industrial hemp policies in a number of countries around the world. The Group proactively accelerated the promotion of downstream CBD application based on insightful analysis of the industrial hemp market worldwide, and continued to create and invest in CBD consumer health brands in multiple countries and across different sectors.

In terms of domestic business, the Group further developed the industrial hemp industry chain by investing in the establishment of Shenzhen Meiray Vap Technology Co., Ltd.\* (深圳市美深瑞科技有限公司) and taking a strategic stake in Shenzhen Mason Vap Technology Co., Ltd.\* (深圳市美深威科技有限公司), a leader in atomisation technology in 2020, in order to realise R&D, production and sales of high-quality CBD atomisers. It also signed a strategic cooperation framework agreement with an industrial hemp investment company in Yunnan Province in 2020, with a view to initiating comprehensive cooperation in the areas of scientific research, extraction, conversion of results and equity cooperation. During the Reporting Period, the Group sold its subordinate CBD skincare product “Mazhuang” through its own channels in the PRC, achieving a good reputation and result. However, due to the strict supervision on the industrial hemp extract in the PRC in the first half of 2021, ingredients related to industrial hemp were forbidden to be used as raw materials for cosmetic products in the PRC. The Group made prompt adjustments according to new policies, and proactively expanded overseas markets in Europe and Japan through overseas channels against the backdrop of accelerated legalisation of industrial hemp in the world.

In terms of overseas business, in Europe, as early as 2019, the Group established its subsidiary Green Gold Health SA in Switzerland, and organised a local professional team to expand CBD market in Europe. In 2021, the high-end CBD health consumption brand AlpReleaf independently developed and produced in Switzerland was formally launched into the market in Europe. The Group chose to launch AlpReleaf in Europe after considering the market and policy. Judging from the market scale, it is predicted according to the report released by Bright-Field-Group in April 2020 that, European hemp market will have exponential growth, European CBD market will have an increase over 390% and reach US\$1.6 billion at least in 2025. In the aspect of policies, most member states of the European Union have legalised the hemp for medical use, and some member states of the European Union have approved the usage of CBD ingredients in food, drinks, cosmetics, electronic cigarettes and oil tincture in new regulations. Meanwhile, although Europe has the most mature hemp market except North America, the CBD industry in Europe is still in the initial phase, which offers a favorable opportunity for the entry of AlpReleaf. AlpReleaf products have four series, which are mainly targeted at high-end customers in pursuit of high-quality life in 22 European countries. In Japan, the Group and a subsidiary of Shenzhen Gipro, a renowned health-related atomisation brand, established Meipro Biological Technology Company Limited (“**Meipro Biological**”), a subsidiary of the Company in Hong Kong. The CBD atomisation brand under Meipro Biological, CANNERGY, has launched a variety of CBD atomisation products and healthcare products in Japan.

As of the end of the Reporting Period, the Group continuously make deployment in the downstream of the industrial hemp industry chain, and created integrated industry covering domestic and international R&D, production and branding. In future, the Group will maintain the first-mover advantage, build a brand moat and create a sustainable and healthy source of revenue growth.

# It refers to the population of the 31 provinces, autonomous regions and municipalities directly under the central government and serviceman in the PRC, excluding residents of Hong Kong, Macao and Taiwan and foreigners living in these 31 provinces, autonomous regions and municipalities directly under the central government.



## **PROSPECTS**

Looking forward into 2021, despite the residual effect of the Epidemic, the world's economy has gradually recovered with the accelerated vaccination worldwide and the successive lifting of lock down measures by various countries. However, the Group is confronted with both risks and opportunities due to the obvious polarisation and unbalanced situation.

In terms of assets, the Group had current assets of HK\$933.5 million as at 30 June 2021, including bank and cash balances of HK\$264.7 million and redeemable investments at fair value through profit or loss of HK\$4.4 million. As for the business, the traditional business would continue to grow steadily; while the health management, cell therapy and industrial hemp business experienced steady development with comprehensive business layout, and achieved breakthroughs in R&D, clinical and downstream markets, which laid the foundation for stronger organic growth. In the foreseeable future, the traditional business is expected to continue to provide stable cash flow, while the industrial hemp business and the healthcare-related business will maintain a good momentum of growth. Meanwhile, the Group will strive to create the innovative skin health management products and business models, and become the top scientific skincare brand combining cosmetic medicine and skincare with efficacy by making full use of its advantages in the product R&D, medical care team, operation management, brand and channel in terms of skin health management. As a result of these favorable factors, the Group has laid a solid foundation for its long-term development and gained competitive advantages, which has been given its full confidence to deal with the uncertain economic situation. The Group is fully confident in the future development of its business operations.

## **OTHER INFORMATION**

### **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

There were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2021.



## **CORPORATE GOVERNANCE**

The Company has adopted the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2021.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

Save as elsewhere disclosed in this announcement, there was no important event occurred since the six months ended 30 June 2021 and up to the date of this announcement.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

ZHONGHUI ANDA CPA Limited, the Group’s external auditor, has carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial information for the six months ended 30 June 2021.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.meilleure.com.cn](http://www.meilleure.com.cn)). The interim report will be dispatched to shareholders of the Company as well as made available on the same websites in due course.

## APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation for all staff of the Group for their excellent contribution, thank our shareholders for their trust and acknowledge our business partners for their support.

By Order of the Board  
**Meilleure Health International Industry Group Limited**  
**Zhou Wen Chuan**  
*Executive Director and Chief Executive Officer*

Hong Kong, 27 August 2021

*As at the date of this announcement, the Board comprises Mr. Zhou Xuzhou, Dr. Zeng Wentao and Ms. Zhou Wen Chuan as executive Directors, Dr. Mao Zhenhua as non-executive Director and Mr. Gao Guanjiang, Professor Chau Chi Wai, Wilton and Mr. Wu Peng as independent non-executive Directors.*

*\* For identification purpose only*