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TATA Health International Holdings Limited

TATA 健康國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1255)

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

FINANCIAL HIGHLIGHTS

		For the six months ended 30 June	
		2021	2020
Revenue	<i>HK\$'000</i>	73,116	79,099
Gross profit	<i>HK\$'000</i>	44,102	11,130
Loss before taxation	<i>HK\$'000</i>	(31,653)	(93,831)
Loss attributable to owners of the Company	<i>HK\$'000</i>	(27,083)	(85,243)
Gross profit margin	<i>%</i>	60.3	14.1
Loss margin attributable to owners of the Company	<i>%</i>	(37.0)	(107.8)
Loss per share — basic and diluted	<i>HK\$</i>	(0.123)	(0.398)
		As at	
		30 June 2021	31 December 2020
Current ratio		1.7 times	1.2 times
Gearing ratio		160%	722.5%
Average trade receivables turnover period		17.2 days	34.6 days
Average trade payables turnover period		19.7 days	11.9 days
Average inventory turnover period		242.9 days	268.3 days

The board (the “Board”) of directors (the “Directors”) of TATA Health International Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”) together with comparative figures for the corresponding period in 2020, and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 together with audited comparative figures as at 31 December 2020. The unaudited condensed consolidated interim financial statements have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended	
		30.6.2021	30.6.2020
	<i>Notes</i>	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	3	73,116	79,099
Cost of sales		(29,014)	(67,969)
Gross profit		44,102	11,130
Other income		2,716	4,621
Other gains and losses	5	(776)	(265)
Impairment loss on			
— property, plant and equipment		—	(1,834)
— goodwill		—	(3,956)
— intangible assets		—	(7,388)
Impairment loss under expected credit loss model, net of reversal	6	—	(54)
Selling and distribution costs		(28,237)	(40,536)
Administrative expenses		(48,103)	(53,508)
Finance costs		(474)	(2,041)
Share of results of an associate		(881)	—
Loss before taxation	7	(31,653)	(93,831)
Taxation	8	—	(1,697)
Loss for the period		(31,653)	(95,528)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		199	304
Total comprehensive expense for the period		(31,454)	(95,224)

		Six months ended	
		30.6.2021	30.6.2020
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
	Owners of the Company	(27,083)	(85,243)
	Non-controlling interests	<u>(4,570)</u>	<u>(10,285)</u>
		<u>(31,653)</u>	<u>(95,528)</u>
Total comprehensive expense for the period attributable to:			
	Owners of the Company	(26,654)	(85,054)
	Non-controlling interests	<u>(4,800)</u>	<u>(10,170)</u>
		<u>(31,454)</u>	<u>(95,224)</u>
Loss per share — basic and diluted (<i>HK\$</i>)	10	<u>(0.123)</u>	<u>(0.398)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	At 30.6.2021 <i>HK\$'000</i> (unaudited)	At 31.12.2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		21,491	21,943
Investment Properties		4,000	4,000
Investment in an associate		1,485	2,483
Loan to an associate		496	497
Deferred tax assets		6,461	6,461
Deposit and prepayment for a life insurance policy		1,914	1,912
Rental deposits and prepayment		1,138	1,395
		<u>36,985</u>	<u>38,691</u>
Current assets			
Inventories		31,128	46,748
Trade and other receivables	11	28,455	22,628
Amount due from an associate		48,466	4,882
Time deposits over three months but within one year		20,288	20,273
Bank balances and cash		36,595	28,208
		<u>164,932</u>	<u>122,739</u>
Current liabilities			
Trade and other payables	12	48,076	42,212
Contract liabilities		272	214
Amount due to a related company		823	2,152
Taxation payable		461	541
Lease liabilities		12,723	13,607
Other borrowing — due within one year		15,000	15,000
Bank borrowings — due within one year		21,010	27,742
		<u>98,365</u>	<u>101,468</u>
Net current assets		<u>66,567</u>	<u>21,271</u>
Total assets less current liabilities		<u>103,552</u>	<u>59,962</u>

	At 30.6.2021 <i>HK\$'000</i> (unaudited)	At 31.12.2020 <i>HK\$'000</i> (audited)
Non-current liabilities		
Lease liabilities	1,084	3,560
Loans from a related company	49,189	32,856
Amounts due to an associate	—	5,740
Amounts due to immediate holding company	24	7,342
	<u>50,297</u>	<u>49,498</u>
Net assets	<u>53,255</u>	<u>10,464</u>
Capital and reserves		
Share capital	2,427	2,140
Reserves	55,014	7,940
	<u>57,441</u>	<u>10,080</u>
Equity attributable to owners of the Company	(4,186)	384
Non-controlling interests		
	<u>53,255</u>	<u>10,464</u>
Total equity		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

Impacts and accounting policies on application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” and early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2021.

3. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended	
	30.6.2021	30.6.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Sales of goods		
Footwear products	66,870	66,923
Healthcare products	621	3,762
Financial services	4,250	8,148
Online medical services	1,375	266
	<u>73,116</u>	<u>79,099</u>
Sales of channel		
Retail	64,729	64,903
Wholesale	2,141	2,020
Internet	1,996	4,028
Corporate	4,250	8,148
	<u>73,116</u>	<u>79,099</u>
Time of revenue recognition		
A point in time	68,662	71,335
Over time	4,454	7,764
	<u>73,116</u>	<u>79,099</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

For the six months ended 30 June 2021 (unaudited)

	Segment revenue <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Footwear products	66,870	—	66,870
Healthcare products	621	—	621
Financial services	4,646	(396)	4,250
Online medical services	1,375	—	1,375
	<u>73,512</u>	<u>(396)</u>	<u>73,116</u>

For the six months ended 30 June 2020 (unaudited)

	Segment revenue <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Footwear products	66,923	—	66,923
Healthcare products	3,762	—	3,762
Financial services	8,776	(628)	8,148
Online medical services	266	—	266
	<u>79,727</u>	<u>(628)</u>	<u>79,099</u>

4. OPERATING SEGMENT

Information reported to the executive directors of the Company, being the chief operating decision makers (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable segments under HKFRS 8 “Operating Segments” are as follows:

1. Trading of footwear products
2. Trading of healthcare products
3. Financial services
4. Online medical services

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segments:

For the six months ended 30 June 2021 (unaudited)

	Trading of footwear products <i>HK\$'000</i>	Trading of healthcare products <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Online medical services <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue							
External sales	66,870	621	4,250	1,375	73,116	—	73,116
Inter-segment sales	—	—	396	—	396	(396)	—
	<u>66,870</u>	<u>621</u>	<u>4,646</u>	<u>1,375</u>	<u>73,512</u>	<u>(396)</u>	<u>73,116</u>
Segment results	<u>(13,824)</u>	<u>(2,635)</u>	<u>(2,145)</u>	<u>(7,474)</u>	<u>(26,078)</u>	<u>—</u>	<u>(26,078)</u>
Unallocated Income							72
Unallocated expenses							(5,647)
Loss before taxation							<u>(31,653)</u>

For the six months ended 30 June 2020 (unaudited)

	Trading of footwear products <i>HK\$'000</i>	Trading of healthcare products <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Online medical services <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue							
External sales	66,923	3,762	8,148	266	79,099	—	79,099
Inter-segment sales	—	—	628	—	628	(628)	—
	<u>66,923</u>	<u>3,762</u>	<u>8,776</u>	<u>266</u>	<u>79,727</u>	<u>(628)</u>	<u>79,099</u>
Segment results	<u>(57,594)</u>	<u>(2,723)</u>	<u>(15,047)</u>	<u>(11,345)</u>	<u>(86,709)</u>	<u>—</u>	<u>(86,709)</u>
Unallocated expenses							<u>(7,122)</u>
Loss before taxation							<u>(93,831)</u>

Inter-segment sales are charged at prevailing market rates.

Geographical information

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

	Six months ended	
	30.6.2021	30.6.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong	66,662	72,131
Australia	621	3,762
Macau	4,458	2,854
Mainland China	1,375	266
Singapore	—	86
	<u>73,116</u>	<u>79,099</u>

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

Segment assets and liabilities

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

	At 30.6.2021 <i>HK\$'000</i> (unaudited)	At 31.12.2020 <i>HK\$'000</i> (audited)
<i>Segment assets</i>		
Trading of footwear products	104,452	121,297
Trading of healthcare products	2,540	1,393
Financial services	15,120	19,315
Online medical services	1,480	1,739
	<hr/>	<hr/>
Total reportable segment assets	123,592	143,744
Unallocated assets	78,325	17,686
	<hr/>	<hr/>
Consolidated assets	<u>201,917</u>	<u>161,430</u>
<i>Segment liabilities</i>		
Trading of footwear products	58,881	63,248
Trading of healthcare products	1,561	6,529
Financial services	2,965	5,959
Online medical services	13,955	18,928
	<hr/>	<hr/>
Total reportable segment liabilities	77,362	94,664
Unallocated liabilities	71,300	56,302
	<hr/>	<hr/>
Consolidated liabilities	<u>148,662</u>	<u>150,966</u>

5. OTHER GAINS AND LOSS

	Six months ended 30.6.2021 <i>HK\$'000</i> (unaudited)	30.6.2020 <i>HK\$'000</i> (unaudited)
Net exchange loss	(776)	(265)
	<hr/>	<hr/>
	<u>(776)</u>	<u>(265)</u>

6. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss recognised (reversed) in respect of:		
Loan to an associate	—	49
Trade receivables	—	(99)
Amount due from an associate	—	104
	<u>—</u>	<u>54</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

7. LOSS BEFORE TAXATION

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	8,379	13,263
Amortisation of intangible assets	—	894
Premium charges on a life insurance policy	14	14
Staff costs, including directors' emoluments	40,857	50,033
Allowance for inventories, net of reversal, included in cost of sales	—	38,682
COVID-19-related rent concessions	(335)	(911)
Rental income	(72)	—
Government grants, included in other income	—	(3,566)
Interest income	(116)	(222)
Imputed interest income on rental deposits	(103)	(141)
Imputed interest income from deposits and prepayment for a life insurance policy	(16)	(16)

8. TAXATION

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	—	59
Macau Complementary Tax	—	—
	—	59
Deferred taxation	—	1,638
	—	1,697

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the British Virgin Islands, have no assessable profits for both periods.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits rates regime, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Macau Complementary Tax is calculated at the rate of 12% (six months ended 30 June 2020: 12%) on the estimated assessable profit exceeding MOP600,000 for the period.

Under the applicable corporate tax law in Australia, income tax is charged at 30% of the estimated assessable profit. No provision for Australian income tax has been made in the condensed consolidated financial statements as the subsidiary operating in Australia has no assessable profits for both periods.

Taiwan income tax is calculated at 20% (six months ended 30 June 2020: 20%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods Company Limited in Taiwan for the period. No provision for Taiwan income tax has been made in the condensed consolidated financial statements as the branch operating in Taiwan has no assessable profits for both periods.

Under the Law of the People’s Republic of China (“PRC”) on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (six months ended 30 June 2020: 25%). No provision for PRC Enterprise Income Tax has been made in the condensed consolidated financial statements as the subsidiaries operating in the PRC have no assessable profits for both periods.

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2020: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2021 is based on the loss for the period attributable to owners of the Company of HK\$27,083,000 (six months ended 30 June 2020: HK\$85,243,000) and the weighted average number of 221,012,044 (six months ended 30 June 2020: 214,000,000) ordinary shares for the purpose of basic and diluted loss per share during the period.

11. TRADE AND OTHER RECEIVABLES

Retail sales of footwear products are made at retail shops and concession counters in department stores. The department stores collect payments from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores range from 30 to 60 days. Sales made at retail shops are settled by cash or credit cards. For wholesale of footwear products, trading of healthcare products and provision of financial services, the Group allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aging analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	At 30.6.2021 HK\$'000 (unaudited)	At 31.12.2020 HK\$'000 (audited)
Within 30 days	3,412	5,242
31 to 60 days	231	472
61 to 90 days	239	514
Over 90 days	609	799
	<u>4,491</u>	<u>7,027</u>

12. TRADE AND OTHER PAYABLES

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

	At 30.6.2021 HK\$'000 (unaudited)	At 31.12.2020 HK\$'000 (audited)
Within 30 days	164	1,354
31 to 60 days	7	16
61 to 90 days	1,245	—
Over 90 days	2,596	498
	<u>4,012</u>	<u>1,868</u>

The average credit period of trade payables is 30 days.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Footwear Business

Revenue of the Group's footwear business for the Reporting Period was approximately HK\$66.9 million, which remained unchanged as compared with that for the even period of 2020. We had recorded a same store sales growth of approximately 12.2% during the Reporting Period (30 June 2020: same store sales decline of approximately 2.3%).

Healthcare Business

Revenue of the Group's healthcare business for the Reporting Period was approximately HK\$0.6 million (30 June 2020: approximately HK\$3.8 million). The decrease in revenue compared with the even period of 2020 was due to the outbreak of COVID-19 and months of lockdown and customs blockade in Australia.

Nevertheless, the healthcare business segment is still on the way to build a well-known Asia-Pacific cross-border channel supply chain and distribution network for healthcare, skincare, maternal and infants care and personal care products.

Financial Services Business

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

During the Reporting Period, despite the gradual recovery of Hong Kong's economy from a two-year recession triggered by political unrest and COVID-19, DSG Group had only achieved a total revenue of approximately HK\$4.3 million (30 June 2020: approximately HK\$8.1 million) with a segment loss of approximately HK\$2.1 million (30 June 2020: segment loss of approximately HK\$15.0 million). The loss was mainly attributed to the huge salary expenses, rental expense and consultancy fee which contributed to the total expenses of approximately HK\$6.3 million being recorded during the Reporting Period.

Online Medical Services Business

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

During the Reporting Period, the recognized revenue of this business segment was approximately HK\$1.4 million (30 June 2020: approximately HK\$266,000), with a segment loss of approximately HK\$7.5 million (30 June 2020: segment loss of approximately HK\$11.3 million), which was mainly due to high operation costs and revenue bottleneck caused by COVID-19. By the end of the Reporting Period, the cumulative number of registered users of the Internet Hospital and orders for online consultation reached were approximately 80,000 and 12,600, respectively.

Prospects

In the past six months, the global economy continued to be affected by COVID-19. The Hong Kong Tourism Board (HKTb) announced that, affected by the COVID-19 pandemic, Hong Kong saw a cumulative visitor arrivals of around 34,000 in the first half of the year, a 99.0% drop year-on-year. The number of Mainland visitors to Hong Kong was about 24,256, representing a year-on-year decrease of 99.1%.

In addition, according to the provisional estimate of the value of total retail sales in the first half of 2021, which was released by the Census and Statistics Department of the HKSAR Government on 2 August 2021, the value of total retail sales increased by 8.4% compared with the same period in 2020. If such growth continues, the Group's footwear business revenue is expected to increase during the second half of 2021.

In terms of the financial services business, given the potential of the financial market and the Group's optimization of resources through internal restructuring, the financial services business will continue to focus on developing financing consultancy and seek opportunities during the second half of 2021.

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

SAP will also remain dedicated to developing more sales channels and quality Australian supplement products with good, easy and fast services. In addition, as the Company has completed the Subscription (as defined below), approximately 30% of the proceeds has been allocated for the Company's health supplement sector. SAP intends to work with highly undervalued brands with huge potential and to become their exclusive distributor in China market.

Overall, the performance of the Group was still affected by the macro environment caused by unstable factors such as COVID-19, etc. Nonetheless, the Group is committed to its strategic transformation towards the big health industry and will continue to strive

to expand its healthcare business and implement effective market development strategies. Meanwhile, the Group intends to increase the shareholding in the subsidiaries in the online medical services and trading of healthcare products segments in future.

FINANCIAL REVIEW

Revenue

Revenue of the Group's businesses for the Reporting Period was approximately HK\$73.1 million, representing a decrease of approximately 7.6% from approximately HK\$79.1 million of the even period of 2020.

Revenue from the Footwear Business

Revenue of the Group's footwear business for the Reporting Period was approximately HK\$66.9 million, which remained unchanged as compared with that for the even period of 2020. With regard to the sales of footwear products of the major brands under distribution agreements for the Reporting Period, as compared with the even period of 2020, sales of "Clarks" footwear products had decreased by approximately 2% and sales of "Josef Seibel" footwear products had increased by approximately 18.1%.

As at 30 June 2021, the Group operated 30 retail outlets in Hong Kong (30 June 2020: 31) and 1 retail outlet in Macau (30 June 2020: 1).

Revenue from the Financial Services Business

Revenue of the Group's financial services business for the Reporting Period was approximately HK\$4.3 million (30 June 2020: approximately HK\$8.1 million). The decrease in revenue was mainly due to the decrease of advisory service in securities and corporate finance.

Revenue from the Healthcare Business

Revenue of the Group's healthcare business for the Reporting Period was approximately HK\$0.6 million (30 June 2020: approximately HK\$3.8 million). The main reason for the revenue decrease as compared with the even period of 2020 was due to the outbreak of COVID-19 and the lockdown and customs blockade in Australia.

With regard to the sales of healthcare products of the major brands under distribution agreements for the Reporting Period, sales of milk powder accounted for approximately 85.4% of total revenue from healthcare business and sales of other brands supplement products accounted for approximately 14.6% of total revenue from healthcare business.

Revenue from the Online Medical Services Business

Revenue of the Group's online medical services business for the Reporting Period was approximately HK\$1.4 million (30 June 2020: approximately HK\$0.3 million). The increase in revenue was mainly due to the increase in the number of registered users and the increase in online consultation.

Cost of Sales

Our cost of sales amounted to approximately HK\$29.0 million for the Reporting Period, representing approximately 40.0% of revenue (30 June 2020: approximately HK\$68.0 million, representing approximately 85.9% of revenue). The decrease in cost of sales was mainly due to the decrease in sales activities of the healthcare businesses and the decrease of inventory allowance for footwear products.

Gross Profit

Gross profit (which equals to revenue minus cost of sales) of the Group for the Reporting Period was approximately HK\$44.1 million, representing an increase of approximately 297.2% from approximately HK\$11.1 million for the even period of 2020. Gross profit margin of the Group for the Reporting Period was approximately 60.3% (30 June 2020: approximately 14.1%). The gross profit margin has returned to the same level as that in 2019, because there was no provision for impairment of inventory was made during the period comparing to the impact made for inventories included in the cost of sales of approximately HK\$3.7 million in the even period of 2020. In addition, the revenue of the footwear business remained the same as that in the same period of last year.

Staff Costs

Staff costs for the Reporting Period were approximately HK\$40.8 million, representing approximately 55.8% of revenue (30 June 2020: approximately HK\$50.0 million, representing approximately 63.3% of revenue). The decrease in staff costs was mainly due to the decrease in number of staff of the online medical services business as compared to the even period of 2020.

Depreciation

Depreciation accounted for approximately 11.8% of revenue for the Reporting Period (30 June 2020: approximately 16.8% of revenue).

Finance Costs

Our finance costs for the Reporting Period amounted to approximately HK\$0.474 million (30 June 2020: approximately HK\$2.0 million). The finance costs mainly consist of interest expenses incurred on the trade related financing facilities with banks, other borrowing and lease liabilities.

Loss Before Taxation

As a result of the foregoing, our loss before taxation for the Reporting Period was approximately HK\$31.7 million (30 June 2020: approximately HK\$93.8 million).

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows, bank borrowings and proceeds from subscription. As at 30 June 2021, the Group had bank deposits and cash amounting to approximately HK\$56.9 million (31 December 2020: approximately HK\$48.4 million), representing an increase of approximately 17.6% from 31 December 2020. Most bank deposits and cash were denominated in Hong Kong Dollars. As at 30 June 2021, the Group had short-term bank borrowings amounting to approximately HK\$21.0 million (31 December 2020: approximately HK\$27.7 million). As at 30 June 2021, the Group did not have any outstanding long-term borrowings, except for loans from a related company with the amount of approximately HK\$49.2 million (31 December 2020: approximately HK\$32.9 million and other borrowing with the amount of approximately HK\$5.7 million, respectively).

Pledge of Assets

As at 30 June 2021, investment properties, land and buildings, deposit and prepayment for a life insurance policy (31 December 2020: investment properties, land and buildings, deposit and prepayment for a life insurance policy) were pledged to secure the bank borrowings and banking facilities granted to the Group.

Gearing Ratio

As at 30 June 2021, the Group's gearing ratio (which equals to total debt to total equity) was 160% (31 December 2020: 722.5%). The decrease in gearing ratio is resulted from the increase in net assets, which is due to the increase in non-current assets caused by no impairment of goodwill and intangible assets, and the increase in current assets due to the absence of inventory allowance in the Reporting Period.

Treasury Policy

The Group adopts a treasury policy that aims to better control its treasury operations and lowers its borrowing cost. As such, the Group endeavors to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board also

considers various funding sources depending on the Group's needs so as to ensure the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed below, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Proposed Investment in Promethera Therapeutics SA

Shang Ying International Trade Holdings Limited ("Shang Ying Trade", a subsidiary of the Company) (as investor and lender), the Company (as guarantor for the payment obligations of Shang Ying Trade under the Investment and Shareholders Agreement as defined below), Promethera Biosciences SA (as shareholder) and Promethera Therapeutics SA (as company) entered into an investment and shareholders agreement (the "Investment and Shareholders Agreement") dated 29 June 2021 and an amendment agreement (the "Amendment Agreement") dated 30 August 2021 with other co-investors and co-lenders, pursuant to which the investors and lenders agreed to make an investment for a total amount of EUR19,994,711.80 in Promethera Therapeutics SA and Promethera Therapeutics SA agreed to issue new shares to the investors and take out loans from the lenders. Under the Investment and Shareholders Agreement, Shang Ying Trade conditionally agreed to (i) subscribe for 186,516 new shares to be issued by Promethera Therapeutics SA for EUR6,999,945.48; and (ii) lend a loan in the principal amount of EUR3,000,000 in return for a warrant entitling Shang Ying Trade to convert the loan into shares of Promethera Therapeutics SA. Under the Amendment Agreement, Shang Ying Trade will provide an additional cash advance of EUR1,000,000, which is refundable upon fulfilment of a specific condition precedent. Upon completion of the Investment and Shareholders Agreement, Shang Ying Trade will hold approximately 37.61% of the enlarged issued share capital of Promethera Therapeutics SA. Shang Ying Trade (as purchaser), Promethera Biosciences SA (as seller) and Promethera Therapeutics SA (as seller) also entered into the share purchase deed dated 29 June 2021, pursuant to which Shang Ying Trade conditionally agreed to acquire 40% of the total issued share capital of Aceso-Promethera Asia Company Limited for a consideration of EUR1 subject to (among other things) the Investment and Shareholders Agreement becoming unconditional as to completion. For details, please refer to the announcements of the Company dated 29 June 2021, 10 August 2021 and 30 August 2021, respectively.

Announcement pursuant to Rule 3.7 the Takeovers Code

On 7 May 2020, the Company had received a letter from Alvarez & Marsal Asia Limited regarding the appointment of Ms. Yeung Mei Lee and Ms. Wing Sze Tiffany Wong as joint and several receivers and managers (collectively, the “Receivers”) over certain shares of the Company (the “Charged Shares”) held by Shang Ying Financial Holding Co., Limited (the “Borrower”), which had been charged to Great Wall International Investment X Limited. The number of Charged Shares was 123,993,617 and represented approximately 51.06% of the issued share capital of the Company as at the date of this announcement, and the Company was given to understand that the Receivers may look for potential purchaser(s) for the Charged Shares which was subsequently suspended until further notice. For further details, please refer to the announcements of the Company dated 8 May 2020, 12 May 2020, 12 June 2020, 13 July 2020, 13 August 2020, 11 September 2020, 12 October 2020, 12 November 2020, 11 December 2020, 12 January 2021, 11 February 2021, 12 March 2021 and 12 April 2021, respectively.

Foreign Currency Risks

The Group’s sales and purchases for the Reporting Period were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, Singapore dollars, Euros, US dollars and Australian dollars. The Renminbi is not a freely convertible currency, and the currency market for Macau Pataca is relatively small and undeveloped. In view of the above, future exchange rates of the above currencies could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the respective governments and the depth and breadth of the respective markets of currency exchange. The respective exchange rates may also be affected by economic developments and geopolitical changes domestically and internationally, and the demand and supply of the respective currencies. The appreciation or devaluation of the respective currencies against Hong Kong dollars may also have an impact on the Group’s results.

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group did not enter into any foreign currency forward contracts to hedge against foreign currency risk as at 30 June 2021.

THE SUBSCRIPTION

On 25 March 2021, each of Fly Smart Limited, Crystal Cosmic Limited, Ms. ZHU Tongxia, Mr. MIAO Xianrui and Mr. HAN Liang (the “Subscribers”) entered into a subscription agreement with the Company, pursuant to which the Company has conditionally agreed to allot and issue, and each of the Subscribers has conditionally agreed to subscribe for an aggregate of 28,845,000 new Shares (the “Subscription Share(s)”) at the subscription price of HK\$2.6 per subscription Share (the “Subscription”). The aggregate nominal value of the Subscription Shares was HK\$288,450. The net price of each Subscription Share was approximately HK\$2.58 and the closing price per Share on the date of the subscription agreements was HK\$3.75. The

Subscription was completed on 18 May 2021 and the gross proceeds and net proceeds raised were HK\$74,997,000 and HK\$74,497,000, respectively. The Directors considered that the Subscription represented an opportunity to raise funding for the business development of the Group and would strengthen the Group's financial position. For further details, please refer to the announcement and circular of the Company dated 25 March 2021 and 28 April 2021, respectively.

The following table sets out the details of the intended use of the net proceeds from the Subscription and the amount of proceeds that the Group has utilised during the Reporting Period:

	Approximate proportion of total amount	Intended use of net proceeds from the Subscription	Net proceeds utilised during the Reporting Period	Unutilised net proceeds as at 30 June 2021	Expected timeline for utilising the unutilised net proceeds (<i>Note</i>)
Replenishment of the Company's working capital, for payment of items such as salaries, administrative expenses and fees charged by various professional parties	25%	HK\$18,624,250	HK\$16,000,000	HK\$2,624,250	By 31 December 2022
Improvement of the Company's one-stop-shop Internet hospital platform, which will be mainly utilized in the areas of customer service support, user acquisition, product improvement and development	15%	HK\$11,174,550	HK\$11,174,550	Nil	—
For the Australian health supplement sector, strengthening the supply chain, developing and introducing new products, and developing the online platform of the Company's subsidiary, SAP, Zebra	30%	HK\$22,349,100	HK\$22,349,100	Nil	—
Seeking new business development opportunities and acquisition targets in the healthcare industry, identifying high-growth investment targets that are in line with the Company's strategy and enhance the Company's value	30%	HK\$22,349,100	HK\$5,836,507	HK\$16,512,593	By 30 June 2022
Total	100%	HK\$74,497,000	HK\$55,360,157	HK\$19,136,843	

Note: The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

HUMAN RESOURCES

As at 30 June 2021, the Group employed approximately 178 employees (31 December 2020: 228). Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications and experience. During the Reporting Period,

various training activities, such as training of product and service knowledge, management skills as well as local consumer laws, had been conducted to improve the performance of our staff members.

DIVIDENDS

The Board has resolved not to declare an interim dividend for the Reporting Period (30 June 2020: Nil).

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (Appendix 10 to the Listing Rules) (the "Model Code") as its own code of conduct regarding Directors' dealings in the Company's securities. Following specific enquiry made to the Directors, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

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

EVENTS AFTER THE REPORTING PERIOD

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.s-culture.com). The 2021 interim report of the Company, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to thank the management of the Group and all our staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group.

** The English translation is for reference of those official names in Chinese only.*

By order of the Board
TATA Health International Holdings Limited
Yang Jun
Chairman

Hong Kong, 31 August 2021

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