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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 2022**

RESULTS

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	64,614	141,120
Cost of goods sold and service rendered		<u>(20,546)</u>	<u>(78,974)</u>
Gross profit		44,068	62,146
Fair value gains on investment properties	10	7,788	11,313
Gain on deemed partial disposal of investment in a joint venture		–	6,522
Gain on deemed partial disposal of investment in an associate		–	343
Other income and (losses)/gains, net		(6,523)	10,974
Selling and distribution expenses		(3,171)	(3,155)
Administrative expenses		(14,041)	(19,096)
Impairment losses of receivables, net		(191)	(398)
Finance costs	5	(4,890)	(4,340)
Share of losses of associates		(1,916)	(2,270)
Share of losses of joint ventures		<u>(7,409)</u>	<u>(3,811)</u>
Profit before tax		13,715	58,228
Income tax expense	6	<u>(3,332)</u>	<u>(14,973)</u>
Profit for the period	7	<u>10,383</u>	<u>43,255</u>
Attributable to:			
Owners of the Company		10,562	43,190
Non-controlling interests		<u>(179)</u>	<u>65</u>
		<u>10,383</u>	<u>43,255</u>
Earnings per share	9		
Basic		<u>HK0.26 cents</u>	<u>HK1.01 cents</u>
Diluted		<u>HK0.26 cents</u>	<u>HK1.00 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period	7	<u>10,383</u>	<u>43,255</u>
Other comprehensive (loss)/income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at FVTOCI		<u>—</u>	<u>(8,671)</u>
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(52,617)</u>	<u>3,864</u>
Share of other comprehensive loss of an associate		<u>(67)</u>	<u>(18)</u>
		<u>(52,684)</u>	<u>3,846</u>
Other comprehensive loss for the period, net of tax		<u>(52,684)</u>	<u>(4,825)</u>
Total comprehensive (loss)/income for the period		<u><u>(42,301)</u></u>	<u><u>38,430</u></u>
Attributable to:			
Owners of the Company		<u>(42,182)</u>	<u>38,288</u>
Non-controlling interests		<u>(119)</u>	<u>142</u>
		<u><u>(42,301)</u></u>	<u><u>38,430</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		6,886	3,325
Right-of-use assets		6,476	2,353
Investment properties	10	580,112	593,647
Goodwill		18,500	18,500
Other intangible assets		50	67
Investments in associates		47,909	52,219
Investments in joint ventures		63,561	73,044
Investments at FVTPL		69,020	81,688
Derivative financial assets		214	225
Prepayments, deposits and other receivables	12	14,862	22,881
Deferred tax assets		15,978	13,377
		<u>823,568</u>	<u>861,326</u>
Current assets			
Inventories		9,303	11,424
Properties held for sale under development		250,934	259,064
Trade receivables	11	89,979	91,580
Prepayments, deposits and other receivables	12	395,575	126,553
Investments at FVTPL		18,461	107,795
Current tax assets		–	314
Restricted deposit		866	369
Bank and cash balances		138,855	272,591
		<u>903,973</u>	<u>869,690</u>
Investment properties held for sale		–	5,978
		<u>903,973</u>	<u>875,668</u>
Current liabilities			
Trade payables	13	59	87
Contract liabilities		4,528	4,303
Accruals and other payables		17,518	24,507
Amounts due to related parties		7,207	7,530
Bank borrowings		69,462	58,337
Lease liabilities		1,646	672
Derivative financial liabilities		299	3
Current tax liabilities		12,201	15,421
		<u>112,920</u>	<u>110,860</u>
Net current assets		<u>791,053</u>	<u>764,808</u>
Total assets less current liabilities		<u>1,614,621</u>	<u>1,626,134</u>

		30 June	31 December
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Accruals and other payables		2,615	6,379
Bank borrowings		178,875	110,362
Lease liabilities		4,870	1,048
Deferred tax liabilities		74,230	77,700
		<hr/> 260,590 <hr/>	<hr/> 195,489 <hr/>
NET ASSETS		1,354,031	1,430,645
		<hr/> <hr/> 1,354,031 <hr/> <hr/>	<hr/> <hr/> 1,430,645 <hr/> <hr/>
Capital and reserves			
Share capital	<i>14</i>	41,067	42,141
Treasury shares		(2,459)	(15,209)
Reserves		1,312,939	1,401,110
		<hr/> 1,351,547 <hr/>	<hr/> 1,428,042 <hr/>
Equity attributable to owners of the Company		1,351,547	1,428,042
Non-controlling interests		2,484	2,603
		<hr/> 1,354,031 <hr/>	<hr/> 1,430,645 <hr/>
TOTAL EQUITY		1,354,031	1,430,645
		<hr/> <hr/> 1,354,031 <hr/> <hr/>	<hr/> <hr/> 1,430,645 <hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM/(USED IN)		
OPERATING ACTIVITIES	68,017	(64,250)
Deferred considerations received in respect of disposals of subsidiaries in prior years	–	27,600
Deferred consideration received in respect of partial disposal of investment in an associate in prior years	3,596	2,390
Advances of loans to third parties	(345,619)	(145,596)
Repayment of loans from third parties	19,176	–
Interest received	1,834	125
Dividend received from investments at FVTPL	306	1,075
Purchases of property, plant and equipment	(596)	(650)
Proceeds from disposal of property, plant and equipment	6	–
Purchases of investments at FVTPL (non-current)	(8,414)	(21,808)
Consideration received in respect of redemption of unlisted fund investment in prior years	–	212,011
Decrease in current portion of investments at FVTPL	86,412	43,736
Increase in restricted deposit	(525)	–
Settlement of derivative contracts	1,172	–
NET CASH (USED IN)/GENERATED FROM		
INVESTING ACTIVITIES	(242,652)	118,883
Proceeds from bank borrowings	95,880	–
Repayment of bank borrowings	(6,592)	(16,729)
Interest paid	(4,739)	(4,271)
Repayment of lease liabilities	(697)	(1,047)
Payments of shares repurchase	(35,249)	–
NET CASH GENERATED FROM/(USED IN)		
FINANCING ACTIVITIES	48,603	(22,047)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(126,032)	32,586
Effect of foreign exchange rate changes	(7,704)	(1,306)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	272,591	233,467
CASH AND CASH EQUIVALENTS AT END OF PERIOD	138,855	264,747
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	138,855	264,747

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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.

The principal activities of the Group are operations of healthcare-related business and industrial hemp 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 HKICPA and the applicable disclosure required by the Listing Rules.

These interim condensed consolidated financial statements should be read in conjunction with the 2021 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 2021.

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 2022. 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 interim 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 2021: six) reportable segments as follows:

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

The Group's other operating segment includes holding investments in enterprises engaging in businesses other than the above reportable segments. The Group's other operating segment does not meet any of the quantitative thresholds for determining reportable segments. The information of the other operating segment is included in the ‘other segment’ column.

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 2022 (Unaudited)

	Healthcare- related business <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Agency service business <i>HK\$'000</i>	Property investment and leasing business <i>HK\$'000</i>	Property development business <i>HK\$'000</i>	Industrial hemp business <i>HK\$'000</i>	Other segment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>37,968</u>	<u>11,743</u>	<u>3,767</u>	<u>10,872</u>	<u>–</u>	<u>264</u>	<u>–</u>	<u>64,614</u>
Segment profit/(loss)	<u>27,469</u>	<u>9,314</u>	<u>(38)</u>	<u>16,556</u>	<u>32</u>	<u>(2,085)</u>	<u>(5)</u>	<u>51,243</u>
Fair value losses on investments at FVTPL								(17,595)
Fair value gains on derivative financial instruments								869
Share of losses of associates								(1,916)
Share of losses of joint ventures								(7,409)
Finance costs								(4,890)
Unallocated income								2,522
Unallocated expense								(9,109)
Profit before tax								<u>13,715</u>

For the six months ended 30 June 2021 (Unaudited)

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

Segment assets and liabilities

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

Segment assets

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Healthcare-related business	190,246	192,649
Trading business	461,846	303,162
Agency service business	47,720	25,601
Property investment and leasing business	621,348	610,293
Property development business	255,513	412,177
Industrial hemp business	79,237	99,762
	<hr/>	<hr/>
Total assets of reportable segments	1,655,910	1,643,644
Total assets of other segment	8,434	–
Deferred tax assets	15,978	13,377
Current tax assets	–	314
Unallocated corporate assets	47,219	79,659
	<hr/>	<hr/>
Consolidated total assets	1,727,541	1,736,994

Segment liabilities

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Healthcare-related business	22,483	14,844
Trading business	130,134	42,045
Agency service business	720	923
Property investment and leasing business	130,460	146,995
Property development business	1,608	3,514
Industrial hemp business	972	2,080
	<hr/>	<hr/>
Total liabilities of reportable segments	286,377	210,401
Deferred tax liabilities	74,230	77,700
Current tax liabilities	12,201	15,421
Unallocated corporate liabilities	702	2,827
	<hr/>	<hr/>
Consolidated total liabilities	373,510	306,349

Revenue

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Sale of healthcare-related products	33,841	20
Healthcare management service income	2,388	6,249
Aesthetic medical service income	1,739	633
Healthcare-related products sale agency service income	–	2,222
Sale of construction materials	11,743	77,523
Property sales and consultancy service income	3,767	21,669
Sale of CBD downstream products	264	22,528
Revenue from contracts with customers	53,742	130,844
Rental income	10,872	10,276
Total revenue	64,614	141,120

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2022 (Unaudited)

Segments	Healthcare- related business HK\$'000	Trading business HK\$'000	Agency service business HK\$'000	Industrial hemp business HK\$'000	Total HK\$'000
Major products/services					
Sale of healthcare-related products	33,841	–	–	–	33,841
Healthcare management services	2,388	–	–	–	2,388
Aesthetic medical services	1,739	–	–	–	1,739
Sale of construction materials	–	11,743	–	–	11,743
Property sales and consultancy services	–	–	3,767	–	3,767
Sale of CBD downstream products	–	–	–	264	264
Total	37,968	11,743	3,767	264	53,742
Geographical markets					
PRC	37,968	11,743	3,767	89	53,567
Others	–	–	–	175	175
Total	37,968	11,743	3,767	264	53,742
Timing of revenue recognition					
At a point in time	35,580	11,743	3,767	264	51,354
Over time	2,388	–	–	–	2,388
Total	37,968	11,743	3,767	264	53,742

For the six months ended 30 June 2021 (Unaudited)

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

5. FINANCE COSTS

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest on bank loans	4,739	4,271
Interest on lease liabilities	151	69
	<u>4,890</u>	<u>4,340</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax expense		
– PRC Enterprise Income Tax	5,885	10,738
– Australia withholding tax on interest income	663	965
Deferred income tax (credit)/expense	(3,216)	3,270
	3,332	14,973

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:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Impairment losses on trade receivables, net	191	398
Gain on deemed partial disposal of investment in a joint venture	–	(6,522)
Gain on deemed partial disposal of investment in an associate	–	(343)
Fair value losses/(gains) on investments at FVTPL	17,595	(7,606)
Fair value gains on derivative financial instruments	(869)	–
Net foreign exchange losses	3,448	6,157
Loss on written off of property, plant and equipment	–	4
Gain on lease termination	–	(191)
(Reversal of)/provision for equity-settled share options expense	(142)	2,844

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	10,562	43,190
	<u><u>10,562</u></u>	<u><u>43,190</u></u>
	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Number of shares		
Issued ordinary shares as at 1 January	4,214,086,636	4,271,752,636
Effect of share repurchased	(89,425,233)	–
	<u>4,214,086,636</u>	<u>4,271,752,636</u>
Weighted average number of ordinary shares used in basic earnings per share calculation	4,124,661,403	4,271,752,636
Effect of dilutive potential ordinary shares arising from share options	2,490,091	27,197,240
	<u>2,490,091</u>	<u>27,197,240</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	4,127,151,494	4,298,949,876
	<u><u>4,127,151,494</u></u>	<u><u>4,298,949,876</u></u>

10. INVESTMENT PROPERTIES

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Carrying amount		
As at 1 January 2022/1 January 2021	593,647	559,685
Fair value gains	7,788	15,190
Transfer from investment properties held for sale	5,840	–
Exchange differences	(27,163)	18,772
	<u>593,647</u>	<u>559,685</u>
Carrying amount		
As at 30 June 2022/31 December 2021	580,112	593,647
	<u><u>580,112</u></u>	<u><u>593,647</u></u>

11. TRADE RECEIVABLES

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0 to 30 days	35,201	11,194
31 to 90 days	4,807	15,555
Over 90 days	49,971	64,831
	89,979	91,580

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Loan receivables (<i>Note a</i>)	319,965	–
Prepayments	44,589	76,275
Consideration receivables in relation to:		
– Partial disposal of investment in an associate	15,359	19,556
– Partial disposal of investment in a joint venture	6,433	6,652
Performance bond receivable	16,400	17,177
Loan interest income receivables (<i>Note a</i>)	7,228	–
Other tax receivables	3,214	4,469
Other receivables	1,306	1,067
Deposits paid	294	321
Bid bond receivable	–	24,538
Deposits paid for acquisition of property, plant and equipment	–	3,936
	414,788	153,991
Provision for loss allowance	(4,351)	(4,557)
	410,437	149,434
Analysed as:		
Current assets	395,575	126,553
Non-current assets	14,862	22,881
	410,437	149,434

Note:

- (a) As at 30 June 2022, loan receivables with carrying amounts of HK\$279,965,000 (31 December 2021: Nil) are denominated in RMB, unsecured and bear fixed interest rates ranging from 3% to 8% per annum. The remaining loan receivables of HK\$40,000,000 (31 December 2021: Nil) are denominated in HKD, unsecured and bear a fixed interest rate of 12.5% per annum. The entire amount of principals and interests shall be received in full in the second half of 2022.

13. TRADE PAYABLES

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
0 to 90 days	29	40
Over 90 days	30	47
	<u>59</u>	<u>87</u>

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2021	4,271,752,636	42,718
Cancellation of shares	(57,666,000)	(577)
As at 31 December 2021 and 1 January 2022	4,214,086,636	42,141
Cancellation of shares	(107,394,000)	(1,074)
As at 30 June 2022	<u>4,106,692,636</u>	<u>41,067</u>

15. CAPITAL COMMITMENTS

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Contracted, but not provided for:		
Capital contribution to an associate	10,543	11,042
Capital contribution to an unlisted long-term investment	188	—
Acquisition of property, plant and equipment	—	445
	<u>10,731</u>	<u>11,487</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue	64,614	141,120
Gross profit	44,068	62,146
Gross profit margin	68.2%	44.0%
Other income and (losses)/gains, net	(6,523)	10,974
Total operating expenses (<i>Note</i>)	17,212	22,251
Finance costs	4,890	4,340
Profit before tax	13,715	58,228
Profit after tax	10,383	43,255
Profit attributable to owners of the Company	10,562	43,190

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

Revenue

Revenue for the six months ended 30 June 2022 was HK\$64.6 million (six months ended 30 June 2021: HK\$141.1 million), mainly generated by (i) sale of healthcare-related products; (ii) sale of construction materials; (iii) rental income; (iv) property sales and consultancy service income; (v) healthcare management service income; (vi) aesthetic medical service income; and (vii) sale of CBD downstream products.

Revenue decreased by approximately 54.2% from HK\$141.1 million for the six months ended 30 June 2021 to HK\$64.6 million for the six months ended 30 June 2022. The decrease in revenue of HK\$76.5 million was mainly due to (i) decreases in sale of construction materials as well as property sales and consultancy service income of HK\$65.8 million and HK\$17.9 million respectively, as a result of the overall downturn in the real estate market of mainland China; and (ii) a decrease in sale of CBD downstream products of HK\$22.2 million, resulting from the prohibition of the use of industrial hemp in all cosmetics in mainland China. Such decreases were partially offset by an increase in sale of healthcare-related products of HK\$33.8 million, mainly benefiting from the sale of skincare products under the Group's brand "Jixiaojian" launched in the second half of 2021.

Gross Profit and Gross Profit Margin

The Group's gross profit for the six months ended 30 June 2022 was HK\$44.1 million (six months ended 30 June 2021: HK\$62.1 million), representing a decrease of 29.0% compared to that for the six months ended 30 June 2021. The gross profit margin for the six months ended 30 June 2022 increased to 68.2% from 44.0% for the six months ended 30 June 2021.

The decrease in gross profit of HK\$18.0 million was mainly due to (i) decreases in gross profits in the agency service business and the trading business of HK\$16.8 million and HK\$10.9 million respectively, as a result of the overall downturn in the real estate market of mainland China; and (ii) a decrease in gross profit in industrial hemp business of HK\$18.8 million, resulting from the prohibition of the use of industrial hemp in all cosmetics in mainland China. Such decreases were partially offset by an increase in gross profit in the healthcare-related business of HK\$27.5 million, mainly benefiting from the sale of skincare products under the Group's brand "Jixiaojian" launched in the second half of 2021.

In addition, the increase in gross profit margin was mainly due to a decrease in the proportion of the revenue derived from the trading business to the Group's total revenue for the six months ended 30 June 2022 compared to that for the six months ended 30 June 2021, while the trading business has a lower gross profit margin compared to other business segments of the Group.

Other Income and (Losses)/Gains, Net

Such an item changed from other income and net gains of HK\$11.0 million for the six months ended 30 June 2021 to other income and net losses of HK\$6.5 million for the six months ended 30 June 2022. Such change is primarily due to an unfavourable financial impact arising from fair value changes on investments at FVTPL as a result of adverse market conditions, which changed from a fair value gain of HK\$7.6 million for the six months ended 30 June 2021 to a fair value loss of HK\$17.6 million for the six months ended 30 June 2022. The unfavourable financial impact was partially offset by (i) an increase in interest income of HK\$3.1 million; (ii) a decrease in exchange losses of HK\$2.7 million; and (iii) an increase in government grants of HK\$2.5 million.

Total Operating Expenses

Total operating expenses for the six months ended 30 June 2022 were HK\$17.2 million (six months ended 30 June 2021: HK\$22.3 million), representing a decrease of HK\$5.1 million or 22.9% compared to that for the six months ended 30 June 2021. Such decrease was mainly due to (i) a favourable financial impact arising from equity-settled share options expense, which changed from the recognition of such expense of HK\$2.8 million for the six months ended 30 June 2021 to reversal of such expense of HK\$0.1 million for the six months ended 30 June 2022; and (ii) effective expenses control of the Group for the six months ended 30 June 2022.

Finance Costs

Finance costs for the six months ended 30 June 2022 were HK\$4.9 million (six months ended 30 June 2021: HK\$4.3 million), representing an increase of HK\$0.6 million or 14.0% compared to that for the six months ended 30 June 2021. Such an increase was mainly due to an increase in interest on bank loans of HK\$0.4 million, primarily resulting from an increase in the average balance in bank borrowings during the six months ended 30 June 2022 compared to that during the six months ended 30 June 2021.

Profit After Tax

Profit after tax for the six months ended 30 June 2022 was HK\$10.4 million (six months ended 30 June 2021: HK\$43.3 million), representing a decrease of HK\$32.9 million or 76.0% as compared to that for the six months ended 30 June 2021. Such a decrease was mainly due to:

- (i) an unfavourable financial impact arising from fair value changes on investments at FVTPL, which changed from a fair value gain of HK\$7.6 million for the six months ended 30 June 2021 to a fair value loss of HK\$17.6 million for the six months ended 30 June 2022; and
- (ii) decreases in gross profits in the industrial hemp business, the agency service business and the trading business of HK\$18.8 million, HK\$16.8 million and HK\$10.9 million respectively.

Such decreases were partially offset by (i) an increase in gross profit in the healthcare-related business of HK\$27.5 million; and (ii) a decrease in income tax expense of HK\$11.6 million resulting from a decrease in profit before tax.

BUSINESS REVIEW

Healthcare-related Business

The revenue derived from the healthcare-related business for the six months ended 30 June 2022 was HK\$37.9 million, representing an increase of 3.2 times compared to HK\$9.1 million for the six months ended 30 June 2021. The profit derived from this segment for the six months ended 30 June 2022 was HK\$27.5 million, representing an increase of 8.8 times compared to HK\$2.8 million for the six months ended 30 June 2021. Such an increase was mainly due to a rise in gross profit of HK\$27.5 million, mainly benefiting from the sale of skincare products under the Group's brand "Jixiaojian" launched in the second half of 2021.

Trading Business

The revenue derived from the trading business for the six months ended 30 June 2022 was HK\$11.7 million, representing a decrease of 84.9% compared to HK\$77.5 million for the six months ended 30 June 2021. The profit derived from this segment for the six months ended 30 June 2022 was HK\$9.3 million, representing a decrease of 41.5% compared to HK\$15.9 million for the six months ended 30 June 2021. Such a decrease was mainly due to a decline in gross profit of HK\$10.9 million, mainly resulting from the overall downturn in the real estate market of mainland China. Such a decrease was partially offset by an increase in other income and gains, net of HK\$4.0 million, primarily resulting from an increase in government grants during the six months ended 30 June 2022.

Agency Service Business

The revenue derived from the agency service business for the six months ended 30 June 2022 was HK\$3.8 million, representing a decrease of 82.5% compared to HK\$21.7 million for the six months ended 30 June 2021. The result for this segment changed from a profit of HK\$16.4 million for the six months ended 30 June 2021 to a loss of HK\$0.1 million for the six months ended 30 June 2022. The change was mainly due to a decrease in gross profit of HK\$16.8 million resulting from the overall downturn in the real estate market of mainland China.

Property Investment and Leasing Business

The revenue from the property investment and leasing business for the six months ended 30 June 2022 was HK\$10.9 million, representing an increase of 5.8% compared to HK\$10.3 million for the six months ended 30 June 2021. The profit derived from this segment for the six months ended 30 June 2022 was HK\$16.6 million, representing a decrease of approximately 17.0% compared to HK\$20.0 million for the six months ended 30 June 2021, which was mainly due to a decrease in fair value gains on investment properties of HK\$3.5 million.

Property Development Business

The Group has a 100% interest in a 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 sq.m. Advantageously located just 6.5 kilometres from Melbourne's central business district, the site provides a gross floor area of approximately 18,752 sq.m. to be developed into 109 residential units of townhouses.

During the six months ended 30 June 2022, the project was still in progress. Up to the date of this announcement, the project's civil works have already been completed. Based on the construction schedule, the pre-sale of the project is expected to commence in the near future, which will rapidly realise the value of the land reserve, deliver leaping business growth for the Group and boost brand value.

Industrial Hemp Business

The revenue derived from the industrial hemp business for the six months ended 30 June 2022 was HK\$0.3 million, representing a decrease of 98.7% compared to HK\$22.5 million for the six months ended 30 June 2021. The result for this segment changed from a profit of HK\$11.6 million for the six months ended 30 June 2021 to a loss of HK\$2.1 million for the six months ended 30 June 2022. The change was mainly due to a decline in gross profit of HK\$18.8 million, resulting from the prohibition of the use of industrial hemp in all cosmetics in mainland China. Such a decrease was partially offset by a decrease in operating expenses of HK\$6.0 million during the six months ended 30 June 2022, resulting from effective expenses control in this segment during the six months ended 30 June 2022.

REVIEW OF FINANCIAL POSITION

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS		
Investment properties	580,112	593,647
Investments at FVTPL	69,020	81,688
Investments in joint ventures	63,561	73,044
Investments in associates	47,909	52,219
Goodwill	18,500	18,500
Others	44,466	42,228
	<hr/>	<hr/>
Total Non-Current Assets	823,568	861,326
	<hr/>	<hr/>
CURRENT ASSETS		
Bank and cash balances	138,855	272,591
Prepayments, deposits and other receivables	395,575	126,553
Properties held for sale under development	250,934	259,064
Trade receivables	89,979	91,580
Investments at FVTPL	18,461	107,795
Investment properties held for sale	–	5,978
Others	10,169	12,107
	<hr/>	<hr/>
Total Current Assets	903,973	875,668
	<hr/>	<hr/>
Total Assets	1,727,541	1,736,994
	<hr/>	<hr/>
LIABILITIES		
Bank borrowings	248,337	168,699
Deferred tax liabilities	74,230	77,700
Accruals and other payables	20,133	30,886
Contract liabilities	4,528	4,303
Others	26,282	24,761
	<hr/>	<hr/>
Total Liabilities	373,510	306,349
	<hr/>	<hr/>
Net Assets	1,354,031	1,430,645
	<hr/> <hr/>	<hr/> <hr/>

Non-current assets of the Group as at 30 June 2022 were HK\$823.6 million (31 December 2021: HK\$861.3 million), representing a decrease of HK\$37.7 million, which was mainly due to (i) a decrease in investment properties of HK\$13.5 million; (ii) a decrease in investments at FVTPL of HK\$12.7 million; and (iii) a decrease in investment in joint ventures of HK\$9.4 million. Current assets were HK\$904.0 million (31 December 2021: HK\$875.7 million), representing an increase of HK\$28.3 million, which was mainly due to an increase in prepayments, deposits and other receivables of HK\$269.0 million, which was partially offset by (i) a decrease in bank and cash balances of HK\$133.7 million; (ii) a decrease in investments at FVTPL of HK\$89.3 million; (iii) a decrease in properties held for sale under development of HK\$8.1 million; and (iv) a decrease in investment properties held for sale of HK\$6.0 million.

As at 30 June 2022, the Group's total liabilities were HK\$373.5 million (31 December 2021: HK\$306.3 million), representing an increase of HK\$67.2 million, which was mainly due to an increase in bank borrowings of HK\$79.6 million, which was partially offset by a decrease in accruals and other payables of HK\$10.8 million.

NET ASSET VALUE

As at 30 June 2022, the Group's total net assets amounted to HK\$1,354.0 million (31 December 2021: HK\$1,430.7 million), representing a decrease of HK\$76.7 million, mainly due to the repurchase of shares of HK\$35.2 million, and exchange losses arising from the translation of foreign operations of HK\$52.6 million. Such decreases were partially offset by the profit for the six months ended 30 June 2022 of HK\$10.4 million.

LIQUIDITY AND FINANCIAL RESOURCES

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	68,017	(64,250)
Net cash (used in)/generated from investing activities	(242,652)	118,883
Net cash generated from/(used in) financing activities	48,603	(22,047)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(126,032)	32,586
Effect of foreign exchange rate changes	(7,704)	(1,306)
Cash and cash equivalents at beginning of period	272,591	233,467
	<hr/>	<hr/>
Cash and cash equivalents at end of period	138,855	264,747
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2022, the total cash and cash equivalents of the Group were HK\$138.9 million (31 December 2021: HK\$272.6 million), of which approximately 91.7% was denominated in RMB, 3.1% was in AUD, 3.0% was in HKD, 1.4% was in JPY, 0.5% was in CHF, and 0.3% was in USD (31 December 2021: 55.8% was in AUD, 28.4% was in HKD, 14.2% was in RMB, 0.9% was in JPY, 0.6% was in USD, and 0.1% was in CHF).

Net cash generated from operating activities for the six months ended 30 June 2022 was HK\$68.0 million, mainly contributed to net cash generated from the Group's daily operation during the six months ended 30 June 2022.

Net cash used in investing activities was HK\$242.7 million, which was mainly attributable to short-term interest-bearing loans advanced to certain independent third parties of HK\$345.6 million, which were partially offset by (i) the net cash inflow generated from investments in financial products of HK\$86.4 million; and (ii) repayment of short-term interest-bearing loans advanced to certain independent third parties of HK\$19.2 million.

Net cash generated from financing activities was HK\$48.6 million, which mainly represented a net amount of (i) proceeds received from new bank borrowings of HK\$95.9 million; (ii) payments for shares repurchase of HK\$35.2 million; (iii) repayment of bank borrowings of HK\$6.6 million; and (iv) payment of loan interest of HK\$4.7 million.

As at 30 June 2022, the total bank borrowings of the Group were HK\$248.3 million (31 December 2021: HK\$168.7 million), which are mainly used as the working capital of the Group. The Group has no unutilised banking facilities as at 30 June 2022 and 31 December 2021.

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

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Floating rate RMB bank loans	119,483	131,892
Fixed rate RMB bank loans	128,854	36,807
	<hr/>	<hr/>
	248,337	168,699
	<hr/> <hr/>	<hr/> <hr/>

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

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	69,462	58,337
Between 1 year and 2 years	32,334	21,106
Between 2 years and 5 years	86,437	57,420
Over 5 years	60,104	31,836
	<hr/> 248,337 <hr/>	<hr/> 168,699 <hr/>

Based on the Group's steady cash flow, coupled with sufficient bank and cash balances and the remaining unutilised net proceeds raised from placing of shares in prior years and considering the potential impact of the outbreak of the COVID-19 pandemic on the Group's operations, the Group has adequate liquidity and financial resources to meet its future capital expenditures, daily operations and working capital requirements in the next financial year.

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).

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 June 2022. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

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 the 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 2022, the net proceeds have been used in the following manner:

Intended use of the net proceeds	Unutilised net proceeds as at 31 December 2021 <i>HK\$ million</i>	Actual amount used during the Reporting Period <i>HK\$ million</i>	Unutilised net proceeds as at 30 June 2022 <i>HK\$ million</i>
To be used as general working capital of the Group	186.5	(54.6)	131.9
To be invested in the industrial hemp CBD extraction and application businesses	3.9	(1.8)	2.1
Total	<u>190.4</u>	<u>(56.4)</u>	<u>134.0</u>

As at 30 June 2022, the unutilised net proceeds of approximately HK\$18.5 million have been used for the subscription of financial products, which will be redeemed depending on the Group's funding needs. The remaining unutilised net proceeds of approximately HK\$115.5 million were kept in bank accounts of the Group and used as general working capital. It is expected that the unutilised net proceeds of HK\$134.0 million as at 30 June 2022 will be fully utilised by 31 December 2024.

The Company does not have any intention to change the purposes of the unutilised net proceeds as set out in the announcement dated 1 April 2019 and will gradually utilise the unutilised amount of the net proceeds in accordance with the intended purposes mentioned above.

GEARING RATIO

The Group's gearing ratio, expressed as the percentage of net debt (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 9.5% (31 December 2021: -4.5%).

As at 30 June 2022, the Group had net debt of HK\$141.4 million (31 December 2021: negative net debt of HK\$61.1 million), while the equity attributable to owners of the Company amounted to HK\$1,351.5 million (31 December 2021: HK\$1,428.0 million).

CAPITAL EXPENDITURE

During the six months ended 30 June 2022, the expenditure on purchasing property, plant and equipment amounted to HK\$4.4 million (six months ended 30 June 2021: HK\$0.7 million).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had capital commitments of HK\$10.7 million (31 December 2021: HK\$11.5 million) in respect of capital contributions payable to an associate and an unlisted long-term investment (31 December 2021: (i) capital contribution payable to an associate; and (ii) acquisition of property, plant and equipment), which are contracted but not provided for in the interim condensed consolidated financial statements.

CHARGES ON GROUP ASSETS

The following table sets forth the net book value of assets under pledges for certain banking facilities and outstanding futures contracts as at the dates indicated:

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	461,360	355,214
Restricted deposit	866	369
	<hr/>	<hr/>
	462,226	355,583
	<hr/> <hr/>	<hr/> <hr/>

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any significant contingent liabilities.

GENERAL DESCRIPTION OF THE GROUP'S INVESTMENT STRATEGIES

With continued accelerations of the legalisation of industrial hemp in overseas markets in recent years, cannabinoids, with CBD as their representative product, will have increasingly broad applications in healthcare and consumer goods fields. In addition, standing at the new starting point of the era with the synergy effects of “Healthy China 2030” and “14th Five-Year Plan”, the Group is profoundly optimistic about the future development of the healthcare industry. The Group adheres to the corporate vision of “using technology and expertise to serve more people’s health and beauty needs”. Therefore, the Group manages its investment portfolio with a primary objective to capture market opportunities in the healthcare industry, including but not limited to the increasingly wider health applications of industrial hemp and cell therapy, as well as the continuous growth in the market scale of medical aesthetics.

On the other hand, in order to preserve liquidity and enhance interest yields, the Group had allocated certain resources to fund investments and various investments 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 businesses.

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 2022 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2022, the investment portfolio of the Group amounted to HK\$198.9 million (31 December 2021: HK\$315.0 million) as recorded in the interim condensed consolidated statement of financial position under various categories, including:

- investments in associates and joint ventures, which are accounted for by using the equity method;
- investments at FVTPL; and
- derivative financial instruments.

There was no single investment in the Group's investment portfolio that was considered as a significant investment, given that none of the investments has a carrying amount accounting for more than 5% of the Group's total assets as at 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in the section "Capital Commitments" above, there were no other plans authorised by the Board for material investments or additions of capital assets as at 30 June 2022.

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 2022. As at 30 June 2022 and 31 December 2021, 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 2022, the Group had approximately 123 employees (31 December 2021: 138 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 policies and remuneration packages of the Directors and members of the senior management of the Group are reviewed by the Remuneration Committee.

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

Judgment and Perseverance

With the development of the social economy in China, more people are pursuing high-quality and healthy life, which has enriched their health awareness. The “8th Five-Year Plan” focused on serving the public’s health, while the “11th Five-Year Plan” focused on being highly concerned about public health. Until the “13th Five-Year Plan” and the “14th Five-Year Plan” were released, public health has been placed in the strategic position of priority development, in which public health is of great significance to China. According to “Healthy China 2030”, the scale of the health industry in China will experience significant expansion by 2030, of which the total scale will reach RMB16 trillion.

At the same time, the GDP per capita of the PRC in 2021 was RMB80,976¹, equivalent to US\$12,551 at the average annual exchange rate, exceeding the world per capita GDP level. According to the World Bank’s indicators, the PRC’s GNI per capita in 2021 was US\$12,400, close to the GNI per capita threshold of US\$12,700 of the high-income countries. The national gross domestic product improvement has objectively provided economic support for developing healthcare consumption. Pursuing health and anti-ageing have become popular demands.

Therefore, standing at the historical period with the synergy effects of “Healthy China 2030” and “14th Five-Year Plan” in 2022, the Group is profoundly optimistic about the future development of the healthcare industry. We believe in the power of time and maintain ourselves as long-termists in the industry. During the Reporting Period, the Group adhered to the corporate vision of “using technology and expertise to serve more people’s health and beauty needs”, integrated production and investment, and delved into the health management and skin management sectors. Focusing on consumer medicine, we have facilitated the development of health management sector through health applications of cell therapy and cannabinoid. Meanwhile, the Group continued to conduct in-depth research on skin health and its related services and developed product and business model integrating skincare products with efficacy and cosmetic medicine for skin health management by making full use of its advantages in R&D, brand and channel in terms of skin health management.

¹ Source: “Statistical Communiqué of the PRC on the 2021 National Economic and Social Development” published by the National Bureau of Statistics

OVERVIEW OF OPERATIONS

Healthcare-related Business Segment – Cell Treatment and Health Management Business

The Group made its deployment in the field of cell therapy through the strategic acquisition of equity interest of Wingor Bio in 2019, a state-level high-tech enterprise, and the establishment of Mei Ai Kang in 2020.

Thanks to several supportive policies on the cell industry released by the Chinese government at various levels during the Reporting Period, cellular technology's clinical research and application have entered the phase of rapid development, and the Group's cell therapy business has ushered in rapid growth. At the level of the central government, cell therapy has been included in China's "13th Five-Year Plan", "14th Five-Year Plan" and "Healthy China 2030", respectively. On 10 May 2022, based on the "14th Five-Year Plan", the National Development and Reform Commission of China issued the "14th Five-Year Plan for Bioeconomy Development" to accelerate the development of the biopharmaceutical industry, growing a bigger and stronger bioeconomy. In addition, "stem cell research and organ repair" was again listed by the Ministry of Science and Technology of the PRC as the "14th Five-year" (2021- 2026) National Key R&D Program. The State Council of China issued the "Implementation Opinions on Comprehensively Strengthening Drug Regulatory Capacity", focusing on supporting cellular drugs and accelerating the R&D of new products. At the level of local government, the Standing Committee of the Shenzhen Municipal People's Congress issued the "Cell and Genetic Industry Promotion Regulations of Shenzhen Special Economic Zone (Draft for Comment)" on 12 November 2021. On 26 January 2022, the "Opinions on Several Special Measures to Relax Market Access in Shenzhen's Construction of a Pilot Demonstration Zone of Socialism with Chinese Characteristics" was jointly issued by the National Development and Reform Commission of China and the Ministry of Commerce of China to support Shenzhen's efforts in stem-cell therapy, immunotherapy and other new medical products, and to explore technology R&D. On 6 June 2022, "Opinions on the Development and Expansion of Strategic Emerging Industrial Clusters and Cultivation and Development of Future Industries" was released by Shenzhen, focusing on the cultivation and development of "20+8" industrial clusters, while "cells and genes", as one of the big future industries for key cultivation and development, will further benefit from policies.

As the leading enterprise in Shenzhen’s local cell treatment industry, Wingor Bio has powerful R&D innovation strength and leading professional technology in the industry after nine years of engagement in the cell therapy industry. During the Reporting Period, Wingor Bio was recognised by the Ministry of Science and Technology of China as a “Science and Technology-based Small and Medium-Sized Enterprise”, a “Professional, Specialised and New Small and Medium-sized Enterprise in Shenzhen” by the Shenzhen Municipal Bureau of Industry and Information Technology, and the first batch of “synthetic biology” enterprises by the Shenzhen Guangming District Science and Technology Innovation Bureau.

In terms of R&D, Wingor Bio has completed the preclinical research of the stem cell drug WG103 with Investigational New Drug (IND) application on the progress during the Reporting Period. In terms of technology, Wingor Bio has applied for core patents in respect of the core product “human umbilical cord-derived mesenchymal stem cells” covering sample collection, sample processing, sample preparation, and sample transportation required for its chemistry, manufacturing and control (CMC), with a total of 8 related patents applied in the first half of 2022.

During the Reporting Period, Mei Ai Kang made several achievements. It cooperated with the Fifth Medical Centre of the General Hospital of the Chinese 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 it overcame the adverse effect brought forth by the COVID-19 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 a relevant patent cluster related to the project’s core technology, and a patent for a self-transfusion injector has been approved. Meanwhile, the related patents of cell processing are currently in the process of application review. For the ongoing research project to expand the scope of treatment indications, the program modification has been completed, of which the clinical research is about to commence.

In terms of downstream products and services as well as high-end health management, the Group replicated the successful business model of our clinic in Shenzhen in the most promising cities across the country. Our clinic in Nanjing commenced service in March 2021.

With the gradually loosened and progressive policies, the Group will continue to leverage its strengths in the industry chain to strengthen exploration and investments in the cell treatment field and derivative industries of cellular technology, achieve breakthroughs in R&D, clinical research and downstream markets, and expand external cooperation to establish an endogenous association between the health management business and other business segments, so as to lay the foundation for more robust endogenous growth.

Industrial Hemp Business Segment

In terms of domestic business, the Group further developed the industrial hemp industry chain by investing in the establishment of Meiray Vap in 2020 and taking a strategic stake in Mason Vap, which is a leader in atomisation technology, in 2021, to realise R&D, production and sales of high-quality CBD atomisers. At the same time, based on the insight and analysis of the global industrial hemp market, the Group continued to build and invest in CBD health consumption brands in multiple countries and different fields against the backdrop of accelerated legalisation of industrial hemp in the world.

In terms of overseas business, at the end of 2020, the United Nations Commission on Narcotic Drugs (CND) decided to lower 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 several countries around the world. As early as 2019, the Group established its subsidiary Green Gold Health SA in Switzerland and organised a local professional team to expand CBD markets in Europe. In 2021, the high-end CBD health consumption brand independently developed and produced in Switzerland, AlpReleaf, was formally launched into the markets in Europe. AlpReleaf products, based on high-quality CBD as the core technology, have launched a series of products such as soothing, sleep aid and muscle soreness, aiming at high-end customers who pursue superior quality of life. The products have been officially certified by the European Union and the United Kingdom and are available for sale in 22 European countries.

As of the end of the Reporting Period, the Group continuously made deployment in the downstream application in the industrial hemp industry chain and created an 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.

Healthcare-related Business Segment – Skin Health Management Business

With the iteration of the four factors: people, cognition, channels and technology, the beauty economy is rising, bringing revolutionary opportunities to the trillion-scale traditional beauty industry. Technological development has driven the iteration of skincare methods, where more effective skincare methods such as light aesthetic medicine are winning with efficacy. The number of Chinese consumers of aesthetic medicine is estimated to exceed 20 million in 2022. At the same time, the proportion of non-surgical users of aesthetic medicine continues to increase, from 72.6% to 83.1%². Shenzhen, as the leading special economic zone in China, has initiated favourable policies related to skin health during the Reporting Period. On 26 July 2022, “Several Measures for Shenzhen to Promote the High-Quality Development of Big Health Industry Clusters” was released by Shenzhen, which stated to focus on supporting the health service industries such as medical beauty and cosmetics, as well as the health manufacturing industries for providing support such as medical beauty equipment and high-end cosmetics.

With that in mind, based on La Clinique De Paris’s 40 years of anti-ageing experience and operation and management concepts, the Group made full use of its advantages in product R&D, medical care team, operation management, brand and channel for skin health management. Through strenuous R&D, Jixiaojian was launched as a highlighted brand combining medical aesthetics and skincare in the second half of 2021.

Adhering to the philosophy of “Extremely Professional, Ultra Effective and Zero Routines”, Jixiaojian is a light aesthetic medicine brand dedicated to facial rejuvenation and a streamlined skincare product portfolio, pioneering the integration of the two fields: aesthetic medicine and effective skincare. Jixiaojian is committed to providing a more cost-effective and streamlined integrated skincare solution for users through “60% light aesthetic medicine” with “40% effective streamlined and effective skincare”.

In terms of aesthetic medical beauty, the world’s first flagship store of our light medical beauty brand “Jixiaojian” held its grand opening during the Reporting Period, during which the turnover of prepaid packages for aesthetic medical beauty exceeded RMB1 million in the first month. “Jixiaojian × Super Photon”, the exclusive project launched by the flagship store “Jixiaojian”, provides an integrated skincare solution for the whole process of super photon aesthetic medical beauty project before, during and after surgery by using photoelectric repair series from Jixiaojian, which was widely recognised and recommended by customers. In terms of aesthetic medical devices, the Group has reached a strategic cooperation relationship with Lumenis, a world-renowned laser beauty leader, and has become its clinical demonstration base.

² Source: “2021 Medical Beauty Industry White Paper” published by Xinyang Data Research Institute* (新氧數據顏究院) on 14 December 2021

In the field of skincare products, a research and development team with professional technical elites was gathered by the Group to establish the “Jixiaojian Supramolecular Research Centre”. The Group has obtained 13 patents in respect of skincare products, honoured with the title of National High-tech Enterprise. Meanwhile, the Group has established close cooperative relations with BAFS and Ashland, internationally renowned raw material companies, and launched the first product line of the brand Jixiaojian — photoelectric repair series.

As at the end of the Reporting Period, the Group continued to increase investment and planning in the field of skin health management, kept optimising products and services, expanded external cooperation, and strived to create a scientific skincare brand that combines online and offline integration, aesthetic medicine and effective skincare. Besides, it is committed to recalibrating the skincare habits of the new generation and reshaping the landscape of the skincare industry with the help of this skincare revolution arising from the iteration of people, cognition and technology.

PROSPECTS

Looking back on the first half of 2022, under the residual effect of the COVID-19 epidemic and multiple changes caused by various challenges, the Group promoted innovation and upgrading to turn crisis into opportunity. Looking forward to the second half of 2022, we as humankind will continue to face the dual challenge of significant changes unseen in a century and the COVID-19 epidemic, and the international situation is confronted with both risks and opportunities.

Regarding assets, during the Reporting Period, the Group had current assets of HK\$904.0 million, including bank and cash balances of HK\$138.9 million and redeemable investments at FVTPL of HK\$18.5 million. As for the business, the Group continued to explore health management. Cell pharmaceutical and cannabinoid health-related businesses have maintained a good growth momentum with a comprehensive business layout. The innovative skin health management products and business models with great potential, as well as an extensive arrangement of upstream and downstream related aesthetic medical devices, reagents and functional skin care, will help seek new growth points for the Group. As a result of these favourable factors, the Group has laid a solid foundation for its long-term development and gained competitive advantages, which has given the Group full confidence to deal with the uncertain economic situation. The Group is completely confident in future business development and even expansion under the trying times.

OTHER INFORMATION

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, the Company repurchased a total of 80,916,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$35,093,040. All the repurchased shares were subsequently cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net assets value per share and/or earnings per share.

Particulars of the repurchases are as follows:

Month of repurchase	Total number of shares repurchased	Purchase price per share		Aggregate consideration
		Highest	Lowest	(before expenses)
		HK\$	HK\$	HK\$
2022				
January	29,586,000	0.48	0.425	13,343,880
February	33,240,000	0.475	0.45	15,388,950
April	3,960,000	0.405	0.345	1,538,520
May	8,784,000	0.38	0.32	2,994,150
June	5,346,000	0.36	0.325	1,827,540
	<u>80,916,000</u>			<u>35,093,040</u>

Saved as disclosed above, during the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has adopted the principles and complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have 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 2022.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as elsewhere disclosed in this announcement, there were no important events affecting the Group after 30 June 2022 and up to the date of this announcement.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee 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 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (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.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“11th Five-Year Plan”	the Outline of the 11th Five-Year Plan for the National Economic and Social Development of the PRC
“13th Five-Year Plan”	the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the PRC
“14th Five-Year Plan”	the Outline of the 14th Five-Year Plan for the National Economic and Social Development of the PRC and the Long-Range Objectives Through the Year 2035

“20+8” industrial clusters	the 20 strategic emerging industrial clusters and the 8 future industries, which are under the key development of Shenzhen Municipal People’s Government
“8th Five-Year Plan”	the Outline of the Ten-year Layout and the 8th Five-Year Plan for the National Economic and Social Development of the PRC
“AlpReleaf”	the Group’s brand “AlpReleaf”, which launches a variety of high-end CBD health consumption goods in 22 European countries
“AUD”	Australian dollars, the lawful currency of Australia
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CBD”	Cannabidiol
“CHF”	Swiss Franc, the lawful currency of Switzerland
“China”, “PRC” or “mainland China”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Meilleure Health International Industry Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“COVID-19”	2019 novel coronavirus (COVID-19) disease
“Director(s)”	the director(s) of the Company
“FVTOCI”	fair value through other comprehensive income
“FVTPL”	fair value through profit or loss
“GDP”	gross domestic product

“GNI”	gross national income
“Group”, “we” or “us”	the Company and its subsidiaries
“Healthy China 2030”	the Outline of Healthy China 2030 Plan
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JPY”	Japanese Yen, the lawful currency of Japan
“Jixiaojian”	the Group’s brand “Jixiaojian* (肌小簡)”, which launches a variety of light medical aesthetic services targeting the young consumer market with a range of skincare products complementing the treatments to achieve optimum results in the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mason Vap”	Shenzhen Mason Vap Technology Co., Ltd.* (深圳市美深威科技有限公司)
“Mei Ai Kang”	Beijing Mei Ai Kang Technology Co., Ltd.* (北京美艾康科技有限公司)
“Meiray Vap”	Shenzhen Meiray Vap Technology Co., Ltd.* (深圳市美深瑞科技有限公司)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“R&D”	research and development
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the six months ended 30 June 2022

“RMB”	Chinese Yuan Renminbi, the lawful currency of the PRC
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“Wingor Bio”	Shenzhen Wingor Biotechnology Co., Ltd.* (深圳市茵冠生物科技有限公司)
“%”	per cent

APPRECIATION

On behalf of the Board, I would like to express my deepest appreciation to 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, 26 August 2022

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 purposes only*