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Touyun Biotech Group Limited
透雲生物科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1332)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “Board”) of Touyun Biotech Group Limited (the “Company”, formerly known as China Touyun Tech Group Limited) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue from treasury investment			
Fair value losses on financial assets at fair value through profit or loss held for trading, net		(13,490)	(8,255)
Interest income from money lending business		3,287	164
Interest income from margin financing		6,325	–
Commission and service income		1,432	–
Dividend income from financial assets at fair value through profit or loss held for trading		7	166
Revenue from sales of goods and services rendered	4	139,197	99,285
Cost of sales		(84,780)	(60,588)
Gross profit		54,417	38,697
Reversal of impairment loss (impairment loss) of trade receivable, net		343	(1,646)
Other income, gains and losses, net	5	(44,632)	(7,623)
Selling and distribution expenses		(8,576)	(7,786)
Administrative expenses		(62,298)	(55,460)
Finance costs	6	(8,689)	(16,505)
Share of result of an associate		–	(24,458)
Loss before tax	7	(71,874)	(82,706)
Income tax expense	8	(200)	(6)
Loss for the period		(72,074)	(82,712)

	Six months ended 30 June	
	2021	2020
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss attributable to		
— Owners of the Company	(61,372)	(82,221)
— Non-controlling interests	(10,702)	(491)
	<u>(72,074)</u>	<u>(82,712)</u>
Loss per share attributable to owners of the Company		
— Basic and diluted	HK(2.20) cents	HK(3.19) cents
	<u>(72,074)</u>	<u>(82,712)</u>
Loss for the period		
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(1,168)	(4,070)
Other comprehensive loss for the period, net of tax	<u>(1,168)</u>	<u>(4,070)</u>
Total comprehensive loss for the period	<u>(73,242)</u>	<u>(86,782)</u>
Total comprehensive loss attributable to:		
— Owners of the Company	(62,540)	(86,291)
— Non-controlling interests	(10,702)	(491)
	<u>(73,242)</u>	<u>(86,782)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<i>Non-current assets</i>			
Property, plant and equipment	11	243,230	150,383
Right-of-use assets		18,254	21,817
Intangible assets		8,970	10,036
Goodwill		510	510
Financial assets at fair value through profit or loss	12	325,996	320,686
		596,960	503,432
<i>Current assets</i>			
Inventories		27,999	33,741
Trade and bills receivables	13	211,866	58,685
Prepayments, deposits and other receivables		30,466	20,064
Loan and interest receivables	14	104,375	101,622
Financial assets at fair value through profit or loss	12	88,785	111,956
Cash and cash equivalents		76,540	142,440
		540,031	468,508
<i>Current liabilities</i>			
Trade payables	15	33,601	29,967
Contract liabilities		24,317	28,079
Other payables and accruals	16	38,793	31,236
Lease liabilities		12,615	14,251
Other borrowings	17	149,539	59,580
Amount due to a director	18	93,000	98,900
Margin loans payable	19	20,265	28,470
Tax payable		1,290	4,493
Derivative embedded in convertible bond	20	25,833	273
Convertible bond	20	112,292	112,229
		511,545	407,478
Net current assets		28,486	61,030
Total assets less current liabilities		625,446	564,462

		30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<i>Non-current liabilities</i>			
Lease liabilities		<u>6,142</u>	<u>8,093</u>
		<u>6,142</u>	<u>8,093</u>
Net assets		<u>619,304</u>	<u>556,369</u>
Equity			
Equity attributable to owners of the Company			
Share capital	21	112,146	110,946
Reserves		<u>351,551</u>	<u>377,097</u>
		463,697	488,043
Non-controlling interests		<u>155,607</u>	<u>68,326</u>
Total equity		<u>619,304</u>	<u>556,369</u>

Notes:

1. CORPORATE INFORMATION

Touyun Biotech Group Limited (the “Company”, formerly known as China Touyun Tech Group Limited) was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 12th Floor, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong.

On 4 March 2021, the Company proposed to change the English and Chinese name of the Company from China Touyun Tech Group Limited 中國透雲科技集團有限公司 to Touyun Biotech Group Limited 透雲生物科技集團有限公司, to align with the Group’s long-term development strategy, which will be beneficial to the co-ordination and development of the Group’s business, strengthen the overall branding, and create value to the shareholders and customers of the Group. The proposed new Company’s name was effective on 11 May 2021.

During the period, the principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are (i) provision of QR codes on product packaging and solutions and advertising display services; (ii) the manufacture and sale of packaging products; (iii) investments and trading in securities, money lending, placing and underwriting services, securities brokerage services and margin financing; and (iv) production and sale of chlamydomonas reinhardtii products.

During the period, the Group launched chlamydomonas reinhardtii noodles via the online sales channel in HKTV mall. Further in August 2021, a retail shop is opened in “Feast Market” located in Jardine’s Bazaar, Causeway Bay, Hong Kong, a prime lifestyle shopping area in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost conversion, except for equity investments classified as financial assets at fair value through profit or loss and derivative component of convertible bond, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the Company’s functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the new and amendments to HKFRSs which are mandatory effective for the annual period beginning on or after 1 January 2021, and early adoption of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

The application of Amendments to References to the Conceptual Framework in HKFRS standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group has four reportable operating segments. The segments are managed separately as each business offers different products or provides different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

QR code business segment	—	Provision of QR code on product packaging and solutions and advertising display services
Packaging products segment	—	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Treasury investment segment	—	Investments and trading in securities, money lending, placing and underwriting services, securities brokerage services and margin financing
Chlamydomonas Reinhardtii products business segment	—	Production and sale of chlamydomonas reinhardtii, micro-algae powder and related products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that finance costs, share of result of an associate and head office and corporate income and expenses are excluded from such measurement.

There was no inter-segment sale or transfer during the period (six months ended 30 June 2020: Nil). Corporate and unallocated income, gains and losses and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

	For the six months ended 30 June									
	QR code business		Packaging products		Treasury investment		Chlamydomonas Reinhardtii products business		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Group's revenue	57,230	34,071	81,885	65,214	-	-	82	-	139,197	99,285
Fair value losses on financial assets at fair value through profit or loss ("FVTPL") held for trading, net	-	-	-	-	(13,490)	(8,255)	-	-	(13,490)	(8,255)
Interest income from money lending business	-	-	-	-	3,287	164	-	-	3,287	164
Interest income from margin financing	-	-	-	-	6,325	-	-	-	6,325	-
Commission and service income	-	-	-	-	1,432	-	-	-	1,432	-
Dividend income from financial assets at FVTPL held for trading	-	-	-	-	7	166	-	-	7	166
Segment revenue	<u>57,230</u>	<u>34,071</u>	<u>81,885</u>	<u>65,214</u>	<u>(2,439)</u>	<u>(7,925)</u>	<u>82</u>	<u>-</u>	<u>136,758</u>	<u>91,360</u>
Segment results	<u>7,315</u>	<u>(7,961)</u>	<u>2,356</u>	<u>(1,341)</u>	<u>(5,316)</u>	<u>(7,941)</u>	<u>(584)</u>	<u>(2,914)</u>	<u>3,771</u>	<u>(20,157)</u>
Corporate and unallocated income, gains and losses									(47,489)	(10,034)
Corporate and unallocated expenses									(19,467)	(11,552)
Share of result of an associate									-	(24,458)
Finance costs									(8,689)	(16,505)
Loss before tax									<u>(71,874)</u>	<u>(82,706)</u>

4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value of services rendered, net fair value gains and losses on financial assets at fair value through profit or loss, interest income from money lending business and margin financing, dividend income on investment portfolio and commission and service income.

An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Manufacturing and sales of packaging products	81,885	65,214
Provision of QR code packaging products and solutions	57,221	33,720
Advertising display service income	9	351
Manufacturing and sale of chlamydomonas reinhardtii products	82	–
	<u>139,197</u>	<u>99,285</u>
Fair value losses on financial assets at fair value through profit or loss held for trading, net*	(13,490)	(8,255)
Interest income from money lending business	3,287	164
Interest income from margin financing	6,325	–
Commission and service income	1,432	–
Dividend income from financial assets at fair value through profit or loss held for trading	7	166
	<u>136,758</u>	<u>91,360</u>

* The gross proceeds from disposal of listed equity investments classified as financial assets at fair value through profit or loss held for trading for the six months ended 30 June 2021 were approximately HK\$1,605,000 (six months ended 30 June 2020: HK\$2,163,000).

The revenue within the scope of HKFRS 15 for the six months ended 30 June 2021 were categorised by timing of revenue recognition at (i) a point in time of HK\$139,188,000 (six months ended 30 June 2020: HK\$98,934,000) and (ii) over time of HK\$9,000 (six months ended 30 June 2020: HK\$351,000).

5. OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's other income, gains and losses, net is as follows:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Bank interest income	36	49
Foreign exchange differences, net	25	319
(Loss) gain on disposal of property, plant and equipment	(125)	772
Fair value loss on embedded derivative in convertible bond	(25,560)	–
Fair value change on financial assets at fair value through profit or loss (not held for trading), net	(21,990)	(10,570)
Covid-19-related rent concessions	–	1,179
Government grant	–	711
Other service income	1,984	–
Others	998	(83)
	<u>(44,632)</u>	<u>(7,623)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest expense on convertible bond	6,700	15,351
Interest on lease liabilities	506	602
Interest on other borrowings	5,008	552
Interest on margin loans payable	1,483	–
	<u>13,697</u>	<u>16,505</u>
Less: Interest capitalised into construction in progress	<u>(5,008)</u>	<u>–</u>
	<u>8,689</u>	<u>16,505</u>

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	1,944	2,569
Depreciation of right-of-use assets	5,734	8,621
Amortisation of intangible assets	1,128	3,228
Employee benefits expenses (including directors' remuneration):		
Salaries, wages and other benefits	47,538	43,389
Pension scheme contributions	2,776	1,034
Equity-settled share based payments	7,980	1,675
	<u>58,294</u>	<u>46,098</u>

8. INCOME TAX

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces 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 tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, for the six months ended 30 June 2021 and 30 June 2020, the Hong Kong Profits Tax of Qualipak Manufacturing Limited, a subsidiary of the Group, is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000 and profits of other group entities in Hong Kong are taxed at 16.5%.

In accordance with the PRC Corporate Income Tax Law, the PRC Corporate Income Tax is calculated at a statutory rate of 25% (six months ended 30 June 2020: 25%) of the assessable profits except for 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*) ("SHTY") and 透雲物聯網科技(北京)有限公司 (TY Technology (Beijing) Co. Ltd.*), ("BJTY"), two indirect wholly-owned subsidiaries of the Group. Both companies obtained the High-new Technology Certificate for the years from 2021 to 2023 and were entitled to a tax rate of 15%.

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	334	—
Current tax — PRC Corporate Income Tax	22	6
Overprovision in previous years	(156)	—
	<u>200</u>	<u>6</u>
Deferred tax	—	—
	<u>200</u>	<u>6</u>

* For identification purposes only

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted loss per share attributable to owners of the Company for the six months ended 30 June 2021 and 2020 are based on the following data:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	<u>(61,372)</u>	<u>(82,221)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,785,759</u>	<u>2,574,810</u>

The weighted average number of ordinary shares for the purpose of calculation of basic loss per share for the six months ended 30 June 2021 has included the effect of share options exercised on 21 February 2021 and share subscription on 12 April 2021 as disclosed in note 21.

The computation of diluted loss per share for the six months ended 30 June 2021 does not assume the conversion of the Company's outstanding convertible bond and the exercise of share options since their assumed exercise would result in a decrease in loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group incurred construction cost of HK\$93,481,000 (including the capitalised borrowing cost of HK\$5,008,000) (six months ended 30 June 2020: HK\$18,602,000) primarily related to the production plant for chlamydomonas reinhardtii, micro-algae powder and related products, and HK\$818,000 (six months ended 30 June 2020: HK\$1,252,000) for acquisition of property, plant and equipment. Property, plant and equipment with aggregate carrying amount of HK\$2,296,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$122,000).

As at the date of this announcement, the application for formal land use right certificate of the land, which was agreed to be provided as support for construction of the chlamydomonas reinhardtii and related products facilities pursuant to the co-operation agreement dated 21 February 2020 entered into between the Group and the People's Government of Wucheng District, Changzhi City, Shanxi Province, are still under progress and has not been obtained.

Pursuant to the Company's announcement dated 12 August 2021, the installation of production facilities of the manufacturing plants of 4,000 tons/year production scale related to chlamydomonas reinhardtii, micro-algae powder and related products was completed, and the electricity is under supply successfully. The production trial is commenced and under modification, and the official production is expected to be launched after 2 to 3 months.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets		
Unlisted equity investments, at fair value (<i>Note (a)</i>)		
Company A	88,918	89,023
Company B	–	–
Company C	44,917	43,040
Company D	32,749	38,163
Company E	132,112	150,460
Company F (<i>Note b</i>)	27,300	–
	<u>325,996</u>	<u>320,686</u>
Current assets		
Listed equity investments held for trading, at fair value (<i>Note c</i>)		
	<u>88,785</u>	<u>111,956</u>

Notes:

- (a) As at 30 June 2021, the unlisted equity investments relate to investments in six (31 December 2020: five) private entities, which were intended to hold for long-term strategic purpose at the time of acquisition. The six private entities are engaged in the provision of advisory and financial services, property holding, investment in securities trading, money lending and research and development and marketing of micro-algae products in the United States of America (the “USA”).
- (b) During the period, the Group acquired 3.73% equity interest in Triton Algae Innovations, Ltd (the “Triton”) at a consideration of US\$3,500,000 (equivalent to approximately HK\$27,300,000). Triton is a company engaged in research and development and marketing of micro-algae products in USA.
- (c) As at 30 June 2021, certain financial assets at FVTPL of approximately HK\$49,172,000 (31 December 2020: HK\$65,529,000) of the Group were pledged to a securities brokerage company to secure the margin loans payable of approximately HK\$20,265,000 (31 December 2020: HK\$28,470,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables — margin financing	152,834	23,583
Trade and bills receivables — non-margin financing	60,226	36,638
Less: Impairment	(1,194)	(1,536)
	<u>211,866</u>	<u>58,685</u>

As at 30 June 2021, trade receivables of HK\$152,834,000 (31 December 2020: HK\$23,583,000) were arisen from margin loans to individual third parties for securities trading in Hong Kong. The margin loans to securities margin clients are secured by clients' pledged securities with fair value of HK\$542,551,000 (31 December 2020: HK\$87,392,000). The pledged securities are listed equity securities in Hong Kong. The margin loans are repayable on demand subsequent to settlement date and carry interest typically 12% to 24% per annum as at 30 June 2021 (31 December 2020: 12% to 24% per annum). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. Therefore, no impairment loss for trade receivables (margin financing) was recognised during the six months ended 30 June 2021 and 2020.

The Group's trading terms with other customers (non-margin financing) are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances (non-margin financing). Trade and bills receivables (non-margin financing) are non-interest bearing.

An aged analysis of the trade and bills receivables (non-margin financing) as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	35,419	23,288
1 to 2 months	15,678	7,192
2 to 3 months	6,613	2,452
Over 3 months	1,322	2,170
	<u>59,032</u>	<u>35,102</u>

14. LOANS AND INTEREST RECEIVABLES

The exposure of the Group's fixed rate loan to interest rate risks and their contractual maturity dates are as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Unsecured loan and interest receivables	110,998	108,245
Less: allowance for impairment	(6,623)	(6,623)
	<u>104,375</u>	<u>101,622</u>
Analysed for reporting purpose as:		
Current portion	<u>104,375</u>	<u>101,622</u>

As at 30 June 2021, unsecured loan and interest receivables of HK\$110,998,000 (31 December 2020: HK\$108,245,000) are unsecured and will be matured within one year.

The range of effective interest rates which are equal to contractual interest rates on the Group's loan and interest receivables are as follows:

	Effective interest rate per annum	
	30 June 2021	31 December 2020
Unsecured loan and interest receivables	<u>6% to 10%</u>	<u>6% to 10%</u>

Analysis of changes in the corresponding credit loss allowance is as follow:

	<i>HK\$'000</i>
Balance at 1 January 2020	–
Impairment losses recognised for unsecured loan and interest receivables	<u>6,623</u>
Balance at 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>6,623</u>

15. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	22,144	20,362
1 to 2 months	8,313	3,799
2 to 3 months	2,053	1,266
Over 3 months	1,091	4,540
	<u>33,601</u>	<u>29,967</u>

The trade payables are non-interest bearing and are normally settled on terms of 30 to 60 days.

As at 30 June 2021, no trade payables (31 December 2020: HK\$1,083,000) represents the payables to the securities clearing house arising from the securities brokerage business, which are repayable on two business days after trade date.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Other payables	29,537	17,348
Accruals	9,256	13,888
	<u>38,793</u>	<u>31,236</u>

Other payables and accruals are non-interest bearing and are normally settled within three months.

17. OTHER BORROWINGS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Unsecured loan payable	149,539	58,990
Loan interest payable	–	590
	<u>149,539</u>	<u>59,580</u>

The amount represents unsecured borrowings from independent third parties bearing interest ranging from 8.45% per annum to 1% per month (31 December 2020: 1% per month) and is repayable within one year.

18. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, non-interest bearing and repayable on demand.

19. MARGIN LOANS PAYABLE

As at 30 June 2021, the margin loans payable was secured by the listed equity securities held under the margin accounts, with a total market value of approximately HK\$49,172,000 (31 December 2020: HK\$65,529,000), and repayable within one year.

The Group's variable-rate margin loans payable are mainly subject to interest ranged from 12% to 20% per annum (31 December 2020: 12% to 20% per annum). The range of effective interest rates are equal to contractual interest rates.

20. CONVERTIBLE BOND

The amount represents the convertible bond (the "CB") issued by the Company to China Huarong International Holdings Limited (the "CB Holder") pursuant to an agreement (the "CB Agreement") entered into between the Company and the CB Holder on 3 October 2017 (maturity date was 10 November 2019) and an amendment deed to the CB Agreement (the "Amendment Deed") on 21 July 2020.

Pursuant to the Amendment Deed with CB Holder, the maturity date of the CB was extended from the second anniversary of the issue date (i.e. 10 November 2019) to the fourth anniversary of the issue date (i.e. 10 November 2021) (the "Revised Maturity Date"). The conversion price is amended as HK\$0.8 per share, subject to anti-dilutive adjustments. Interest of the CB is charged at 12% per annum from 10 November 2019 to the Revised Maturity Date.

The convertible bond is secured by the share capital or registered capital of certain subsidiaries of the Group and certain cash/securities account and personal guarantee provided by Mr. Wang Liang, a director of the Company. The conditions precedent in Amendment Deed were fulfilled on 10 August 2020, and accordingly the Amendment Deed became effective on 10 August 2020. According to the Amendment Deed, CB Holder is entitled to require the Company to redeem the CB in whole, or in part for the time being outstanding at the revised redemption amount (the "Revised Redemption Amount*") from 10 October 2020. Details of these are set out in the Company's announcement dated 21 July 2020.

* Revised Redemption Amount is defined as an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB held by the relevant CB Holder, (b) any accrued but unpaid interest on such outstanding CB on the relevant redemption date; and (c) in respect of any redemption made pursuant to the occurrence of events of default any default interest of 18% per annum accrued but unpaid from the due date.

According to the Amendment Deed, the contractual terms of the convertible bond have been modified, such as extending the tenure, change in exercise price of the conversion options, the revised terms resulted in a substantial modification from the original terms. The difference of HK\$8,809,000 taking into account the costs incurred for modification is recognised as net gain on extinguishment of convertible bond in profit or loss during the year ended 31 December 2020. The effective interest rate of the debt component is 12.04% per annum after effect of Amendment Deed. On 21 December 2020, the Group repaid principal and interest amounting to US\$6,400,000 and US\$1,322,000 (equivalent to HK\$49,920,000 and HK\$10,314,000) respectively.

During the six months ended 30 June 2021, the Group repaid interest amounting to US\$850,800 (equivalent to HK\$6,637,000). As at 30 June 2021, the outstanding convertible bond amounted to HK\$112,292,000 (31 December 2020: HK\$112,229,000).

The movement of the components of the convertible bond for the six months ended 30 June 2021 and year ended 31 December 2020 is set out below:

(i) **Six months ended 30 June 2021**

	Six months ended 30 June 2021		
	Debt component HK\$'000 (Unaudited)	Derivative component HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 January 2021	112,229	273	112,502
Finance cost-interest paid	(6,637)	–	(6,637)
Finance cost-interest charge	6,700	–	6,700
Change in fair value	–	25,560	25,560
	<u>112,292</u>	<u>25,833</u>	<u>138,125</u>
Carrying amount at 30 June 2021	<u>112,292</u>	<u>25,833</u>	<u>138,125</u>
Classified as:			
Current liability	<u>112,292</u>	<u>25,833</u>	

(ii) **Year ended 31 December 2020**

	Year ended 31 December 2020		
	Debt component HK\$'000 (Audited)	Derivative component HK\$'000 (Audited)	Total HK\$'000 (Audited)
At 1 January 2020	225,236	–	225,236
Finance cost-interest paid	(23,743)	–	(23,743)
Repayment of CB	(46,800)	–	(46,800)
Finance cost-interest charge	20,824	–	20,824
Change in fair value	–	–	–
Extinguishment of CB	(175,517)	–	(175,517)
	<u>–</u>	<u>–</u>	<u>–</u>
Carrying amount at 10 August 2020	<u>–</u>	<u>–</u>	<u>–</u>
CB raised	164,916	456	165,372
Finance cost-interest paid	(10,314)	–	(10,314)
Repayment of CB	(49,920)	–	(49,920)
Finance cost-interest charge	7,550	–	7,550
Gain on early redemption of CB	(3)	–	(3)
Change in fair value	–	(183)	(183)
	<u>112,229</u>	<u>273</u>	<u>112,502</u>
Carrying amount at 31 December 2020	<u>112,229</u>	<u>273</u>	<u>112,502</u>
Classified as:			
Current liability	<u>112,229</u>	<u>273</u>	

21. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary share of HK\$0.04 each		
Authorised:		
At 31 December 2020 and 30 June 2021	<u>12,500,000</u>	<u>500,000</u>
Issued and fully paid:		
At 31 December 2020	2,773,652	110,946
Exercise of share option (<i>note 1</i>)	10	–
Share subscription (<i>note 2</i>)	<u>30,000</u>	<u>1,200</u>
At 30 June 2021	<u>2,803,662</u>	<u>112,146</u>

Notes:

- (1) On 21 February 2021, 10,000 new shares were issued as a result of exercise of 10,000 share options by an employee.
- (2) On 12 April 2021, the Company entered into a share subscription agreement with an independent third party, Zhai Jin Ping, in relation to the subscription for 30,000,000 new shares of the Company at HK\$0.94 per share. The gross proceed and net proceed from the subscription are HK\$28,200,000 and HK\$28,184,000 respectively. The proceed is applied as general working capital of the Group.

22. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the “Eligible Group”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

“Related Group” means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

Pursuant to the Scheme, details of share options granted to eligible participants were as follows:

Date of grant	Number of share options granted*	Exercise price/ Adjusted exercise price*
25/1/2017	29,925,000	1.34
12/12/2017	24,437,500	1.34
21/2/2019	126,000,000	0.48
8/10/2020	47,000,000	0.36
16/11/2020	68,900,000	0.53

As at date of this announcement, an aggregate of 190,960,000 shares may be issued upon full exercise of all vested and unvested share options granted under the Scheme, out of which 57,305,625 shares are immediately issuable, representing approximately 2.04% of the total number of issued shares as at the date of this announcement, and 133,654,375 shares are issuable upon vesting and full exercise of share options. The options holders should be remained as eligible participants throughout the vesting period. Movements of the options, which were granted under the Scheme during the period were listed below:

Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2021	Lapsed/ cancelled during the period	Number of options outstanding at 30 June 2021
Employees					
25/1/2017	1.34	02/07/2018 to 01/07/2022	3,097,500	(284,375)	2,813,125
25/1/2017	1.34	02/07/2019 to 01/07/2022	3,097,500	(284,375)	2,813,125
25/1/2017	1.34	02/07/2020 to 01/07/2022	3,097,500	(284,375)	2,813,125
25/1/2017	1.34	02/07/2021 to 01/07/2022	3,097,500	(284,375)	2,813,125
			<u>12,390,000</u>	<u>(1,137,500)</u>	<u>11,252,500</u>

The above options were vested on 2 July 2018. As at 30 June 2021, 8,439,375 (31 December 2020: 9,292,500) share options were exercisable.

Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2021	Exercised during the period	Lapsed/cancelled during the period	Number of options outstanding at 30 June 2021
Employees						
12/12/2017	1.34	10/06/2019 to 09/06/2023	2,095,625	(6,250)	(22,500)	2,066,875
12/12/2017	1.34	10/06/2020 to 09/06/2023	2,095,625	(3,750)	(22,500)	2,069,375
12/12/2017	1.34	10/06/2021 to 09/06/2023	2,095,625	–	(22,500)	2,073,125
12/12/2017	1.34	10/06/2022 to 09/06/2023	2,095,625	–	(22,500)	2,073,125
			<u>8,382,500</u>	<u>(10,000)</u>	<u>(90,000)</u>	<u>8,282,500</u>
Directors						
12/12/2017	1.34	10/06/2019 to 09/06/2023	1,281,250	–	–	1,281,250
12/12/2017	1.34	10/06/2020 to 09/06/2023	1,281,250	–	–	1,281,250
12/12/2017	1.34	10/06/2021 to 09/06/2023	1,281,250	–	–	1,281,250
12/12/2017	1.34	10/06/2022 to 09/06/2023	1,281,250	–	–	1,281,250
			<u>5,125,000</u>	<u>–</u>	<u>–</u>	<u>5,125,000</u>
Total			<u>13,507,500</u>	<u>(10,000)</u>	<u>(90,000)</u>	<u>13,407,500</u>

The above options were vested on 10 June 2019. As at 30 June 2021, 10,053,125 (31 December 2020: 6,753,750) share options were exercisable.

Date of grant	Exercise price* HK\$	Exercisable period	Number of options outstanding at 1 January 2021	Lapsed/cancelled during the period	Number of options outstanding at 30 June 2021
Employees					
21/02/2019	0.48	21/02/2020 to 20/02/2024	8,000,000	–	8,000,000
21/02/2019	0.48	21/02/2021 to 20/02/2024	8,000,000	–	8,000,000
21/02/2019	0.48	21/02/2022 to 20/02/2024	8,000,000	–	8,000,000
			<u>24,000,000</u>	<u>–</u>	<u>24,000,000</u>
Other participants (<i>Note</i>)					
21/02/2019	0.48	21/02/2020 to 20/02/2024	10,000,000	–	10,000,000
21/02/2019	0.48	21/02/2021 to 20/02/2024	10,000,000	–	10,000,000
21/02/2019	0.48	21/02/2022 to 20/02/2024	10,000,000	–	10,000,000
			<u>30,000,000</u>	<u>–</u>	<u>30,000,000</u>
Total			<u>54,000,000</u>	<u>–</u>	<u>54,000,000</u>

Note: The above other participants represented 2 business consultants of the Group. Each participants were granted with 15,000,000 share options. The Company considers the business consultants are able to provide advices and assistance to the Group's business development, and whose contribution are expected to be beneficial to the Group.

The above options were vested on 21 February 2020. As at 30 June 2021, 36,000,000 (31 December 2020: 18,000,000) share options were exercisable.

Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1 January 2021	Lapsed/ cancelled during the period	Number of options outstanding at 30 June 2021
Employees					
08/10/2020	0.36	8/10/2023 to 7/10/2028	11,750,000	–	11,750,000
08/10/2020	0.36	8/10/2024 to 7/10/2028	11,750,000	–	11,750,000
08/10/2020	0.36	8/10/2025 to 7/10/2028	11,750,000	–	11,750,000
08/10/2020	0.36	8/10/2026 to 7/10/2028	11,750,000	–	11,750,000
			<u>47,000,000</u>	<u>–</u>	<u>47,000,000</u>

The above options will be vested on 8 October 2023.

Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1 January 2021	Lapsed/ cancelled during the period	Number of options outstanding at 30 June 2021
Employees					
16/11/2020	0.53	16/11/2022 to 15/11/2027	6,299,991	(1,199,999)	5,099,992
16/11/2020	0.53	16/11/2023 to 15/11/2027	6,299,991	(1,199,999)	5,099,992
16/11/2020	0.53	16/11/2024 to 15/11/2027	6,300,018	(1,200,002)	5,100,016
			<u>18,900,000</u>	<u>(3,600,000)</u>	<u>15,300,000</u>
Other participants (<i>Note</i>)					
16/11/2020	0.53	16/11/2022 to 15/11/2027	16,666,666	–	16,666,666
16/11/2020	0.53	16/11/2023 to 15/11/2027	16,666,666	–	16,666,666
16/11/2020	0.53	16/11/2024 to 15/11/2027	16,666,668	–	16,666,668
			<u>50,000,000</u>	<u>–</u>	<u>50,000,000</u>
Total			<u>68,900,000</u>	<u>(3,600,000)</u>	<u>65,300,000</u>

Note: The above other participants represented 3 consultants of the Group, namely technology consultant, strategic financial planning consultant and sales and marketing consultant — South Asia Region. 26,000,000, 12,000,000 and 12,000,000 share options were granted to technology consultant, strategic financial planning consultant and sales and marketing consultant — South Asia Region respectively. The Company considers that (i) technology consultant will be able to provide the latest information technology industry updates related to the Group's business and business advisory for business development for the Group; (ii) strategic financial planning consultant be able to make use of his investment bank connections and network in finding potential investors and projects for the Company; and (iii) sales and marketing consultant — South Asia Region will be able to provide the sales networking related to the Group's businesses and explore the new potential customers in South Asia Region to the Group, and whose contribution are expected to be beneficial to the Group.

The above options will be vested on 16 November 2022.

The fair value of the share options granted on 25 January 2017, 12 December 2017, 21 February 2019, 8 October 2020 and 16 November 2020 are determined using the Binomial Option Pricing Model (the “Model”), was HK\$17,892,000, HK\$17,950,000, HK\$27,504,000, HK\$12,731,000 and HK\$25,407,000 respectively. The inputs into the Model and the estimated fair value of the share options are as follows:

	25 January 2017	12 December 2017	21 February 2019	8 October 2020	16 November 2020
Closing price of the shares	HK\$1.14*	HK\$1.22*	HK\$0.42*	HK\$0.36	HK\$0.53
Exercise price	HK\$1.34*	HK\$1.34*	HK\$0.48*	HK\$0.40	HK\$0.60
Dividend yield	Nil	Nil	Nil	Nil	Nil
Expected volatility	93.19%	87.92%	94.36%	92.04%	94.06%
Risk-free interest rate	1.289%	1.582%	1.423%	0.42%	0.33%
Fair value per share option	HK\$0.572* to HK\$0.612*	HK\$0.716* to HK\$0.744*	HK\$0.216* to HK\$0.22*	HK\$0.064 to HK\$0.071	HK\$0.116 to HK\$0.129

Expected volatility was estimated based on the historical volatilities of the Company’s share price while dividend yield was estimated by the historical dividend payment record of the Company.

During the six months ended 30 June 2021, the Group recognised an expense of HK\$7,980,000 (six months ended 30 June 2020: HK\$1,675,000) as equity-settled share based payments in the consolidated statement of profit or loss with reference to their respective vesting period.

* The exercise price has been adjusted for the effect of share consolidation in August 2019.

23. CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the reporting period:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Capital expenditure in respect of the construction in progress contracted but not provided for	37,092	52,669

24. PLEDGE OF ASSETS

As at 30 June 2021, the Group’s equity interest in Apex Capital Business Limited and its subsidiaries were pledged to secure the HK\$112.3 million (31 December 2020: HK\$112.2 million) convertible bond.

As at 30 June 2021, the Group’s margin loans payable of HK\$20,265,000 (31 December 2020: HK\$28,470,000) were secured by the listed equity securities, held under the margin accounts, with a total market value of approximately HK\$49,172,000 (31 December 2020: HK\$65,529,000).

25. CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a loss attributable to the shareholders of the Company of HK\$61.4 million for the six months ended 30 June 2021, representing a decrease of 25.3% as compared to the loss attributable to the shareholders of the Company of HK\$82.2 million for the six months ended 30 June 2020. The decrease in loss was mainly due to (i) the increase in gross profit due to the minor economic recovery from business segments whose impact from COVID-19 is slightly improved gradually; (ii) the increase in interest income from margin financing and money lending; (iii) the decrease in share of loss of an associate; (iv) the decrease in finance cost; and (v) partly setting off by the increase in administrative expenses, fair value loss on embedded derivative in convertible bond and fair value loss on financial assets at fair value through profit or loss (not held for trading).

During the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$136.8 million (six months ended 30 June 2020: HK\$91.4 million), representing an increase of approximately 49.7% as compared to the corresponding period of last year. The Group's overall gross profit margin was 39.1% (six months ended 30 June 2020: 39.0%).

FINANCIAL REVIEW AND PROSPECT

QR code business

Revenue from QR code business was HK\$57.2 million and its segment profit was HK\$7.3 million during the six months ended 30 June 2021 (six months ended 30 June 2020: Revenue of HK\$34.1 million and segment loss of HK\$8.0 million). Revenue was increased by 67.7% as compared with the corresponding period last year. The decrease in segment loss was mainly due to the effective cost control implementation during the period.

Packaging products business

The packaging products business reported a revenue of HK\$81.9 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$65.2 million), representing an increase of 25.6% as compared with the corresponding period of last year. A segment profit of HK\$2.4 million was recorded during the six months ended 30 June 2021 (six months ended 30 June 2020: segment loss of HK\$1.3 million). The segment profit was mainly due to increase in revenue primarily from increase in sale orders from major customers.

Treasury investment business

During the period, the Group recorded fair value loss of HK\$13.5 million on financial assets at fair value through profit or loss held for trading, compared to corresponding period in last year amounted to a fair value loss of HK\$8.3 million. Fair value loss of financial assets at fair value through profit or loss not held for trading amounting to HK\$22.0 million was recognised during the period (six months ended 30 June 2020: HK\$10.6 million), it was mainly due to the fair value of assets of the Group's unlisted investments decreased during the period.

Chlamydomonas Reinhardtii products business

During the period, the chlamydomonas reinhardtii products business recorded a revenue of HK\$82,000 (30 June 2020: Nil) and a segment loss of HK\$0.6 million (six months ended 30 June 2020: HK\$2.9 million), primarily related to start-up cost such as administrative expenses.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had (i) outstanding HK\$112.3 million secured convertible bond (31 December 2020: HK\$112.2 million); (ii) HK\$149.5 million unsecured other borrowings bearing interest ranging from 8.45% per annum to 1% per month and repayable within one year (31 December 2020: HK\$59.6 million); (iii) amount due to a director of HK\$93.0 million (2020: HK\$98.9 million) which is unsecured, interest-free and repayable on demand; and (iv) margin loans payable of HK\$20.3 million (31 December 2020: HK\$28.5 million) which was secured by the listed equity securities held under the margin accounts, with variable interest rate ranged from 12% to 20% per annum. As at 30 June 2021, the Group had cash balances amounting to HK\$76.5 million (31 December 2020: HK\$142.4 million). Gearing ratio (net borrowings to shareholders' equity) as at 30 June 2021 was 0.48 (31 December 2020: 0.28).

SHARE CAPITAL

On 21 February 2021, 10,000 new shares were issued as a result of exercise of 10,000 share options by an employee.

On 12 April 2021, the Company entered into a share subscription agreement with an independent third party, in relation to the subscription for 30,000,000 new shares of the Company at HK\$0.94 per share. The gross proceed and net proceed from the subscription are HK\$28,200,000 and HK\$28,184,000 respectively. The proceed is applied as general working capital of the Group.

PLEDGE OF ASSETS

As at 30 June 2021, the Group's equity interest in Apex Capital Business Limited and its subsidiaries were pledged to secure the HK\$112.3 million convertible bond (31 December 2020: HK\$112.2 million).

As at 30 June 2021, the margin loans payable was secured by the listed equity securities held under the margin accounts, with a total market value of approximately HK\$49.2 million (31 December 2020: HK\$65.5 million), and repayable within one year.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK

Most of the Group's revenues are transacted in US dollars and Hong Kong dollars while expenses are mainly in US dollars, Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the period. The Group still monitors fluctuations in exchange rates closely and manages the currency risk involved actively.

EMPLOYEES

As at 30 June 2021, the Group had a total workforce of approximately 506 employees in Hong Kong and Mainland China. The Group remunerates its staff based on their merit, qualification, competence and prevailing market salaries trend. In addition to salary and year-end bonus, the remuneration packages also comprised of share option scheme, provident fund contributions, medical and life insurances.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2021, the Group held listed investments and unlisted investments of approximately HK\$88.8 million and HK\$326.0 million respectively, details of which were set out as follows:

Nature of investments	Number of	Percentage of	Fair value	Fair value/carrying amount		Percentage to	Investment cost	Net profit/(loss) of the investee	Notes
	shares held	shareholding	change for	as at	as at	the Group's			
	as at	as at	period ended	30 June	31 December	total assets			
	30 June	30 June	30 June	2021	2020	30 June	HK\$'000	HK\$'000	HK\$'000
	2021	2021	2021	2021	2020	2021			
		%	HK\$'000	HK\$'000	HK\$'000	%			
Financial assets at fair value through profit or loss									
<i>Unlisted Investments</i>									
Freewill Holdings Limited ("Freewill")	14,550,000	2.95	-	-	-	-	80,025	(34)	(a)
Co-Lead Holdings Limited ("Co-Lead")	363	2.76	(105)	88,918	89,023	7.82	145,200	(10,896)	(a)
FreeOpt Holdings Limited ("FreeOpt")	1,500,000	17.61	(18,348)	132,112	150,460	11.62	150,000	(24,669)	(a)
Seekers Partners Limited ("Seekers")	9,108,328	0.71	1,877	44,917	43,040	3.95	53,217	1,012,391	(b)
Simagi Finance Company Limited ("Simagi")	13,000,000	12.12	(5,414)	32,749	38,163	2.88	65,000	16,013	(a)
Triton Algae Innovations, Ltd. ("Triton")	1,215,278	3.73	-	27,300	-	2.40	27,300	(10,618)	(a)
				<u>(21,990)</u>	<u>325,996</u>	<u>320,686</u>	<u>28.67</u>	<u>520,742</u>	

Notes:

The net profit/(loss) of the investee is based on the investee's financial information, which was:

- (a) According to its management accounts for period ended 30 June 2021.
- (b) According to its management accounts for period ended 31 March 2021.

Nature of investments	Number of shares held as at 30 June 2021	Percentage of shareholding as at 30 June 2021	Unrealised gain/(loss)	Dividends	Fair value		Percentage to the Group's total assets		Investment cost	Net profit/(loss) of the investee	Note
			on fair value change for period ended 30 June 2021	received for period ended 30 June 2021	as at 30 June 2021	as at 31 December 2020	as at 30 June 2021	as at 30 June 2021			
		%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000		
Financial assets at fair value through profit or loss											
<i>Listed Investments</i>											
The Hong Kong and Shanghai Hotels, Ltd. ("HK & S Hotel")	186,500	0.01	237	–	1,524	1,287	0.13	1,477	(450,000)	(c)	
Y.T. Realty Group Ltd. ("Y.T. Realty")	15,000,000	1.88	(7,650)	–	22,350	30,000	1.97	30,109	(111,258)	(c)	
Imagi International Holdings Limited ("Imagi")	128,000	0.02	46	–	148	102	0.01	124	8,495	(c)	
Planetree International Development Ltd. ("Planetree")	212,000	0.02	(81)	–	131	212	0.01	231	40,843	(d)	
Oshidori International Holdings Ltd. ("Oshidori")	75,765,000	1.24	(6,819)	–	39,398	46,217	3.47	79,406	2,819,458	(d)	
China Evergrande New Energy Vehicle Group Ltd. ("Evergrande Vehicle")	740,000	0.01	(962)	–	21,386	22,348	1.88	6,669	(8,570,133)	(d)	
C C Land Holdings Limited ("C C Land")	375,000	0.01	68	7	713	645	0.06	680	230,576	(c)	
China Dili Ltd. ("China Dili")	1,500,000	0.02	(990)	–	3,135	4,125	0.28	3,703	239,877	(d)	
			(16,151)	7	88,785	104,936	7.81	122,399			

Note:

The net profit/(loss) of the investee is based on the investee's financial information, which was:

- (c) According to its interim results announcement for six months ended 30 June 2021.
- (d) According to its annual report for year ended 31 December 2020.

Freewill is principally engaged in the business of investment holding.

Co-Lead is principally engaged in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

FreeOpt is principally engaged in the provision of finance and money lending businesses.

Seekers is principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments.

Simagi is principally engaged in the money lending businesses.

Triton is principally engaged in research and development and marketing of micro-algae products in the United States of America.

HK&S Hotel is principally engaged in (i) operating hotels and leasing of commercial shopping arcades; (ii) development, leasing and sale of residential apartments, leasing of retail and office premises as well as operating food and beverage outlets in such premises; (iii) operation of golf courses, The Peak Tram, wholesaling and retailing of food and beverage products, laundry services and the provision of management and consultancy services for clubs.

Y.T. Realty is principally engaged in (i) property investment for rental income; (ii) trading of properties; (iii) provision of property management and related consultancy services; and (iv) operation of and investment in driver training centers, as well as tunnel operation and management.

Imagi is principally engaged in computer graphic imaging businesses, cultural and entertainment businesses, as well as the investment in corporate bonds and short-term deposits for interest income. Imagi is also engaged in money lending, the investment in securities and the proprietary trading of listed securities.

Planetree is principally engaged in (i) holding and trading of debt and equity securities, as well as the provision of financing services; (ii) property investment through an associate; and (iii) leasing of properties.

Oshidori is principally engaged in investment holdings, trading and investment in securities, and the provisions of (i) securities brokerage services; (ii) placing and underwriting services; (iii) corporate financial advisory services; (iv) money lending services; (v) investment advisory and asset management services; and (vi) margin financing services.

Evergrande Vehicle is principally engaged in (i) Internet plus community health management, international hospitals, the elderly care and rehabilitation industry, medical beauty and anti-aging, as well as the sales of healthcare spaces; (ii) research, development, production and sales of new energy vehicles, including selling lithium batteries and automotive components, as well as providing technical services.

C C Land is principally engaged in (i) the development and investment of properties; (ii) the investment in securities and notes receivable, as well as the provision of financial services; (iii) the property holding business and the provision of corporate management services.

China Dili is principally engaged in the operation of agriculture wholesale markets in the PRC.

Although the global pandemic has shown signs of abating, it is expecting that the overall economic and investment environment remains volatile in the second half of year 2021, the management will proactively review and manage the investment portfolios to capture investment opportunities to the Group.

UPDATE ON USE OF PROCEEDS IN RELATION TO FUND RAISING ACTIVITIES

The Company would like to provide the update in respect of the use of the net proceeds in relation to the past fund raising activities as at 30 June 2021:

Reference is made to the announcements of the Company dated 10 August 2016, 9 November 2016, 18 November 2016, 24 January 2017, 21 February 2017, 3 October 2017, 10 November 2017, 31 August 2018, 13 March 2020, 14 April 2020, 17 July 2020 and 12 April 2021 in relation to the placing/subscription of shares and issue of convertible bond (collectively refer as to “Announcements”). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

Intended use of proceeds	Actual use of proceeds
(1) The Company raised HK\$406.1 million net proceeds from the placing of shares in November 2016 and the net proceeds were intended to use as follow:	
(a) An amount of HK\$263.4 million was used for the redemption of the Promissory Note.	An amount of HK\$263.4 million was utilised for the full redemption of the Promissory Note in the principal amount of HK\$258 million and payment of accrued interest.
(b) An amount of HK\$142.7 million is for the expansion and development of its QR code business as to:	
(i) an amount of RMB55 million (equivalent to approximately HK\$63 million) towards an acquisition (the “Acquisition”) of 透雲物聯網科技(北京)有限公司 (TY Technology (Beijing) Co., Ltd*) in the People’s Republic of China (the “PRC”) by 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, under the relevant acquisition agreement dated 24 January 2017 which was completed in March 2017;	(i) The Acquisition was completed in March 2017 and an amount of HK\$63 million were fully used towards the Acquisition.
(ii) approximately HK\$14.4 million for the acquisition of plant and equipment (the “Plant and Equipment Acquisition”);	(ii) An amount of HK\$14.4 million was fully used towards the Plant and Equipment Acquisition.

* For identification purposes only

Intended use of proceeds

Actual use of proceeds

- | | |
|---|---|
| <p>(iii) approximately HK\$58.7 million for research and development, recruitment of technical staff and other personnel and other working capital needs for QR codes packaging business (the “Research & Development”); and</p> <p>(iv) approximately HK\$6.6 million for the purchase of transportation and office supplies to support the “Finding the origins of the edible goods program” in different provinces in the PRC (the “Purchase of Transportation and Supplies”).</p> | <p>(iii) An amount of HK\$58.7 million were fully utilised in the Research & Development.</p> <p>(iv) An amount of HK\$3.2 million were utilised in the Purchase of Transportation and Supplies and HK\$3.4 million has not yet been utilised and expected to be utilised in 2021 and applied for the same purpose as disclosed in the Announcements.</p> |
| <p>(2) An amount of net proceeds of US\$39.6 million (equivalent to HK\$309.4 million) was raised from issue of US\$40 million 7% interest convertible bond in November 2017. The Company early redeemed US\$13 million (equivalents to HK\$101.4 million) in principal amount of the CB in August 2018. Therefore, the net proceeds of HK\$203.3 million were intended to use as follows:</p> | |
| <p>(a) An amount of HK\$172.5 million were used for expansion and development of QR codes business;</p> <p>(b) An amount of HK\$30.8 million were used for general working capital of corporate office.</p> | <p>An amount of HK\$172.5 million was fully utilised for the expansion and development of QR codes business.</p> <p>An amount of HK\$30.8 million was fully utilised for general working capital of corporate office.</p> |
| <p>(3) An amount of net proceeds of HK\$49.88 million was raised from subscription of new shares in March 2020 and applied as general working capital of the Group.</p> | <p>An amount of HK\$49.88 million was fully utilised as general working capital of the Group.</p> |
| <p>(4) An amount of net proceeds of HK\$49.98 million was raised from subscription of new shares in April 2020 and applied as general working capital of the Group.</p> | <p>An amount of HK\$49.98 million was fully utilised as general working capital of the Group.</p> |

Intended use of proceeds	Actual use of proceeds
(5) An amount of net proceeds of HK\$19.98 million was raised from subscription of new shares in July 2020 and the Group intends to apply 70% of the net proceeds as repayment of interest of the convertible bond and the remaining 30% of the net proceeds are applied as general working capital of the Group.	70% of the net proceeds was fully utilised as repayment of interest of the convertible bond and 30% of the net proceeds was fully utilised as general working capital of the Group.
(6) An amount of net proceeds of HK\$28.2 million was raised from subscription of new shares in April 2021 and is applied as general working capital of the Group.	HK\$9.2 million of the net proceeds was utilised and the remaining balance of HK\$19 million will be utilised in 2021.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021 except one non-executive director did not attend the annual general meeting of the Company held on 4 June 2021 (“2021 AGM”) due to other business engagement. The Company considers that the members of the Board who attended the 2021 AGM were able to sufficiently answering questions from shareholders at the 2021 AGM.

DIRECTORS’ SECURITIES TRANSACTIONS

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

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 six months ended 30 June 2021.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 have not been audited, but have been reviewed by the Audit Committee. The Audit Committee comprises three independent non-executive Directors. The primary duties of the Audit Committee are, amongst other matters, to communicate with the management of the Company; and review the accounting principles and practices, internal control, interim and annual results of the Group.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the respective website of The Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.touyunbiotech.com.hk). The 2021 Interim Report will also be available on above websites and despatched to the shareholders of the Company in due course.

By order of the Board
Touyun Biotech Group Limited
Wang Liang
Chairman

Hong Kong, 26 August 2021

As at the date of this announcement, the Board comprised the following directors:

Executive Directors

Mr. Wang Liang (*Chairman*)
Mr. Du Dong
Mr. Lo Yuen Wa Peter

Non-executive Directors

Mr. Chen Hui
Ms. Tian Yuze
Mr. Zhang Lele
Mr. Jia Wenjie

Independent Non-executive Directors

Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen
Mr. Hu Guohua