TYCOON

滿貫集團控股有限公司

Tycoon Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3390

ANNUAL REPORT

2022

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Corporate Information

BOARD OF DIRECTORS

Executive Director
Mr. Wong Ka Chun Michael
(Chairman and Chief Executive Officer)

Non-executive Directors
Mr. Cao Weiyong (appointed on 18 July 2022)
Ms. Chong Yah Lien
Ms. Li Ka Wa Helen
Mr. Lau Ka On David

Independent non-executive Directors
Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa
Mr. Mak Chung Hong
(also known as Mak Tommy Chung Hong)

AUDIT COMMITTEE
Ms. Chan Ka Lai Vanessa *(Chairwoman)*
Mr. Chung Siu Wah
Mr. Mak Chung Hong

REMUNERATION COMMITTEE
Mr. Mak Chung Hong *(Chairman)*
Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa

NOMINATION COMMITTEE
Mr. Chung Siu Wah *(Chairman)*
Ms. Chan Ka Lai Vanessa
Mr. Mak Chung Hong

CORPORATE GOVERNANCE COMMITTEE
Mr. Wong Ka Chun Michael *(Chairman)*
Mr. Chung Siu Wah
Mr. Mak Chung Hong

COMPANY SECRETARY
Mr. Cheung Yuk Chuen *(CPA, ACCA)*

AUTHORISED REPRESENTATIVES
Mr. Wong Ka Chun Michael
Mr. Cheung Yuk Chuen

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 14, 8/F
Wah Wai Centre
38 - 40 Au Pui Wan Street
Shatin, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISER
LCH Lawyers LLP

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Shanghai Commercial Bank
The Bank of East Asia, Limited

COMPANY WEBSITE
www.tycoongroup.com.hk

STOCK CODE
3390

Financial Highlights

	Year ended 31 December 2022 HK$'000	2021 HK$'000	Change
Revenue			
– E-commerce	**738,673**	545,962	35.3%
– Distribution	**447,512**	339,697	31.7%
– Others	**–**	3,213	-100.0%
Total	**1,186,185**	888,872	33.4%
Gross profit	**261,538**	151,701	72.4%
Gross profit margin (%)	**22.0%**	17.1%	
Profit/(loss) attributable to equity holders of the Company	**43,750**	(18,816)	-332.5%
Profit margin attributable to equity holders of the Company (%)	**3.7%**	N/A	
EBITDA *(Note)*	**79,661**	6,446	1,135.8%
EBITDA margin (%)	**6.7%**	0.7%	
Return on equity (%)	**14.9%**	N/A	

	As at 31 December 2022 HK$'000	2021 HK$'000	Change
Total assets	**1,012,117**	881,463	14.7%
Total liabilities	**718,957**	620,201	19.6%
Total equity	**293,160**	261,262	3.0%

Note:
EBITDA is a non-HKFRS measure used by the management for monitoring the core business performance of the Group. EBITDA is calculated based on profit/(loss) for the year (FY2022: HK$43,631,000; FY2021: HK$(17,402,000)) before interest (FY2022: HK$11,281,000; FY2021: HK$6,255,000), tax expense/(credit) (FY2022: HK$6,736,000; FY2021: HK$(96,000)), depreciation and amortisation (FY2022: HK$18,013,000; FY2021: HK$17,689,000), where "interest" is regarded as including finance income and finance costs.

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as EBITDA, are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in its financial reporting.

Chairman's Statement

Dear Honourable Shareholders:

On behalf of the board ("**Board**") of directors ("**Directors**") of Tycoon Group Holdings Limited ("**Company**" or "**Tycoon**"), I am pleased to present to you the annual report ("**Annual Report**") of the Company and its subsidiaries (collectively, the "**Group**" or "**Tycoon Group**") for the year ended 31 December 2022 ("**Financial Year**" or "**FY2022**").

During the Financial Year, the Coronavirus Disease 2019 ("**COVID-19**") pandemic continued to be rampant. Hong Kong faced a severe fifth wave of the epidemic in the first two quarters, and the retail market and the overall economic climate were weak. The COVID-19 pandemic, coupled with the anti-epidemic policies implemented by the HKSAR Government in response to the epidemic, including social distancing measures, border control and quarantine arrangements, have all aggravated the situation in the consumer market. However, as the epidemic situation had been gradually stabilised, these measures were gradually lifted in the second half of the year, and the overall retail spending sentiment began to pick up.

PERSEVERANCE BRINGS SUCCESS

Despite the uncertainties in the retail market, the Group was able to diversify its business ahead of time and has not only managed to capture the growth opportunities against the market, but has also achieved a record high revenue of HK$1,186.2 million for the Financial Year since the inception of the Group, representing a year-on-year growth of 33.4%. At the same time, the Group took advantage of its online and offline dual-channel business model and successfully turned a loss into a profit with a net profit of HK$43.6 million, standing out among its peers.

Amongst the businesses, the e-commerce business performed particularly well, with revenue reaching HK$738.7 million, an increase of 35.3% year-on-year. This shows that the Group's strategy of accelerating the expansion of its online business in response to changing consumer habits in the wake of the COVID-19 epidemic is sound. The response to the "Double 11" promotion was particularly encouraging, with the total e-commerce sales during the "Double 11" promotional period alone doubling year-on-year. The Group believes this "consumption wagon" will continue to run steadily, fast and far!

During the Financial Year, as both Mainland China and Hong Kong were still disrupted by the epidemic, the governments implemented anti-epidemic policies that prevented people from going out to spend as much as they would have liked, affecting overall spending sentiment. Nevertheless, while the Group was actively developing its online e-commerce business, it also looked for opportunities to optimise the product portfolio of its distribution business, actively introducing more overseas healthcare brands to consolidate the market advantages of its distribution business, and building an offline channel in Mainland China to prepare for the next wave of consumption. The distribution business recorded sales of HK$447.5 million for the year, an increase of 31.7% year-on-year.

In addition, the Group has strengthened its omnichannel brand marketing and management services for the brands it represents and has successfully secured exclusive distribution rights for a number of internationally renowned premium brands. During the Financial Year, the Group continued to deepen its overseas presence, including the addition of overseas sourcing centres while actively expanding its sales operations in Malaysia and Singapore, as well as the development of a joint base in France with JD Logistics, Inc. (stock code: 2618.hk).

With the Group's fully expanded online and offline dual-channel business model, we have flexibly adjusted our online and offline consumption channels to capture the consumer boom due to the rising health consciousness of the public. As the economy recovers, the Group's competitive edge will be strengthened, benefiting the business continuously.

In view of the successful turnaround of the Tycoon Group during the Financial Year and the promising profit prospects, the board of directors of the Company has resolved to declare a final dividend of HK3 cents per share for FY2022 (FY2021: no dividend) as a reward for shareholders' support.

WELL-POISED TO CAPTURE THE UPCOMING CONSUMER BOOM

Looking ahead to 2023, with the resumption of normal travel between Mainland China and Hong Kong, and the recovery from the epidemic outbreak already being underway worldwide, the pace of economic recovery will accelerate, and a strong impetus is expected in the consumer market. Although the number of visitors to Hong Kong is still far from what it was before the epidemic, it has picked up significantly in recent months. It is believed that the number of visitors from Mainland China and other parts of the world will increase significantly from the second quarter onwards. After more than three years of "zero spending" because of the epidemic, local spending is set to explode as travellers go on a "revenge spending" spree.

With a solid foundation in place, the Group's e-commerce business will continue to generate steady revenue. In addition, its overseas presence, including new sourcing centres in France, South Korea and Vietnam, as well as existing locations in Australia, Japan, Malaysia, Singapore, Macau and Thailand, can diversify its sourcing network and product portfolio. Furthermore, the Group has been actively developing omnichannel marketing and management for its own brands and agent brands over the Financial Year. As a result, the Group's future development is expected to be bright.

With the economy heating up and consumption booming, the Group will continue to precisely capture new opportunities and explore new potentials, so that the "dual wagons" can run even faster and better.

Wong Ka Chun Michael
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 29 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

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

MARKET REVIEW

In the first half of 2022, Hong Kong was at the height of the fifth wave of the epidemic and the retail sector was operating in a difficult environment. The HKSAR Government implemented a public gathering cap and mandatory quarantine arrangements for people arriving in Hong Kong to prevent and control the epidemic. In the second half of the year, despite the epidemic situation was generally stabilised, financial conditions tightened as the US Federal Reserve raised the interest rate sharply, severely affecting domestic demand. Coupled with the worsened external environment and the continued disruption of cross-boundary land transport, Hong Kong's exports were hard hit, and the economy contracted at a greater rate year-on-year in the third quarter of 2022. Following a 1.3% year-on-year contraction in the previous quarter, real GDP fell by 4.5% in the third quarter, before the HKSAR Government issued consumption vouchers in August 2022 to support private consumption and stabilise the local retail market.

As the COVID-19 epidemic subsided, the National Health Commission of the PRC announced the "Ten New Measures" as a significant relaxation of epidemic prevention and control measures in Mainland China by the end of 2022, including stating for the first time that home quarantine is allowed for asymptomatic and mild cases. In particular, the reinstatement of quarantine-free travel to Mainland China for overseas, Hong Kong and Macau by the authorities is expected to bring a rebound to the retail market in particular, the offline sales.

With the lifting of most anti-epidemic and social distancing restrictions, the Group expects a significant recovery in visitor numbers and a full social and economic recovery in 2023, which will help boost local consumption and confidence. With many favourable factors, we expect our offline business to take off again, alongside our online business.

BUSINESS REVIEW

The Group mainly operates two major operating segments, namely e-commerce business and distribution business. The e-commerce business of the Group includes the operation of online stores and wholesale business to e-commerce clients, focusing on cross-border e-commerce sales to Mainland China. The distribution business of the Group mainly includes the distribution of consumer products to sizable chain retailers, non-chain retailers (mainly pharmacies) and traders in Hong Kong, Macau and Mainland China. In addition, the Group provides omnichannel brand marketing and management services for the brands it represents and is actively expanding into the Southeast Asian market.

In the Financial Year, the Group recorded revenue of approximately HK$1,186.2 million, a record high for a financial year since the inception of the Group and an increase of 33.4% over the revenue of HK$888.9 million for FY2021. The Group's net profit rebounded significantly to HK$43.6 million, compared to a consolidated loss of HK$17.4 million in Last Financial Year. The Group's successful turnaround was mainly due to an increase in the Group's overall revenue and gross profit, and the impact of a significant decrease in the write-down of inventories. Such increase was mainly attributable to (i) the optimisation of the product portfolio; and (ii) the increase in e-commerce sales as a result of continuous efforts to develop and expand e-commerce sales, as well as the benefit of the "Double 11" promotional campaign in Mainland China.

E-commerce business

The growth trend of the Group's e-commerce business continued during the Financial Year. During the Financial Year, the revenue from the e-commerce business of the Group increased by 35.3% to HK$738.7 million as compared to HK$546.0 million for the Last Financial Year. The revenue from the e-commerce business of the Group mainly derives from cross-border e-commerce sale to Mainland China. The increasing trend of e-commerce revenue between the first and the second half of the Financial Year is believed to result from increased public health awareness due to the epidemic, which has boosted demand for PCM, healthcare products and personal care products. In addition, most offline consumers who have a need for cross-border imported healthcare products have become online e-commerce platform users, driving online customer traffic.

In addition, the Group's "Double 11" e-commerce sales for the Financial Year were satisfactory at approximately HK$166.0 million, representing a significant year-on-year increase of approximately 118.4% compared to approximately HK$76.0 million for the same period in FY2021. The Group expects the trend of online shopping to continue in the future and will continue to work hard to develop its e-commerce business and explore the blue ocean market in Mainland China.

Distribution business

During the Financial Year, the full resumption of normal travel with Mainland China has not yet been restored in Hong Kong. The Group continues to actively source more overseas healthcare brands and optimise its product portfolio, consolidating the market advantages of its distribution business. Together with the gradual relaxation of the HKSAR Government's anti-epidemic measures and the issuance of consumption vouchers, which stimulated public spending, the distribution business in Hong Kong has performed well. During the Financial Year, the distribution business of the Group recorded sales of HK$447.5 million, an increase of 31.7% over the Last Financial Year of HK$340.0 million.

The Group's offline distribution channels in Mainland China are also gaining momentum, with the overseas healthcare brands it represents being sold through health and beauty chains in Mainland China, such as Mannings, Watsons, Olé, Sam's Club, PureH2B and Rainbow Shopping Mall etc.

Omnichannel brand marketing and management services for brands

During the Financial Year, the Group continued to develop the omnichannel brand marketing and management business, which includes brand agent, promotion and marketing, management and distribution, providing one-stop services for brands as well as upgrading the Group's business chain and diversifying the Group's product portfolio and businesses, helping increase the Group's market share and gross profit margin.

Under the Group's comprehensive strategy, after obtaining the sole distributorship in China for one of the global best-selling probiotic brands, Culturelle®, the Group has also successively obtained the exclusive distribution rights in Hong Kong for Japanese anti-hair loss and hair protection brand, Kaminowa; leading French baby washing care brand, Biolane; and also Korean anti-hair loss and hair protection brand, Dr Banggiwon. For Biolane, the Group has also obtained exclusive distribution rights in Singapore and Malaysia. In addition, the Group has also secured exclusive distribution rights in Hong Kong and Macau for Nu-Prep, one of the best-selling star products of the Malaysian herbal health product brand Biotropics Malaysia.

The probiotic brand Culturelle®, whose right of exclusive distribution in China has been granted to the Group, has sold well in Mainland China during the epidemic because of its ability to promote intestinal health, maintain the ecological balance of the intestine and strengthen the immune system. As for the newly distributed Korean anti-hair loss and hair protection brand, Dr Banggiwon, it has been selling well in South Korea without any advertisement due to its excellent anti-hair loss effect and good value for money, and has been well-received in Hong Kong since its launch. With increased consumer awareness of hair care and an ageing population, the Group is optimistic about the future sales prospects of anti-hair loss products.

Active own-brand development

In addition to its brand agency business, the Group is also actively developing its own brands. The Group has established and developed its own well-received brands of healthcare products, including "Boost & Guard (BG 博健科研)", "Wakan (和漢)", and "Kinmen (金門)".

International strategies

In order to build a diversified sales network and enrich its product portfolio, the Group continued to strengthen its overseas presence during the Financial Year. In addition to its presence in Australia, Japan, Malaysia, Singapore, Macau and Thailand, the Group also established sourcing centres in France, South Korea and Vietnam during the Financial Year, diversifying and internationalising the product portfolio.

In terms of business development in Southeast Asia, the Group was quick to respond as countries in Southeast Asia were among the first to recover from the epidemic outbreak. The Malaysian and Singaporean subsidiaries of the Company have acquired, during the Financial Year, the exclusive distribution rights of TJ-TYT Pharmaceuticals (M) Sdn. Bhd., which is principally engaged in, among other matters, manufacturing and wholesale of PCM, health supplement and healthcare products in Malaysia, to strengthen its sales network and increase its customer base, and will actively expand the sales business in Singapore and Malaysia.

During the Financial Year, the Group also entered into a strategic collaboration agreement with Biotropics Malaysia Berhad ("**Biotropics Malaysia**"), a company wholly owned by Khazanah Nasional Berhad, a Malaysian state-owned sovereign fund. Through this strategic partnership, the Group and Biotropics Malaysia will bring together the strengths of both companies, leveraging on the Group's extensive brand management and marketing experience to bring Biotropics Malaysia's premium natural health products to the Greater China region, building international awareness for the brand.

In addition, on 1 September 2022, a subsidiary of the Company entered into a cooperation agreement with a company under JD Logistics, Inc. ("**JD Logistics**", stock code: 2618.hk) and Fadong (Dongying) E-Commerce Co., Ltd. The cooperation agreement authorises Tycoon Group to operate operation centres and storage centres in France (collectively, the "**Bases**"). This is not only attract and source more European brands and products, but also enable the Tycoon Group to expand its distribution channels to the European market, thereby optimising the Group's product portfolio and broadening its revenue stream. The partnership leverages the Group's extensive experience in distributing health and lifestyle-related products and diversified distribution channels, together with JD Logistics' supply chain solutions and logistics services, to operate a comprehensive logistics and supply chain industry platform through the Bases. It is expected that the Group will be able to consolidate its valuable resources and establish a presence in France, which will be a stepping stone for the Group to explore opportunities in the European market.

FUTURE OUTLOOK

Three years after the outbreak of the COVID-19 epidemic, both Mainland China and Hong Kong have significantly loosened their anti-epidemic measures. The PRC Government officially resumed outbound travel for Chinese nationals in an orderly manner from 8 January 2023, which means a "complete lifting" of the restrictions. As the epidemic situation continues to improve in Mainland China, and preventive and control measures continue to be optimised and adjusted, the impact of the epidemic is expected to gradually subside, with a marked improvement in the cross-regional movement of people and a rapid recovery of economic activities.

The HKSAR Government followed the Mainland China's gradual relaxation of anti-epidemic measures towards the full resumption of normalcy. As people's travel between the two places gradually picks up after the resumption of normal travel, visitors and capital from Mainland China are expected to return quickly to boost the local economy. According to the Tourism Board, the preliminary visitor arrivals for 2022 were 604,000, a year-on-year increase of 561.5%, but still only accounted for about 1% of the 55.91 million visitors before the epidemic outbreak (i.e. 2019). In December 2022 alone, the number of visitors reached 160,000, a year-on-year surge of about 16 times and a monthly increase of 40%. The Government expects Hong Kong to return to full normalcy in the second quarter of 2023, with significant growth in visitor arrivals expected.

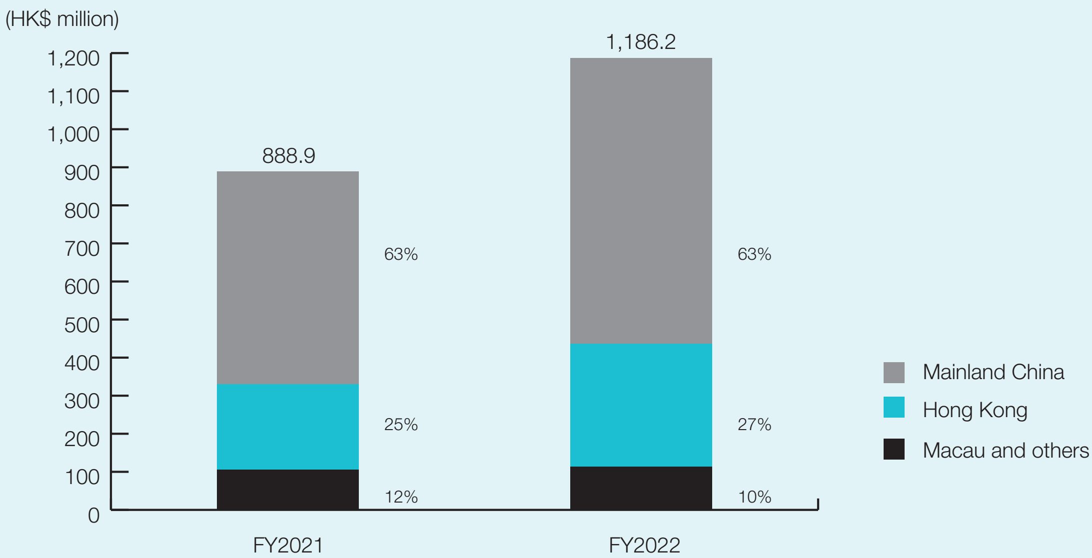
The resumption of normal travel between Hong Kong and the Mainland China will bring visitors to Hong Kong under the Individual Visit Scheme ("**IVS**"). The Group expects an increase in revenue related to its popular products for the IVS visitors and a gradual recovery of its offline distribution business to pre-epidemic levels.

During the epidemic, the Group deliberately changed its product portfolio to meet local demand and broadened its sales channels in Hong Kong. In addition to its existing sales outlets, it has also expanded into other major retail chains and online shopping platforms such as HKTVmall, Ztore and Don Don Donki, enabling the Hong Kong distribution segment to turn a profit. Therefore, it is hoped that after the resumption of normal travel, the product portfolio will cater for both IVS visitors and local demand in Hong Kong, and there will be a multiplier effect with the widened sales channels. Together with the cross-border e-commerce business with stable revenue and the vigorous expansion of omnichannel brand marketing and management services, it is believed that the multi-pronged approach will lead to further revenue growth in the future.

In the future, the Group will continue to drive business growth in Mainland China, Hong Kong and Macau through an online and offline dual-channel drive strategy, coupled with a diversified sales network. The Group will also be active in the Southeast Asian market, offering a range of health and lifestyle-related products to bring health and vitality to consumers and enhance their quality of life.

FINANCIAL REVIEW

Revenue



	Revenue		
	FY2022	FY2021	
Geographical markets	**HK$ million**	HK$ million	Change
Mainland China	**750.9**	558.8	▲34.4%
Hong Kong	**321.6**	225.2	▲42.8%
Macau	**94.5**	95.8	▼1.2%
Others	**19.2**	9.1	▲111.0%
Total	**1,186.2**	888.9	▲33.4%

- The Group's total revenue for the Financial Year was up by 33.4% to HK$1,186.2 million (FY2021: HK$888.9 million).

- During FY2022, revenue from Mainland China increased by 34.4% to HK$750.9 million (FY2021: HK$558.8 million), as a result of continuous efforts in the development and expansion of e-commerce sales in Mainland China.

- In Hong Kong, revenue for FY2022 jumped by 42.8% to HK$321.6 million (FY2021: HK$225.2 million) as we optimised our product portfolio.

- In Macau, revenue for FY2022 decreased by 1.2% to HK$94.5 million (FY2021: HK$95.8 million).

- In other markets such as Singapore, revenue for FY2022 increased by 111.0%% to HK$19.2 million (FY2021: HK$9.1 million) as a result of the acquisition of Fu Qing Chinese Medical Trading Pte. Limited in August 2021.

Profitability

The gross profit of the Group increased by 72.4% to HK$261.5 million for the Financial Year as compared to that of HK$151.7 million for FY2021, and the gross profit margin increased by 4.9 percentage points to 22.0%. Increase in gross profit and gross profit margin was primarily due to (i) the expansion of the Group's total revenue; (ii) the improvement in the gross profit margin of certain products; and (iii) the decrease in write-down of inventories from HK$10.5 million in FY2021 to HK$5.1 million in FY2022.

Selling and distribution expenses of the Group for the Financial Year increased by 25.0% to HK$121.4 million, as compared to HK$97.2 million for FY2021 because the increase in e-commerce sales entails an increase in website service fee and certain marketing fee.

General and administrative expenses of the Group for the Financial Year increased by 11.8% to HK$72.9 million, as compared to HK$65.2 million for FY2021 which was mainly due to the increase in staff costs and depreciation and amortisation.

Finance costs of the Group for the Financial Year increased by 80.8% to HK$11.3 million as compared to HK$6.3 million for FY2021 due to the increase in interest-bearing bank borrowings and the general increase in interest rate.

Other income and other losses, net

Other income and other losses, net, of the Group for the Financial Year was HK$2.4 million (FY2021: other income and gains of HK$2.9 million) which was mainly composed of the fair value loss or gain on the investment in JBM (Healthcare) Limited ("**JBM**", HKEX Stock Code: 2161.HK) as at 31 December 2022 due to its fluctuation in share price (2021: the absence of the subsidy from Hong Kong Government's Employment Support Scheme).

Profit/loss attributable to shareholders

The profit attributable to shareholders of the Company for the Financial Year was HK$43.8 million as compared to a loss of HK$18.8 million for FY2021. The turnaround in results for FY2022 is primarily due to (i) an increase in revenue and gross profit; and (ii) a decrease in write-down of inventories, which is partly offset with the increase in overall selling and distribution expenses, general and administrative expenses, and finance costs as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK$74.6 million (31 December 2021: HK$71.6 million), which were mainly denominated in Hong Kong dollars and Chinese Renminbi. The gearing ratio (defined as net debt divided by total equity plus net debt, where net debt includes interest-bearing bank borrowings, loan from a shareholder, lease liabilities less cash and cash equivalents) of the Group as at 31 December 2022 was 47.6% (31 December 2021: 39.4%). The increase was mainly due to the increase in invoice financing during the Financial Year.

CAPITAL STRUCTURE

As at 31 December 2022, the borrowings included secured interest-bearing bank borrowings of approximately HK$239.4 million (31 December 2021: HK$140.0 million), unsecured interest-bearing bank borrowings of approximately HK$39.0 million (31 December 2021: HK$39.0 million) and loan from a shareholder with maturity date on 31 March 2023 of approximately HK$50 million (31 December 2021: HK$50 million). Except for the Group's interest-bearing bank borrowings of HK$9.2 million (31 December 2021: HK$10.3 million) which was denominated in MOP, the Group's interest-bearing bank borrowings are all denominated in Hong Kong dollars. All borrowings are at floating rates.

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

	31 December 2022 HK$'000	31 December 2021 HK$'000
Within one year	242,012	137,835
In the second year	24,088	7,020
In the third to fifth years, inclusive	4,049	22,756
Beyond five years	8,219	11,349
	278,368	178,960

As at 31 December 2022, the Company's issued share capital was HK$8.0 million and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

PLEDGE OF ASSETS

As at 31 December 2022, (i) certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK$53.3 million (31 December 2021: HK$55.9 million) were pledged to secure certain bank loans granted to the Group; and (ii) all the Group's equity interests in Hong Ning Hong Limited were pledged to secure the loan from a shareholder granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 March 2020 ("**Prospectus**") and Annual Report 2021, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 1 April 2022, Key Zone Investment Inc., a wholly-owned subsidiary of the Company as purchaser ("**Purchaser**"), entered into a sale and purchase agreement ("**2022 Sale and Purchase Agreement**") with Mr. Kan Chi Kit as vendor ("**Vendor**") pursuant to which the Purchaser has purchased and the Vendor has sold, a quota ("**Acquisition**") representing the remaining 20% of the issued share capital of Jefferine Macau Limited (傑飛澳門有限公司) ("**Jefferine**"), a company then owned as to 80% by the Group, at the consideration of HK$9,360,000 with a consideration adjustments mechanism (details of which are set out in the section headed "Disclosure pursuant to Rule 14A.63 of the Listing Rules" in this Annual Report). Completion of the Acquisition took place immediately upon the signing of the 2022 Sale and Purchase Agreement, whereby Jefferine became a wholly owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 1 April 2022.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the Financial Year.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investments during the Financial Year.

CAPITAL COMMITMENT

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

CONTINGENT LIABILITIES

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

UPDATE ON THE PRE-IPO SHAREHOLDERS AGREEMENT

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

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

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

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

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

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

200,000,000 ordinary shares are charged by Tycoon Empire Investment Limited ("**Tycoon Empire**"), the controlling shareholder of the Company, in favour of CR Pharma Retail, a wholly-owned subsidiary of China Resources Pharmaceutical Group Limited ("**CR Pharma**", HKEX Stock Code: 3320.HK) ("**Share Charge**") as security for the performance by Tycoon Empire and Mr. Wong Ka Chun Michael of their obligations under the Amended Pre-IPO Shareholders Agreement.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed a total of 179 employees in Hong Kong, Mainland China, Macau, Singapore, Malaysia, Australia, Japan and Thailand (31 December 2021: 186). During the Financial Year, the total staff costs incurred were approximately HK$53.7 million (FY2021: HK$53.4 million). The Group's remuneration policy is based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and subsidies. The performance appraisal cycle varies according to the positions of employees. In order to provide incentives to and to recognise the contributions of employees of the Group, the Group has also adopted a Share Award Scheme and Share Option Scheme.

DIVIDEND

The Directors has resolved to declare a final dividend of HK3 cents (2021: Nil) per share for the year ended 31 December 2022 to the Shareholders, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company. If so approved by shareholders of the Company, it is expected that the final dividend will be paid on or about 12 July 2023 to shareholders of the Company whose names appear on the register of members of the Company on 15 June 2023.

USE OF PROCEEDS FROM LISTING

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

The Group has fully utilised the Net IPO Proceeds in accordance with the purposes set out in "Future Plans and Use of Proceeds" in the Prospectus. The table below sets out the planned applications of the Net IPO Proceeds and actual usage up to 31 December 2022:

Use of proceeds	**Adjusted on a pro rata basis based on the actual Net IPO Proceeds** *(HK$ million)*	**Percentage of the total Net IPO Proceeds**	**Actual use of the Net IPO Proceeds for the year ended 31 December 2022** *(HK$ million)*	**Actual use of the Net IPO Proceeds from the Listing Date to 31 December 2022** *(HK$ million)*	**Unutilised Net IPO Proceeds as at 31 December 2022** *(HK$ million)*
Further developing supply chain and retail management	66.6	30%	9.8	66.6	–
Further investing in brand management to increase mass awareness of the Group and its products	33.8	15%	0.8	33.8	–
Repaying loans	101.6	45%	–	101.6	–
General working capital	22.5	10%	–	22.5	–
Total	224.5	100%	10.6	224.5	–

ADOPTION OF NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

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

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

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Directors are aware that the Group is exposed to various types of principal risks and uncertainties as discussed below.

(i) Risks with regards to consumers

The demand for the Company's products is subject to changes in consumer preferences, perception and spending habits. The Company's performance depends significantly on factors which may affect the level and pattern of consumer spending. Such factors include consumer preferences, consumer confidence, consumer income and consumer perception of the safety and quality of the Company's products. Media coverage regarding the safety or quality of, or diet or health issues relating to, health supplements or the raw materials, ingredients or processes involved in their manufacturing, may damage consumer confidence in the Company's products. If there is a change in consumer preferences, perception and spending habits at any time, the demand for the Company's products by consumers may decline and the Company's business, financial condition and results of operations may be materially and adversely affected.

(ii) Currency risks

The sales of the Company's products are predominately made in Hong Kong, while the majority of the health supplement products are sourced from brand owners in overseas countries such as the U.S., Australia and Japan. The Company also engaged external manufacturers in overseas countries such as Taiwan and Japan to produce private label products ("**Private Label Products**" or "**Private Label Brands**") i.e. products developed and marketed under the brands of our Group and produced by external manufacturers engaged by us on an Original Design Manufacturing ("**ODM**") basis. The Company's functional currency is Hong Kong dollar, being the settlement currency for most of the Company's sales, whereas purchases from overseas brand owners and manufacturers are primarily settled in foreign currencies. All of the Company's purchases made in foreign currencies are translated into Hong Kong dollars at the prevailing rate at the time of settlement. The Group does not have any foreign currency hedging policy. Accordingly, fluctuations in the relevant foreign currencies against Hong Kong dollar may affect the cost of sales in terms of Hong Kong dollar and consequently the profit margin and results of operations.

(iii) Risk pertaining to outbreak of COVID-19

The Group's business has been, to a certain extent, affected by the COVID-19 pandemic which have lasted throughout the past three years. The global epidemic has resulted in lockdowns and disruptions of transportations in various countries and regions as well as a downward pressure in the global economy. Some of the Group's suppliers have suffered a reduction in their productivity in 2022, especially with the outburst of the Delta and Omicron variants. There has also been a reduction in the demand of our products from the Group's customers. Travel restrictions and mandatory quarantine imposed by the Hong Kong government have limited the number of tourist visits to Hong Kong, which affected those who might have been attracted to physically come to Hong Kong for shopping and buying health and well-being related products. To minimise the risk of infection, local consumers tend to reduce their outdoor activities, including offline shopping, and to shift their shopping habits from offline to online. Although these may adversely affect the retail sales of the Company's products at the Company's customers' retail stores, it has led to an increasing demand for online purchase of PCM, health supplement, skin and personal care products. At present, the Group's business has resumed steady growth. We will continue to closely monitor the development of the epidemic.

These risks are further described in "Risk Factors" in the Prospectus. Please note that the above risks may not be indicative of future performance due to a variety of factors beyond the Company's control, including but not limited to the general economic and social conditions.

Biographical details of the Directors of the Group are set out as follows:

DIRECTORS

Executive Director

Mr. Wong Ka Chun Michael (王嘉俊) ("Mr. Wong"), aged 47, was appointed as a Director on 14 June 2017 and became the chairman of the Board and executive Director on 8 October 2018. Mr. Wong is also the chief executive officer of the Group and the chairman of the Corporate Governance Committee. Mr. Wong is the founder of the Group and has been in charge of the overall business strategies, planning, management and operational development of the Group. Mr. Wong is also a director of various subsidiaries of the Company. Mr. Wong is a director of Tycoon Empire which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Wong has over 20 years of experience in the healthcare and personal care products industry. Prior to founding the Group, from April 1999 to June 2014, Mr. Wong worked as a sales and marketing manager at Hengan Pharmacare, a subsidiary of Hengan International Group Company Limited (listed on the Main Board of the Stock Exchange with stock code: 1044.hk), a company principally engaged in the manufacturing, distribution and sale of personal care products. Mr. Wong was responsible for analysing the industry trend and developing a strategy to market products.

Mr. Wong obtained a Bachelor of Science degree in Business Administration from the University of Southern California, the United States, in December 1998. In September 2018, Mr. Wong was appointed as an honourary president and vice chief supervisor of the Hong Kong Medicine Dealers' Guild.

Non-executive Directors

Mr. Cao Weiyong (曹偉勇) ("Mr. Cao"), aged 52, was appointed as a non-executive Director on 18 July 2022. He is primarily responsible for participating in formulating the corporate and business strategies of the Company.

Mr. Cao has extensive experience in retail, wholesale and trading industry. Since December 1999, Mr. Cao has been working for CR Care Company Limited ("**CR Care**"), a wholly-owned subsidiary of CR Pharma, the shares of which are listed on the Main Board of the Stock Exchange and a substantial shareholder of the Company. Mr. Cao is a director and the general manager of CR Care. In addition, Mr. Cao is a director of Runman (Shenzhen) Pharmaceutical Trading Co., Ltd. and Huayi Runsheng (HK) Trading Limited, each being a subsidiary of CR Pharma.

Mr. Cao obtained a Bachelor of Economics degree in International Trade from the Guangzhou Institute of Foreign Trade, the People's Republic of China in July 1992. He also obtained a degree of Master of Business Administration from the University of San Francisco, the United States in December 1999 through distance learning. He further obtained a Graduate Certificate of Adult Higher Education in Chinese Medicine from the Beijing University of Chinese Medicine, the People's Republic of China in March 2004 through distance learning.

Ms. Chong Yah Lien (張雅蓮) ("Ms. Chong"), aged 51, was appointed as a Director on 19 February 2019 and designated as a non-executive Director on 19 July 2019. She is primarily responsible for participating in formulating the corporate and business strategies of the Company.

Ms. Chong has over 20 years of experience in auditing, accounting and financial management with international accounting firm and state-owned enterprise of the PRC. Ms. Chong joined China Resources group which comprises member companies of China Resources Company Limited, a state-owned enterprise of the PRC, since 1999 and is currently the deputy general manager of the Financial Administration Department of CR Pharma. Ms. Chong is also a director of China Resources Pharmaceutical Trading (HK) Limited, China Resources Pharmaceutical Trading Limited, CR Pharma Retail, CR Care and Rich Moda (Hong Kong) Limited, each of which is a wholly-owned subsidiary of CR Pharma.

Ms. Chong obtained a degree of Bachelor of Business majoring in accounting from Edith Cowan University, Australia in February 1993 and a degree of Master of Business Administration from Deakin University, Australia in September 2003. Ms. Chong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Ms. Li Ka Wa Helen (李家華) ("Ms. Li"), aged 62, was appointed as a non-executive Director on 19 July 2019. She is primarily responsible for participating in formulating the corporate and business strategies of the Company.

Ms. Li has over 25 years of experience in retailing and corporate management. From September 1987 to August 1991, Ms. Li worked in Marks & Spencer in Hong Kong, a retailing fashion, food and homeware chain, where her last position was store controller responsible for the operations and sales of Marks & Spencer stores in Hong Kong. From September 1992 to 1994, she worked in Marks & Spencer in Canada, where her last position was assistant manager responsible for operations and sales. From January 1995 to July 2000, Ms. Li worked in Marks & Spencer in Hong Kong where her last position was regional commercial controller – franchises responsible for managing, designing and controlling the operations of Marks & Spencer across Asia. From August 2000 to July 2001, she was the general manager of Hong Kong of G2000 (Apparel) Limited, a company principally engaged in retailing fashion. From September 2002 to January 2007 and February 2008 to April 2019, Ms. Li worked in The Dairy Farm Company Limited where her last position was the chief executive officer of Mannings Hong Kong & Macau, a health, personal care, beauty products retail chain.

Ms. Li obtained a diploma in Business Retailing from Algonquin College of Applied Arts and Technology, Canada in June 1993. She also completed the Building and Sustaining Competitive Advantage programme, from Harvard Business School in June 2012 and completed the Senior Executive Program For China held by Harvard Business School, Tsinghua University School of Economic and Management and China Europe International Business School in December 2013.

Mr. Lau Ka On David (劉家安) ("Mr. Lau"), aged 48, was appointed as a non-executive Director on 1 September 2021. He is primarily responsible for participating in formulating the corporate and business strategies of the Company.

Mr. Lau has extensive experience in equities research and corporate advisory. From November 2006 to February 2014, Mr. Lau worked as an equities research analyst at several top-tier investment banks, namely, UBS AG in Hong Kong from November 2006 to May 2009; CLSA Research Limited in Hong Kong from May to October 2010; and UBS Securities Co. Limited in Shanghai, China from December 2010 to February 2014. In January 2015, Mr. Lau founded Investor Connect Advisory Limited, a company primarily engages in the investor relations and financial public relations business and is currently serving as the chief executive officer. Mr. Lau was awarded with The Highest Level of Professional Excellence in providing financial advice to foreign investors around the world in 2002 by MFS International Limited.

Mr. Lau obtained a Bachelor of Arts degree in East Asian Languages and Cultures and a Bachelor of Science degree in Business Administration from the University of Southern California, the United States in December 1999. He also obtained a Master of Science degree in Financial Analysis from the College for Financial Planning, the United States in June 2007 by way of distance learning. Mr. Lau is a CFA (Chartered Financial Analyst) charterholder and he obtained the designation from the CFA Institute in September 2010.

Independent non-executive Directors

Mr. Chung Siu Wah (鍾兆華) ("Mr. Chung"), aged 45, was appointed as an independent non-executive Director on 20 January 2020. He is also the chairman of the Nomination Committee and a member of the Audit Committee, the Remuneration Committee and the Corporate Governance Committee. He is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of the Company.

Mr. Chung has over 20 years of experience in financial services, investments and management. From September 2000 to June 2003, Mr. Chung worked in Merrill Lynch (Asia Pacific) Limited where his last position was research associate, equity research. From April 2003 to April 2006, Mr. Chung worked in Citigroup Global Markets Asia Limited where his last position was analyst. From June 2006 to July 2006, Mr. Chung worked in Morgan Stanley Asia Limited where his last position was vice president, equity research. From July 2006 to October 2008, Mr. Chung worked in Redbrick Capital Management (Asia) Limited where his last position was managing director, Head of Asia. From July 2009 to February 2010, Mr. Chung worked in Citigroup Global Markets Hong Kong Futures and Securities Limited where his last position was director, Asia Pacific Equity Trading. From April 2010 to November 2011, Mr. Chung worked in Chater Capital Advisors (Hong Kong) Limited with his last position as managing partner and chief investment officer. From February 2013 to February 2014, Mr. Chung worked in CreditEase Wealth Management (HK) Limited where his last position was managing director. From November 2014 to April 2015, Mr. Chung worked in South China Finance and Management Limited, as managing director. Mr. Chung has been a director in Top Ace Asset Management Limited since October 2015, a company principally engaged in providing financial investment services.

Mr. Chung obtained a Bachelor of Science from the University of California, Riverside in the United States in March 2000.

Ms. Chan Ka Lai Vanessa (陳嘉麗) ("Ms. Chan"), aged 49, was appointed as an independent non-executive Director on 20 January 2020. She is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. She is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of the Company.

Ms. Chan has over 25 years of experience in financial accounting, auditing and financial management. From July 1995 to August 2005, Ms. Chan worked in KPMG where her last position was senior manager, responsible for auditing and due diligence projects for businesses in Hong Kong and the PRC. From August 2005 to February 2008, Ms. Chan worked in The Kowloon Motor Bus Co. (1933) Ltd., a subsidiary of Transport International Holdings Limited (listed on the Main Board of the Stock Exchange with stock code: 62.hk), as accounting manager responsible for accounting and financial management activities. From November 2009 to December 2018, Ms. Chan worked in China Agri-Industries Holdings Limited (previously listed on the Main Board of the Stock Exchange), as financial controller responsible for overall accounting, financial management and human resources activities. Since January 2019, Ms. Chan has been working in WA C&E Limited, a private company incorporated in Hong Kong, as a director to provide business and financial advisory services in Hong Kong. Ms. Chan has also been serving as an independent non-executive director of Innovax Holdings Limited (listed on the Main Board of the Stock Exchange with stock code: 2680.hk) since August 2018 and LEPU ScienTech Medical Technology (Shanghai) Co., Ltd. (listed on the Main Board of the Stock Exchange with stock code: 2291.hk) since 2 September 2021.

Ms. Chan obtained a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in October 1995. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms. Chan is also a member of the Hong Kong Chartered Governance Institute and the Hong Kong Institute of Directors.

Mr. Mak Chung Hong, also known as Mak Tommy Chung Hong (麥仲康) ("Mr. Mak"), aged 47, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Corporate Governance Committee and the Nomination Committee on 17 December 2021. He is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of the Company.

Mr. Mak has extensive experience in the fields of marketing, business development and brand management. From May 2016 to November 2018, Mr. Mak worked for Tao Heung Holdings Limited (stock code: 573.hk) and his last position was a director in the marketing and business development division. From June 2019 to November 2020, Mr. Mak was a brand consultant at Fastastic F&B Management Limited. From December 2020 to September 2021, Mr. Mak was appointed as the general manager in the European supermarket division of Il Bel Paese Limited. Since October 2021, Mr. Mak has been working as a brand consultant for Fastastic F&B Management Limited.

Mr. Mak was awarded a Diploma of Technology (Financial Management Advanced Accounting Option) by the British Columbia Institute of Technology in Canada in May 1999. He further obtained a Master of Science Degree in Marketing with Festival and Event Management from the Edinburgh Napier University in the United Kingdom in March 2016.

Directors' Report

The Directors present their Annual Report and the audited consolidated financial statements for the Financial Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is a Hong Kong-based provider of PCM, health supplement, skin care, personal care and other healthcare products, mainly selling and distributing such products of third-party brands and the Private Label Brands.

Details of the principal activities of the subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group including a discussion and analysis of the Group's performance during the Financial Year and the material factors underlying its financial performance and financial position as well as an indication of likely future development in the Group's business as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are included in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report, respectively. The future development of the Group's business is discussed in the section headed "Management Discussion and Analysis" of this Annual Report. In addition, further details regarding the Group's principal risks and uncertainties are included in the section headed "Management Discussion and Analysis" of this Annual Report. The sections headed "Chairman's Statement" and "Management Discussion and Analysis" form part of this Directors' Report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Financial Summary" of this Annual Report. This summary does not form part of the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this Annual Report.

The Directors has resolved to declare a final dividend of HK3 cents (2021: Nil) per share for the year ended 31 December 2022 to the Shareholders, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company. If so approved by shareholders of the Company, it is expected that the final dividend will be paid on or about 12 July 2023 to shareholders of the Company whose names appear on the register of members of the Company on 15 June 2023.

DIVIDEND POLICY

The Board has adopted a dividend policy ("**Dividend Policy**") with effect from 15 April 2020. The Dividend Policy allows the Company to declare interim dividends or special dividends from time to time in addition to the final dividends. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(i) the financial condition of the Group;

(ii) the prevailing economic climate;

(iii) the Group's earnings and cash flow;

(iv) the Group's expected capital requirements;

(v) the statutory fund reserve requirements;

(vi) the retained earnings and distributable reserves of the Company and each of the members of the Group; and

(vii) any other factors that the Board deems appropriate.

Declaration and payment of dividend by the Company is also subject to the articles of association of the Company and the laws of the Cayman Islands.

The Dividend Policy will continue to be reviewed from time to time by the Board and there can be no assurance that any dividend will be proposed or declared in any given period.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Financial Year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Financial Year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

RESERVE

Details of movements in the reserves of the Company and the Group during the Financial Year are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity of this Annual Report, respectively.

DISTRIBUTABLE RESERVE

As at 31 December 2022, the Company's distributable reserves were HK$727.3 million (2021: HK$688.1 million).

CHARITABLE DONATIONS

The Group made charitable donations totalling approximately HK$1,346,000 during the Financial Year (FY2021: HK$30,000).

DIRECTORS

The Directors during the Financial Year and up to the date of this report are:

Executive Director
Mr. Wong Ka Chun Michael *(Chairman and Chief Executive Officer)*

Non-executive Directors
Mr. Cao Weiyong *(appointed on 18 July 2022)*
Ms. Chong Yah Lien
Ms. Li Ka Wa Helen
Mr. Lau Ka On David
Mr. Yao Qingqi *(resigned on 18 July 2022)*

DIRECTORS (continued)

Independent non-executive Directors
Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa
Mr. Mak Chung Hong (also known as Mak Tommy Chung Hong)

In accordance with article 83(3) of the Company's articles of association, Mr. Cao Weiyong shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with articles 84(1) and 84(2) of the Company's articles of association, each of Mr. Wong Ka Chun Michael, Ms. Chong Yah Lien and Mr. Lau Ka On David shall retire by rotation at the forthcoming annual general meeting and each of them being eligible, will offer himself/herself for re-election.

Details of the Directors' biographical information are set out in the section headed "Biographical Details of Directors" of this Annual Report.

CONFIRMATION OF INDEPENDENCE

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed at least three independent non-executive Directors during the Financial Year. The Board considers that all the independent non-executive Directors have appropriate and sufficient diversity, industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Ms. Chan Ka Lai Vanessa, has extensive experience in auditing, accounting and financial management. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Director and non-executive Directors has entered into a letter of appointment with the Company pursuant to which he/she agreed to act as a Director for a continuous term with effect from 18 July 2022, save and except for Mr. Lau Ka On David who was appointed for a fixed term of three years with effect from 1 September 2021 and Mr. Cao Weiyong who was appointed for a continuous term with effect from 18 July 2022. All such appointments are subject to termination by either party giving not less than one month's written notice and subject to retirement and re-election in accordance to the Company's articles of association and the Listing Rules.

With effect from 20 January 2023, the term of appointment of each of the independent non-executive Directors (except for Mr. Mak Chung Hong) is for a continuous term. The term of appointment of Mr. Mak is a fixed term of three years with effect from 17 December 2021. All such appointments are subject to retirement and re-election in accordance to the Company's articles of association and the Listing Rules and terminable by either party by giving at least one month's written notice to the other.

None of the Directors has a service contract with the Company or any of the subsidiaries of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The emoluments of the Directors are generally recommended by the Remuneration Committee for approval by the Board, having regard to the Group's operating results, individual performance and contributions and also the change in market conditions.

Mr. Cao Weiyong, a non-executive Director, agreed to waive his director fee from 18 July 2022 and until his resignation as the non-executive Director.

Details of the remuneration of the Directors are set out in note 34 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

The articles of association of the Company provide that the Directors are entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of the duties of their office or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has purchased and maintained Directors' liability insurance during the Financial Year and as at the date of this Annual Report, which provides appropriate cover for the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Financial Year, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the Financial Year.

RELATED PARTY TRANSACTIONS

The Board confirms that save as disclosed in the "Non-exempt Continuing Connected Transactions" and "Connected Transactions" in this report, none of the related party transactions as disclosed in note 33 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules and which are subject to annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master Sale and Purchase Agreement with CR Pharma

On 1 January 2020, Tycoon Asia Pacific Group Limited ("**Tycoon Hong Kong**"), a wholly-owned subsidiary of the Company, entered into a master supply agreement ("**Master Supply Agreement**") with CR Pharma, one of the substantial shareholders of the Company, pursuant to which Tycoon Hong Kong agreed to sell or procure its fellow subsidiary(ies) to sell and CR Pharma agreed to purchase ("**CCT Sales**"), through itself or its subsidiary(ies), certain PCM, health supplement and other healthcare products sold by the Group ("**Contract Products**"). There is no minimum supply amount under the Master Supply Agreement. The Master Supply Agreement is for a term commencing on the date of the agreement and ending on 31 December 2021.

On 8 February 2021, Tycoon Hong Kong early renewed the Master Supply Agreement with CR Pharma which has a term ending on 31 December 2023 ("**Master Sale and Purchase Agreement with CR Pharma**"), and pursuant to which (i) Tycoon Hong Kong may purchase and CR Pharma agreed to sell ("**CCT Purchases**") certain PCM, health supplement and other healthcare products ("**CR Products**"), and (ii) Tycoon Hong Kong may continue the transactions under the CCT Sales in connection with the entering into of the Master Sale and Purchase Agreement. The Company obtained the independent shareholders' approval on all the transactions as contemplated under the Master Sale and Purchase Agreement with CR Pharma (which include the CCT Sales and the CCT Purchases and the respective annual caps) on 16 April 2021.

On 15 October 2021, as approved at the extraordinary general meeting of the Company, the annual caps of the CCT Purchases were revised upward.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Master Sale and Purchase Agreement with CR Pharma (continued)

Pursuant to the Master Sale and Purchase Agreement with CR Pharma, the prices, payment terms, quantities and detailed terms with respect to the Contract Products and CR Products shall be determined in accordance with the specific purchase orders to be agreed between the parties.

The annual caps for the year ended 31 December 2022 for CCT Purchases and CCT Sales were HK$1,000 million and HK$360 million, respectively, while the actual transaction amount for the year ended 31 December 2022 was approximately HK$267.6 million and HK$5.7 million, respectively.

For details, please refer to the announcements of the Company dated 8 February 2021, 27 August 2021 and the circulars of the Company dated 25 March 2021 and 28 September 2021.

Master Sale and Purchase Agreement with Talent Smart and Exclusive Distribution Agreements

On 1 July 2022, Dynasty Garden Limited ("**Dynasty Garden**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "**Master Sale and Purchase Agreement with Talent Smart**") with Talent Smart Holdings Limited ("**Talent Smart**" together with its subsidiaries, the "**Talent Smart Group**"), pursuant to which (i) Talent Smart shall procure its relevant subsidiaries to grant to Dynasty Garden an exclusive distribution right (save that Talent Smart Group may still operate its own direct sales and/or retail business in respect of certain of the Talent Smart Products (being certain proprietary Chinese medicines health supplement and healthcare products manufactured and sold by Talent Smart Group)) to market, sell and distribute the Talent Smart Products (owned by the relevant member(s) of the Talent Smart Group) in Hong Kong for the period from 1 July 2022 to 31 December 2024, and Dynasty Garden accepts such grant of exclusive distribution rights; (ii) Dynasty Garden may purchase, by itself or through any member of the Group, the Talent Smart Products (certain proprietary Chinese medicines, health supplement and other healthcare) from the Talent Smart Group ("**Purchase of Talent Smart Products**"); and (iii) Dynasty Garden may, through itself or any member of the Group, sell the Tycoon Products (certain proprietary Chinese medicines, health supplement and other healthcare products sold by the Group) to Talent Smart Group ("**Sale of the Tycoon Products**").

Pursuant to the Master Sale and Purchase Agreement with Talent Smart, the prices, payment terms, quantities and detailed terms with respect to the Talent Smart Product or, as the case may be, Tycoon shall be determined in accordance with the specific purchase orders to be agreed between the parties.

The annual caps for the year ended 31 December 2022 for Purchase of Talent Smart Products and Sale of the Tycoon Products were HK$10 million and HK$7 million, respectively, while the actual transaction amount for the year ended 31 December 2022 was approximately HK$4.2 million and HK$0.4 million, respectively.

For details, please refer to the announcements of the Company dated 4 July 2022 and 21 July 2022.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Master Sale and Purchase Agreement with Talent Smart and Exclusive Distribution Agreements (continued)

On 1 July 2022, Tycoon Asia Pacific (Malaysia) Sdn. Bhd. ("**Tycoon Malaysia**"), an indirect wholly-owned subsidiary of the Company, has also entered into an agreement (the "**Malaysia Exclusive Distribution Agreement**") with TJ-TYT Pharmaceuticals (M) Sdn. Bhd. (天津同仁堂製藥廠有限公司), ("**TJ-TYT**"), pursuant to which, TJ-TYT agreed to appoint Tycoon Malaysia as the exclusive distributor for distribution of the Malaysia Products (being certain proprietary Chinese medicines, health supplement and healthcare products manufactured and sold by TJ-TYT) ("**Purchase of Malaysia Products**") in Malaysia for the period from 1 July 2022 to 31 December 2024.

Pursuant to the Malaysia Exclusive Distribution Agreement, the prices, payment terms, quantities and detailed terms with respect to the Malaysia Products shall be determined in accordance with the specific purchase orders to be agreed between the parties.

The annual cap for the year ended 31 December 2022 for Purchase of Malaysia Products was HK$4 million, while the actual transaction amount for the year ended 31 December 2022 was approximately HK$0.6 million.

On 1 July 2022, Fu Qing Chinese Medical Trading Pte. Limited ("**Fu Qing**"), an indirect wholly-owned subsidiary of the Company, has also entered into an agreement (the "**Singapore Exclusive Distribution Agreement**", and the Malaysia Exclusive Distribution Agreement collectively referred to as the "**Exclusive Distribution Agreements**") with TJ-TYT, pursuant to which, TJ-TYT agreed to appoint Fu Qing as the exclusive distributor for distribution of the Malaysia Products in Singapore for the period from 1 July 2022 to 31 December 2024.

Pursuant to the Singapore Exclusive Distribution Agreement, the prices, payment terms, quantities and detailed terms with respect to the Malaysia Products shall be determined in accordance with the specific purchase orders to be agreed between the parties.

The annual cap for the year ended 31 December 2022 for Purchase of Malaysia Products contemplated under the Singapore Exclusive Distribution Agreement was nil, while the actual transaction amount for the year ended 31 December 2022 was nil.

As at the date of this Annual Report, as the sole beneficial owner of each of Talent Smart and TJ-TYT is Mr. Wong who is a Controlling Shareholder holding approximately 56.01% of the issued share capital of the Company, an executive Director and the chief executive officer of the Group, Mr. Wong is a connected person of the Company. Hence, each of Talent Smart and TJ-TYT is an associate of Mr. Wong and therefore a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Sale and Purchase Agreement with Talent Smart and the Exclusive Distribution Agreements constituted continuing connected transactions under Chapter 14A of the Listing Rules.

Save as disclosed above and in note 33 to the consolidated financial statements, the Group has not engaged in any other connected transactions and/or related party transactions during the Financial Year.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Confirmation by independent non-executive Directors

The independent non-executive Directors reviewed the abovementioned continuing connected transactions, and confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation by auditor

The external auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and submitted a copy of the auditor's letter to the Stock Exchange.

CONNECTED TRANSACTIONS

(1) Tenancy Agreement with connected person

On 25 January 2022, Tycoon Global Limited ("**TGL**"), an indirect wholly-owned subsidiary of the Company, entered into a tenancy agreement ("**Tenancy Agreement**") with Mr. Wong Ka Chun Michael, an executive Director, the Chairman of the Board and a controlling shareholder of the Company, as landlord of the Premises (as defined below), in relation to the leasing of the (i) Workshops 12, 13, 14 and 15 on 6/F, Workshop 12 on 8/F, Workshop 5 on 9/F; and (ii) Car Parking Spaces Nos. L7, L8, P19, L20, L22 and P27 on 3/F, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories (collectively "**Premises**") for a term of two years commencing retrospectively on 1 January 2022 and ending on 31 December 2023. TGL shall pay the monthly rent of HK$289,500 and other fees payable including but not limited to charges for utilities at the Premises. The Premises have been used by the Group as warehouse premises and car parking purposes. The continued leasing of the Premises under the Tenancy Agreement not only help the Group maintain stability in operations but also minimise the administrative time and cost for finding and relocating to a new premises. The landlord of the Premises is Mr. Wong (an executive Director, the chairman of the Board, chief executive officer and one of the Controlling Shareholders), hence the landlord is a connected person of the Company. Accordingly, the Tenancy Agreement and the transactions contemplated thereunder constituted connected transactions of the Company under the Listing Rules.

For details, please refer to the announcement of the Company dated 25 January 2022.

(2) Acquisition of 20% equity interest in a subsidiary

The details of the Acquisition are set out in the section headed "Material Acquisitions and Disposals of Subsidiaries" in this Annual Report. Immediately prior to completion of the Acquisition, the Vendor was a substantial shareholder of Jefferine holding 20% equity interest in Jefferine which was a non-wholly owned subsidiary of the Company. Accordingly, the Vendor is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules and the Acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed above and in the related party transactions in note 33 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, its holding company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether direct or indirect, subsisted at the end of the year or at any time during the Financial Year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the "Non-exempt Continuing Connected Transactions", "Connected Transactions" in this report and in the related party transactions in Note 33 to the consolidated financial statements, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the Financial Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("**SFO**"), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("**Model Code**"), were as follows:

(i) Interests in the Shares or underlying Shares of the Company

Name of director	Capacity/Nature of Interest	Number of Shares[(1)]	Approximate percentage of shareholding
Wong Ka Chun Michael[(2), (3)]	Interest in controlled corporation	448,096,326(L)	56.01%
		200,000,000(S)	25.00%

Notes:

(1) The letter "L" denotes the Director's long position in such Shares and the letter "S" denotes the Director's short position in such Shares.

(2) The 448,096,326 Shares and the short position in the 200,000,000 Shares are registered in the name of Tycoon Empire, a company wholly owned by Mr. Wong Ka Chun Michael. By virtue of the provisions of Part XV of the SFO, Mr. Wong Ka Chun Michael is deemed to be interested in all the Shares held by Tycoon Empire.

(3) The 200,000,000 Shares are charged by Tycoon Empire in favour of CR Pharma Retail. For details, please refer to the Prospectus and the announcement of the Company dated 18 June 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

(ii) Interests in shares of the associated corporation of the Company

Name of director	Name of associated corporation	Capacity/ Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding
Wong Ka Chun Michael[2]	Tycoon Empire	Beneficial owner	1(L)	100%

Notes:

(1) The letter "L" denotes the Director's long position in such share.

(2) Mr. Wong Ka Chun Michael directly owns 100% of the issued share capital of Tycoon Empire.

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) and entities had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding
Tycoon Empire[2]	Beneficial owner	448,096,326(L)	56.01%
		200,000,000(S)	25.00%
Ngai Sze Kei[2], [3]	Interest of spouse	448,096,326(L)	56.01%
		200,000,000(S)	25.00%
CR Pharma Retail[2]	Beneficial owner	151,895,000(L)	18.99%
	Person having a security interest in shares	200,000,000(L)	25.00%
CR Pharma[4]	Interest in controlled corporation	351,895,000(L)	43.99%
CRH (Pharmaceutical) Limited[4]	Interest in controlled corporation	351,895,000(L)	43.99%
China Resources (Holdings) Company Limited[4]	Interest in controlled corporation	351,895,000(L)	43.99%
CRC Bluesky Limited[4]	Interest in controlled corporation	351,895,000(L)	43.99%
China Resources Inc.[4]	Interest in controlled corporation	351,895,000(L)	43.99%
China Resources Company Limited[4]	Interest in controlled corporation	351,895,000(L)	43.99%
Jacobson Group Treasury Limited[5]	Beneficial owner	56,590,000(L)	7.07%
Jacobson Pharma Group (BVI) Limited[5]	Interest in controlled corporation	56,590,000(L)	7.07%
Jacobson Pharma Corporation Limited[5]	Interest in controlled corporation	56,590,000(L)	7.07%
Kingshill Development Limited[5]	Interest in controlled corporation	56,590,000(L)	7.07%
Kingshill Development Group Inc.[5]	Interest in controlled corporation	56,590,000(L)	7.07%
Sum Kwong Yip, Derek[5]	Founder of a discretionary trust who can influence how the trustee exercises discretion	56,590,000(L)	7.07%
UBS Trustees (B.V.I.) Limited[5]	Trustee	56,590,000(L)	7.07%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

(1) The letter "L" denotes the person's long position in such Shares and the letter "S" denotes the person's short position in such Shares. The total number of 800,000,000 Shares of the Company in issue as at 31 December 2022 has been used for calculation of the approximate percentage.

(2) The 200,000,000 Shares are charged by Tycoon Empire in favour of CR Pharma Retail. For details, please refer to the Prospectus and the Company's announcement dated 18 June 2021.

(3) The 448,096,326 Shares and the short position in the 200,000,000 Shares are registered in the name of Tycoon Empire, a company wholly-owned by Mr. Wong Ka Chun Michael. Ms. Ngai Sze Kei is the spouse of Mr. Wong Ka Chun Michael. By virtue of the provisions in Part XV of the SFO, Ms. Ngai Sze Kei is deemed to be interested in all the Shares which Mr. Wong Ka Chun Michael is interested in or is deemed to be interested in.

(4) These interests in Shares comprise the 151,895,000 Shares held by CR Pharma Retail and the 200,000,000 Shares under the Share Charge in favour of CR Pharma Retail (see Note 2 above). CR Pharma Retail is a company wholly-owned by CR Pharma (stock code: 3320.hk). Based on the notices of disclosure of interests dated 21 November 2016 of CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Inc. (formerly known as China Resources Co., Limited) and China Resources Company Limited (formerly known as China Resources National Corporation) filed with the Stock Exchange in relation to CR Pharma, CR Pharma is owned as to approximately 53.04% by CRH (Pharmaceutical) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited, which is wholly-owned by CRC Bluesky Limited, which in turn is wholly-owned by China Resources Inc., which in turn is wholly-owned by China Resources Company Limited. By virtue of the provisions of Part XV of the SFO, each of CR Pharma, CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Inc. and China Resources Company Limited is deemed to be interested in all the Shares held by CR Pharma Retail.

(5) These interests in Shares are held by Jacobson Group Treasury Limited, which is a direct wholly-owned subsidiary of Jacobson Pharma Group (BVI) Limited, which in turn is a wholly-owned subsidiary of Jacobson Pharma Corporation Limited ("**Jacobson Pharma**") (stock code: 2633.hk), in which 43.98% of the issued share capital of Jacobson Pharma Corporation Limited is owned by Kingshill Development Limited, a wholly-owned subsidiary of Kingshill Development Group Inc., which in turn is wholly-owned by UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, a discretionary trust established by Mr. Sum Kwong Yip, Derek (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries. By virtue of the provisions of Part XV of the SFO, each of Jacobson Pharma Group (BVI) Limited, Jacobson Pharma Corporation Limited, Kingshill Development Limited, Kingshill Development Group Inc., Mr. Sum Kwong Yip, Derek and UBS Trustees (B.V.I.) Limited is deemed to be interested in all the Shares held by Jacobson Group Treasury Limited.

Save as disclosed above, as at 31 December 2022, so far as the Directors were aware, no other persons (other than the Directors or chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Neither the Company nor any of its holding companies was a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the Financial Year and up to the date of this Annual Report.

SHARE OPTION SCHEME

On 23 March 2020, a share option scheme ("**Share Option Scheme**") was approved and conditionally adopted by the Company, whereby the Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, supplier, customer, adviser or consultant of the Group, options to subscribe for the Shares. From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing Share Schemes and will comply with the new Chapter 17 accordingly (effective from 1 January 2023). A summary of the principal terms of the Share Option Scheme is set out below:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

(2) Participants

Participants refer to:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which our Group holds an equity interest;

(b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of our Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

SHARE OPTION SCHEME (continued)

(2) Participants (continued)

(g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any option by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

(3) Total number of shares available for issue

Without prior separate approval from the Company's shareholders, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not exceed 10% of the shares of the Company as at the Listing Date (i.e. 80,000,000 Shares).

SHARE OPTION SCHEME (continued)

(4) Maximum entitlement of each participant

Without prior separate approval from the Company's shareholders, the maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any shares of the Company subject to options granted during such period under any other share option scheme(s) of the Company) exceed 1% of the shares of the Company in issue for any time being. The maximum number of Shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the issued share capital of our Company from time to time.

Any grant of options to any directors, chief executive or substantial shareholders (as such terms as defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option scheme of the Company or any of its subsidiaries shall be subject to the prior approval of the independent non-executive Directors or shareholders of the Company as the case may be. Without prior separate approval from the Company's shareholders, the maximum number of shares issued and to be issued in respect of which options granted and may be granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates in the 12-month period up to and including the date of such grant shall not (i) exceed 0.1% of the shares of the Company in issue on the date of such grant; and (ii) have an aggregate value, based on the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million.

(5) Time of acceptance and the amount payable on acceptance of the option

Under the Share Option Scheme, the options granted may be accepted by the participants concerned for a period of twenty-one days from the date of such offer. Upon acceptance of an option to subscribe for shares, the eligible participant shall pay HK$1.00 to the Company as consideration for the grant.

(6) Period within which the shares must be taken up under an option

Options may be exercised in accordance with the terms of the Share Option Scheme at any time not exceeding a period of ten years from the date on which the share option is granted.

SHARE OPTION SCHEME (continued)

(7) Vesting period

Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(8) Basis of determining the exercise price of options granted

The subscription price for the shares on the exercise of an option under the Share Option Scheme shall be determined by the Board in its absolute discretion but in any event shall not less than the highest of: (i) the closing price of the Company's share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the Company's share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

(9) Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted and will end on 22 March 2030. The remaining life of the Share Option Scheme is approximately seven years.

For details of the Share Option Scheme, please refer to the Prospectus.

Since the adoption of the Share Option Scheme and up to the end of the Financial Year, no option has been granted or agreed to be granted under the Share Option Scheme. Therefore, no options were exercised or cancelled or lapsed during FY2022 and there were no outstanding options under the Share Option Scheme as at 31 December 2022. As at the date of this Annual Report, the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme is 80,000,000 Shares, represents 10% of the issued Shares.

SHARE AWARD SCHEME

On 25 May 2020, the Board adopted a share award scheme of the Company ("**Share Award Scheme**"). From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing Share Schemes and will comply with the new Chapter 17 accordingly (effective from 1 January 2023). A summary of the principal terms of the Share Award Scheme is set out below:

(1) Purpose of the Share Award Scheme

The Share Award Scheme is for the purposes of (i) recognising the contributions by certain Eligible Persons and giving incentives thereto in order to retain them for the continuing operation and development of the Group; and (ii) attracting suitable personnel for further development of the Group.

(2) Participants and operation of the Share Award Scheme

Any employee or consultant of the Group (other than a connected person of the Company or an associate of such connected persons (both terms as defined in the Listing Rules)) ("**Eligible Person(s)**") will be entitled to participate as a grantee ("**Selected Grantee**"). A Grantee shall mean any Eligible Person or such Eligible Person's wholly owned company or trust (the beneficiaries of which include such Eligible Person and/or his/her immediate family members), but excluding any Excluded Grantee.

The Share Award Scheme shall be subject to the administration of the Board in accordance with the terms stated in the Share Award Scheme. Tricor Trust (Hong Kong) Limited ("**Trustee**") will hold the Shares and the income derived therefrom in accordance with the terms of the trust deed which establishes the Share Award Scheme ("**Trust Deed**"). Subject to compliance with all applicable laws, codes or regulations including without limitation those imposed by the Listing Rules from time to time, the Board shall cause the Company to instruct the Trustee to purchase Shares as awarded by the Board to a Selected Grantee ("**Awarded Shares**"). In each case, the purchase shall be made on the open market from the funds of the Group. The Shares purchased shall be held by the Trustee until they are vested in the Selected Grantees in accordance with the terms of the Share Award Scheme.

The Trustee shall not exercise any voting rights in respect of any Shares held under the Trust.

(3) Total number of shares available for awards

The total number of the Shares to be awarded pursuant to the Share Award Scheme shall not exceed 40,000,000 Shares, being 5% of the total issued share capital of the Company as at its adoption date and also 5% of the total issued share capital of the Company as at the date of this Annual Report. All such Shares subject to be awarded will be/ have been purchased on open market and will not be issued by the Company.

SHARE AWARD SCHEME (continued)

(4) Maximum entitlement of each participant

The maximum number of Shares which may be awarded to a selected grantee at any one time shall not exceed 0.50% of the total number of the issued Shares as at the adoption date and the total number of Shares awarded to such selected grantee in aggregate shall not exceed 1% of the total number of the issued Shares as at the adoption date. Details of the Share Award Scheme are set out in the announcement of the Company dated 25 May 2020.

(5) Vesting of awards and vesting period

Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all relevant vesting conditions (if any), Awarded Shares held by the Trustee upon the Trust and which are referable to a Selected Grantee shall vest to that Selected Grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the Selected Grantee remains at all times after the grant of the award and on each relevant vesting date(s) an Eligible Person and the transfer documents and any other relevant documents as prescribed by the Trustee to effect the transfer have been duly executed by the Selected Grantee.

(6) Remaining life of the Share Award Scheme

The Share Award Scheme will remain in force for a period of 10 years commencing from its adoption date i.e. 25 May 2020. The remaining life of the Share Award Scheme is approximately seven years.

During the Financial Year, no awarded shares (FY2021: 10,348,000) had been granted, pending vesting, under the Share Award Scheme to the employees of the Group (none of them are Directors or connected persons of the Company), 1,090,000 awarded shares have been vested and 530,000 awarded shares have been forfeited. The vesting period of such awarded shares ranges from 1 April 2022 to 1 April 2026.

SHARE AWARD SCHEME (continued)

For details of the movements in the number of outstanding awarded shares during the Financial Year, please refer to Note 30 to the consolidated financial statements of the Company and the following:

				Number of awarded shares					
Category of participants	Date of grant	Vesting period	Closing price of shares immediately before the date of grant	Outstanding as at 1 January 2022	Granted during the Financial Year	Vested during the Financial Year	Lapsed/expired during the Financial Year	Cancelled/ forfeited during the Financial Year	Outstanding as at 31 December 2022
Directors	N/A	N/A	N/A	Nil	Nil	Nil	Nil	Nil	Nil
Five highest paid individuals in aggregate	1 Apr 2021	1 Apr 2024 – 1 April 2026	HK$1.58	4,110,000	–	–	–	–	4,110,000
Other Grantees in aggregate	1 Apr 2021	1 Apr 2022 – 1 April 2026	HK$1.58	5,254,000	–	1,090,000	–	530,000	3,634,000
Total				9,364,000	–	1,090,000	–	530,000	7,744,000

Information on the accounting policy for share awards granted and the fair value of awards at the date of grant are provided in note 2 and note 30 to the consolidated financial statements respectively.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and the Share Award Scheme, no equity-linked agreements were entered into by the Company during the Financial Year.

MAJOR SUPPLIERS AND CUSTOMERS

For the Financial Year, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 26.3% (2021: 31.5%) and 52.6% (2021: 44.0%) of the Group's total purchases, respectively.

For the Financial Year, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 21.3% (2021: 18.8%) and 66.8% (2021: 57.3%) of the Group's total revenue, respectively.

None of the Directors or any of their close associates or any Shareholders whom, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had an interest in any of the five largest suppliers or customers.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its stakeholders and considers it a key element to its sustainable business growth.

Employees

The Group has always been people-oriented and has attached great importance to its human resources management. The Group attracts talents through a fair recruitment policy and provides employees with training opportunities, good career development prospects and growth opportunities. In addition, the Group offers attractive remuneration packages to its employees. The Company has adopted the Share Award Scheme for granting shares of the Company in recognition of their contributions to the Group. The Group also values its employees' physical and mental developments.

Customers

The Group is committed to offering its customers quality products to the best of its ability. During the Financial Year, the Group maintained effective communications with its customers through various channels. The Group believes that feedback from its customers would help the Group to identify areas of improvement and hence to achieve excellence. The Group is keeping up its efforts in expanding its markets and optimising its customer portfolio.

Suppliers

The Group strongly believes that maintaining harmonious relationships with its major suppliers is essential to the Group's business performance and growth as its suppliers can exercise direct influence over the quality of its products and customer satisfaction. The Group keeps enhancing its communication with and commitment to its suppliers as well as the commercial banks and financial institutions as the Group's businesses are capital intensive which require on-going funding to maintain sustainable growth. The Group adopts a comprehensive procurement policy in respect of its supplier selection procedures and its quality control system regarding the products and performance of potential and existing suppliers. The Group is committed to establishing close and long-term cooperation relationships with its business partners.

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

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

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognise that a good corporate governance is essential for the Company to achieve its objectives and drive improvement, as well as maintain legal and ethical standing in the eyes of Shareholders, regulators and the general public.

The Company has applied the principles and adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules. To the best knowledge of the Board, the Company has fully complied with the requirements under the CG Code during the Financial Year, except for the deviation from code provision C.2.1 of the CG Code. For details, please refer to the section headed "Corporate Governance Report" of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment. For details, please refer to the section headed "Environmental, Social and Governance Report" of this Annual Report. To the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection for the Financial Year.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has established compliance and risk management policies and procedures, and its senior management has been delegated with the responsibility to monitor the Group's compliance with all significant legal and regulatory requirements. These compliance and risk management policies and procedures are reviewed regularly.

As far as the Company is aware, it has complied with the relevant laws and regulations, such as the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), that have a significant impact on the business and operations of the Group in material respects during the Financial Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float during the Financial Year and up to the date of this Annual Report.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with management regarding the accounting principles and practices adopted by the Group and discussed the internal controls system, risk management system and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Group for the Financial Year.

EVENTS OCCURRED AFTER THE END OF REPORTING PERIOD

(a) Proposed acquisition of 12% equity interest of Hong Ning Hong Limited ("HNH")

On 17 February 2023, Million Effort Investment Limited ("**Million Effort**"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**MoU**") with Coming Wealth Inc., a wholly-owned subsidiary of Jacobson Pharma Corporation Limited (stock code: 2633.hk). Pursuant to the MoU, Million Effort intended to acquire 12% equity interests of HNH from Coming Wealth Inc. at a cash consideration of HK$9,120,000. Upon completion of this proposed acquisition, HNH will become a non wholly-owned subsidiary of the Company.

Except for the provisions in relation to payment and refund of earnest money, notice, costs, confidentiality, exclusivity, governing law and jurisdiction, the MOU is subject to contract and not legally binding on the parties.

Further announcement in respect of the proposed acquisition will be made by the Company as and when appropriate in compliance with the Listing Rules.

(b) Disposal of Five Ocean Inc. ("Five Ocean")

On 17 March 2023, Million Effort, as vendor, entered into a sale and purchase agreement with JBM (BVI) Limited ("**JBM BVI**"), a wholly-owned subsidiary of JBM, as purchaser, pursuant to which Million Effort would sell its entire 50% interests in Five Ocean, a joint venture of Million Effort, and its liabilities to JBM BVI and its subsidiary at a consideration of HK$17,000,000.

The consideration would be settled by 20,000,000 shares to be issued by JBM to Million Effort's nominee, at the issue price of HK$0.85 each at date of completion. The transaction was completed on 23 March 2023 and Five Ocean ceased to be a joint venture of the Company. As each of the applicable percentage ratios is less than 5%, the disposal of Five Ocean does not constitute any notifiable transaction under Chapter 14 of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 14A.63 OF THE LISTING RULES

Reference is made to the section headed "Material Acquisitions and Disposals of Subsidiaries" in this Annual Report and the announcement of the Company dated 15 September 2020 ("**2020 Announcement**") in respect of, among others, the entering into of the sale and purchase agreement dated 15 September 2020 ("**Previous SPA**") between the Purchaser and the Vendor in respect of the sale and purchase of 80% equity interest in Jefferine.

As disclosed in the 2020 Announcement, pursuant to the Previous SPA, the Vendor shall pay to the Purchaser the 2021-2022 Shortfall Compensation if the aggregate of the audited net profit of Jefferine ("**Actual PAT**") for FY2021 and the year ended 31 December 2022 is less than HK$14.0 million ("**Guaranteed PAT**") in the manner as stipulated in the Previous SPA.

As disclosed in the announcement of the Company dated 1 April 2022, pursuant to the 2022 Sale and Purchase Agreement, in the event that the Actual PAT is less than the Guaranteed PAT, and

(1) where the 2021-2022 Shortfall Compensation ascertained in accordance with the provisions of the Previous SPA is less than HK$8,360,000 ("**Second Payment**"), the Purchaser is entitled to withhold an amount which is equal to the 2021-2022 Shortfall Compensation from the Second Payment when the Purchaser pays the Second Payment to the Vendor i.e. on or before 31 December 2023. In such event, the amount of the Second Payment which is required to be paid by the Purchaser to the Vendor shall be the difference between the Second Payment and the 2021-2022 Shortfall Compensation; and

(2) where the 2021-2022 Shortfall Compensation ascertained in accordance with the provisions of the Previous SPA is equal to or more than the Second Payment, (i) the Purchaser shall be released from making the payment of the Second Payment to the Vendor; and (ii) where applicable, the Vendor shall be required to make good the deficit between the 2021-2022 Shortfall Compensation over the Second Payment in cash and other immediately available funds to a bank account designated by the Purchaser (or in such any other manner as agreed between the Vendor and the Purchaser) within 30 days after the 2021-2022 Shortfall Compensation is ascertained.

Based on the information available, the audited net profit of Jefferine for FY2021 is MOP7.3 million (approximately HK$7.1 million) and the unaudited net profit of Jefferine for FY2022 is MOP9.1 million (approximately HK$8.8 million). On such basis, the Guaranteed PAT is met and the Group had made the Second Payment to the Vendor accordingly.

CHANGE IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

Save as disclosed in the section headed "Biographical Details of Directors" in this report, no change in information of Directors and chief executive is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining eligibility of the shareholders of the Company to attend and vote at the forthcoming annual general meeting to be held on Thursday, 1 June 2023, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (both days inclusive). During such period, no transfer of the Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong not later than 4:30 p.m. on Thursday, 1 June 2023.

For the purpose of determining the eligibility of the shareholders of the Company to the final dividend, the register of members of the Company will be closed from Wednesday, 14 June 2023 to Thursday, 15 June 2023 (both days inclusive). During such period, no transfer of the shares of the Company will be registered. In order to be eligible to qualify for the final dividend, unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong not later than 4:30 p.m. on Thursday, 15 June 2023.

AUDITOR

Ernst & Young ("**EY**") resigned as the auditor of the Company and PricewaterhouseCoopers ("**PwC**") has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of EY with effect from 17 June 2021.

PwC will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to re-appoint PwC as the auditor of the Company.

Save as disclosed above, there has been no other change in the auditor of the Company in any of the preceding three years.

On behalf of the Board

Wong Ka Chun Michael
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 29 March 2023

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the Financial Year.

CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE CODE

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the Shareholders. The Corporate Governance Committee of the Board is responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board.

During the Financial Year, the Company has applied the principles in the CG Code. The corporate governance principles of the Company put an emphasis on an effective Board with a high level of integrity, sound internal controls, and a high degree of transparency and accountability, which enhances corporate value for Shareholders and protects the long-term sustainability of the Group and thereby achieving sustainable business growth and generating values over the longer term and the strategy for delivering the Group's objective. The Company has adopted the code provisions set out in the CG Code as its code of corporate governance.

To the best of the knowledge of the Board, the Company has complied with all the code provision as out in the CG Code during the Financial Year, except for the deviation from code provision C.2.1 of the CG Code, details of which are explained in the relevant paragraphs of this report. The Directors will use their best endeavours to procure the Company to comply with the CG Code and make disclosure of deviation from such code in accordance with the Listing Rules.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Director and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board composition

The Board currently comprises eight members, comprising one executive Director, four non-executive Directors and three independent non-executive Directors.

During the Financial Year and up to the date of this report, the Board consisted of the following members:

Executive Director
Mr. Wong Ka Chun Michael *(Chairman and Chief Executive Officer)*

Non-executive Directors
Mr. Yao Qingqi *(resigned on 18 July 2022)*
Mr. Cao Weiyong *(appointed on 18 July 2022)*
Ms. Chong Yah Lien
Ms. Li Ka Wa Helen
Mr. Lau Ka On David

Independent non-executive Directors
Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa
Mr. Mak Chung Hong (also known as Mak Tommy Chung Hong)

The biographical information of the Directors is set out in the section headed "Biographical Details of the Directors" of this Annual Report. To the best of the knowledge of the Directors, none of the members of the Board are related to one another (including financial, business, family or other material/relevant relationships).

BOARD MEETINGS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the Financial Year, the Board has held six board meetings to review financial and operating performance of the Company and to discuss future strategies. The Directors participated in the Board meetings either in person or through electronic means.

Draft agenda of each meeting are normally made available to the Directors in advance. Notice and draft agenda of regular Board meetings are served to all Directors at least 14 days before the meeting, to enable them to include other matters in the agenda. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors updated of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to senior management where necessary.

Where necessary, senior management would attend regular Board meetings and other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

All the Directors have access to advice and services of the company secretary, who is responsible for ensuring that Board procedures and applicable regulations under the Company's articles of association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

All minutes are kept by the Company and are open for inspection by any Director during normal office hours with reasonable advance notice. Matters considered and decisions reached at the Board and Committee meetings are recorded with sufficient detail in the minutes. Draft and final versions of minutes of Board meetings will be sent to all Directors for their comments and recorded within a reasonable time after the relevant meeting is held.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

DIRECTORS' ATTENDANCE RECORDS AT MEETINGS

The attendance records of each Director at various meetings held during the Financial Year are set out below:

Director	Attendance/Number of meetings					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	General Meeting
Executive Director						
Mr. Wong Ka Chun Michael	6/6	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Yao Qingqi(1)	3/3	N/A	N/A	N/A	N/A	0/1
Mr. Cao Weiyong(2)	2/2	N/A	N/A	N/A	N/A	N/A
Ms. Chong Yah Lien	6/6	N/A	N/A	N/A	N/A	1/1
Ms. Li Ka Wa Helen	6/6	N/A	N/A	N/A	N/A	1/1
Mr. Lau Ka On David	6/6	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Mr. Chung Siu Wah	6/6	2/2	2/2	2/2	1/1	0/1
Ms. Chan Ka Lai Vanessa	6/6	2/2	2/2	2/2	N/A	1/1
Mr. Mak Chung Hong	6/6	2/2	2/2	2/2	1/1	1/1

Notes:

(1) Mr. Yao Qingqi resigned as a non-executive Director on 18 July 2022. 3 board meetings and 1 general meeting were held before his resignation.

(2) Mr. Cao Weiyong was appointed as a non-executive Director on 18 July 2022. 2 board meetings were held after his appointment.

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year ended 31 December 2022.

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management. The delegated functions and powers are reviewed periodically to ensure that they remain appropriate.

Matters specifically reserved for the Board include the approval of financial statements, dividend policy, significant changes in accounting policies, strategies, budgets, internal control system, risk management system, material transactions (in particular those that may involve conflicts of interests), selection of directors, changes to appointments such as company secretary and external auditors, remuneration policy for Directors and senior management, terms of reference of Board committees, as well as major corporate policies.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Group are delegated to the executive Directors and senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions.

In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective defined written terms of reference. Further details of the board committees of the Company are set out below in this Corporate Governance Report.

Independent non-executive Directors

During the Financial Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Board considers all independent non-executive Directors to be independent.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which ensures independent views and inputs are available to the Board and allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Continuous Professional Development

Pursuant to code provision C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction at time around the first occasion of his appointment, so as to ensure that he appropriate understanding of the Group structure, Board and Board committee meetings procedures, business, management and operations of the Group, etc. and that he is fully aware of his responsibilities and obligations under the Listing Rules and applicable regulatory requirements.

Besides, the Company keeps circulating information and materials to develop and update Directors' knowledge and skills as and when appropriate. All the information and materials are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. During the Financial Year, the Company organized a training session conducted by the legal adviser for all Directors.

The training records of the Directors for the Financial Year are summarized as follows:

Name of Director	Areas: Legal, regulatory and corporate governance	Businesses of the Group	Directors' roles, functions and duties
Executive Director			
Mr. Wong Ka Chun Michael	✓	✓	✓
Non-executive Directors			
Mr. Yao Qingqi *(resigned on 18 July 2022)*	✓	✓	✓
Mr. Cao Weiyong *(appointed on 18 July 2022)*	✓	✓	✓
Ms. Chong Yah Lien	✓	✓	✓
Ms. Li Ka Wa Helen	✓	✓	✓
Mr. Lau Ka On David	✓	✓	✓
Independent non-executive Directors			
Mr. Chung Siu Wah	✓	✓	✓
Ms. Chan Ka Lai Vanessa	✓	✓	✓
Mr. Mak Chung Hong	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

The non-executive Directors (including independent non-executive Directors) have served a significant role in the Board by bringing independent judgment on the performance, development and risk management of the Group. Each of the non-executive Directors and independent non-executive Directors of the Company is appointed for a continuous term (save and except for Mr. Lau Ka On David and Mr. Mak Chung Hong who has separately been appointed for a specific term of three years) subject to the retirement and re-election in accordance to the Company's articles of association and the Listing Rules.

BOARD COMMITTEES

The Board has established four Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are published on the websites of the Company and the Stock Exchange. All Board committees should report to the Board on their decisions or recommendations made. All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Ms. Chan Ka Lai Vanessa (chairwoman), Mr. Chung Siu Wah and Mr. Mak Chung Hong. The primary duties of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditor, reviewing the Group's financial information, financial controls, internal control and risk management systems.

During the Financial Year, the Audit Committee held two meetings to perform the following tasks:

- reviewing and discussing the annual results for the year ended 31 December 2021, the interim results for the six months ended 30 June 2022 and the related accounting principles and practices adopted by the Group;
- reviewing and discussing the risk management and internal control systems of the Group; and
- making a recommendation to the Board on the re-appointment of external auditor, approving the remuneration and terms of engagement of the external auditor.

The Audit Committee also met with the external auditor without the presence of the executive Director during the Financial Year.

Remuneration Committee

The Board has established the Remuneration Committee which comprises three independent non-executive Directors, namely Mr. Mak Chung Hong (chairman), Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa. The primary duties of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy and on the remuneration packages of individual executive Director and senior management.

In determining the remuneration of the Directors and the senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the senior management, performance and contributions of the Directors and the senior management and the change in market conditions.

During the Financial Year, the Remuneration Committee held two meetings to review the policy and structure for the remuneration of all Directors and senior management and review and make recommendations to the Board in relation to the remuneration packages of the Directors and senior management.

Pursuant to the code provision E.1.5 of the CG Code, the remuneration of the members of the Board and senior management by band for the Financial Year is set out below:

Remuneration Band	**Number of Individuals**
Nil to HK$1,000,000	11
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	2
Over HK$2,000,000	1

Further particulars regarding the remuneration of each Director and the five individuals with the highest emoluments in the Group for the Financial Year are set out in notes 34 and 9 to the consolidated financial statements, respectively.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration package of executive Director is also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of such executive Director. The remuneration for the executive Director comprises basic salary, pensions and discretionary bonus. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Non-executive Directors and independent non-executive Directors shall not receive options and awards to be granted under the Share Option Scheme and Share Award Scheme which the executive Director shall not be entitled to participate in the Share Award Scheme. Individual Directors and senior management have not been involved in deciding their own remuneration.

The Remuneration Committee is responsible for making recommendations to the Board on the terms of service contracts or letters of appointment of the new executive, non-executive and independent non-executive Directors appointed during the year. During the Financial Year, one non-executive Director was appointed.

Nomination Committee

The Board has established the Nomination Committee which comprises three independent non-executive Directors, namely Mr. Chung Siu Wah (chairman), Ms. Chan Ka Lai Vanessa and Mr. Mak Chung Hong. The primary duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; assessing the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Financial Year, the Nomination Committee held two meetings to review the structure, size and composition of the Board, make recommendation to the Board on the appointment of a non-executive Director and review the independence of the independent non-executive Directors.

Corporate Governance Committee

The Board has established the Corporate Governance Committee which comprises the executive Director, Mr. Wong Ka Chun Michael (chairman), and two independent non-executive Directors, namely Mr. Chung Siu Wah and Mr. Mak Chung Hong. The primary duties of the Corporate Governance Committee include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board, and reviewing and monitoring the training and continuous professional development of the directors and senior management of the Group.

During the Financial Year, the Corporate Governance Committee held one meeting to review the policies and practices on corporate governance and the training and continuous professional development of Directors and senior management.

The Corporate Governance Committee is also responsible for, among others, performing the corporate governance duties as set out in the code provision A.2.1 of the CG Code, which include:

a) to develop and review the Group's policies and practices on corporate governance and make appropriate recommendations to the Board;

b) to review and monitor the training and continuous professional development of the Directors and senior management;

c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

e) to review our Group's compliance with the provisions of the CG Code and disclosure in the corporate governance report.

PROCEDURES FOR NOMINATION OF DIRECTORS

The Company has adopted a procedure for the nomination of Directors ("**Nomination Procedures**") for the purpose of enhancing transparency and accountability of the nomination process of Directors and enabling the Company to ensure the Board has a balance of skills and experience and diversity of perspectives appropriate to the requirements of the Company's business.

Under the Nomination Procedures, Shareholder(s) may nominate person(s), other than a retiring director of the Company and the Shareholder himself/herself, to be appointed as a Director ("**Proposed Director**"). The qualifications of the Proposed Director include (i) attaining the age of 18 years; (ii) possessing the necessary work experience and qualification considered fit by the Nomination Committee; and (iii) not being prohibited by law from being a director. These above qualifications are not exhaustive and conclusive and the Nomination Committee has the discretion to nominate any person as it considers appropriate.

Under the Nomination Procedures, upon obtaining the required information from the candidate, the Nomination Committee shall convene a meeting to discuss and consider the recommendation of the candidate to the Board for appointment as a Director. The Nomination Committee shall review whether the candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and the policies of the Company. In particular, the Nomination Committee shall consider the potential contribution a candidate can bring to the Board in terms of qualification, skills, experience, independence and gender diversity.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

COMPANY SECRETARY

The company secretary is responsible for facilitating the Board process, as well as communication among Board members, with Shareholders and management. All Directors have access to the advice and services of the company secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

The Company has appointed Mr. Cheung Yuk Chuen of S.C. To & Co. Certified Public Accountants, an external service provider, as the company secretary of the Company since January 2020. Mr. Cheung's primary contact person at the Company is Mr. Wong Wai Ming, Chief Financial Officer of the Group.

During the Financial Year, Mr. Cheung Yuk Chuen has confirmed that he has taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted its own code of conduct regarding securities transactions of the Company by the Directors ("**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with the Directors, all the Directors confirmed that they had complied with the Securities Dealing Code during the Financial Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems and they have conducted their annual review on the effectiveness of the Group's risk management and internal control systems in respect of the Financial Year. The review covers all material controls, including financial, operational and compliance controls, handling and dissemination of inside information and risk management functions, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and those related to the Company's ESG performance and reporting.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology, financial, operational and compliance controls. The Board is satisfied that the Group's risk management and internal control systems including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and considers the risk management and internal control systems effective and adequate.

Internal Controls

The Company has adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Below is a summary of the internal control policies, measures and procedures the Company has implemented and/or plan to implement:

- the Group engaged an independent internal control adviser to review the overall adequacy of the risk management and internal control system associated with the major business processes of the Group and that the Company has established procedures, systems and controls (including accounting and management systems);

- all the Directors and senior management attended training conducted by the Company's Hong Kong legal advisers or other external parties on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under certain applicable laws and regulations, including the Listing Rules;

- the Company engaged appropriate external legal advisers and/or institutions and/or consultants to advise, update the knowledge of and/or provide trainings to the Directors, senior management and/or relevant employees on the relevant laws and regulations, including changes thereto, which may affect the Company's business operations;

- the Company engaged external professionals, such as auditors, internal control adviser, external legal advisor(s) and other advisors to render professional advice as to compliance with statutory and regulatory requirements, as applicable to the Group from time to time;

- the Company has appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on the Board's decision-making process and provide independent advice to the Board and Shareholders; and

- the Audit Committee, comprising three independent non-executive Directors, continuously provides the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group and oversees the audit process and performs other duties and responsibilities as assigned by the Directors.

Risk Management

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitoring of the residual risks.

The Board together with senior management monitor and assess risk regularly, boost related management standards and evaluate investment projects. The Board, through the Audit Committee, conducted an annual review on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to (i) the Group's ability to respond to changes in its business and external environment in terms of significant risks; (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control system and the extent and frequency of communication of monitoring results to the Board; (iii) significant control failing or weakness having been identified and their related implications; and (iv) status of compliance with the Listing Rules. Based on the risk assessments conducted for the year under review, no significant risk was identified and the Board is of the opinion that the Group's risk management and internal control systems were adequate and effective during the year ended 31 December 2022.

Handling and Dissemination of Inside Information

The Inside Information Policy sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The Inside Information Policy also provides guidelines to employees of the Group to ensure proper safeguards exists to prevent the Company from breaching the statutory and listing rule disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable.

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the Financial Year.

With the assistance of the finance department of the Group, the Directors have ensured that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors have also ensured that the financial statements of the Group are published in a timely manner in accordance with the applicable laws and regulations.

The management of the Company has provided to the Board all explanation and information necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are submitted to the Board for approval.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as going concern. The Board has prepared the consolidated financial statements on a going concern basis.

The responsibilities of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements are set out in the Independent Auditor's Report in this Annual Report.

AUDITOR'S REMUNERATION

The remuneration paid to the Group's external auditor, PricewaterhouseCoopers, for the Financial Year is set out below:

Service Category	Fees (HK$'000)
Audit Service	2,200
Non-audit Services	
– Taxation	33
Total	2,233

BOARD DIVERSITY

The Company has adopted a board diversity policy ("**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and to maximize the Board's effectiveness. The Company sees diversity as a wide concept and believe that a diversity of perspectives can be achieved through consideration of a number of factors, including skills, regional and industry experience, background, gender and other qualities etc. In forming its perspective on diversity, the Company will also take into account factors based on its own business model and specific needs from time to time. The decision of the appointment will be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Board currently consists of five male members and three female members, with one executive Director, four non-executive Directors and three independent non-executive Directors, of ages ranging from 45 to 62. Furthermore, the Directors have a balanced mix of knowledge, skills and experience, including business management, financial management, marketing, brand management, audit, finance and investment. The Directors obtained degrees in various fields, including business management, accounting and economics. The Board consists of three independent non-executive Directors, representing over one-third of the Board members, who have different industry backgrounds.

Taking into account the Group's existing business model and specific needs as well as the different background of the Directors, the Directors consider that the composition of the Board satisfies the Board Diversity Policy and has a balanced mix of skill set, experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. The Nomination Committee and the Board will review the Board Diversity Policy annually to ensure its continued effectiveness. During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Diversity Policy and the results were satisfactory.

Gender Diversity

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 70 to 102 of this Annual Report. As opposed to a single-gender board, the Board currently has three female members out of eight Directors and as such gender diversity has been achieved in respect of the Board. While the Board recognises that gender diversity at the Board level can be further enhanced, the Company will continue to apply the principles of employment with reference to the Board Diversity Policy. The Company has also taken and continues to take steps to promote diversity at all levels of its workforce.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Procedure for Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the articles of association of the Company, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Procedures for Making Proposals at Shareholder's Meeting

Any Shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration either via personal delivery, mail or email.

The Board may, in its sole discretion, consider if such proposals are appropriate and shall be put forward to the Shareholders for approval at the next annual general meeting or at an extraordinary general meeting to be convened by the Board, as appropriate.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

The Shareholders may at any time send their enquiries and concerns to the Board in writing. The contact details are as follows:

Address: Room 14, 8/F, Wah Wai Centre, 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong
Email: info@tapgl.com
Tel No.: (852) 2661 6727

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and extraordinary general meetings, which provides opportunities for Shareholders to ask questions about the Company's performance. The Chairman of the Board, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at general meetings to meet Shareholders and answer their enquiries. The Board reviewed the implementation and effectiveness of the above and the results were satisfactory.

Under the Listing Rules, all resolutions proposed at general meetings must be voted by poll except where the chairman of a general meeting, in good faith and in compliance with the Listing Rules, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Details of the poll procedures will be explained during the proceedings of general meetings. The poll results will be released and posted on the websites of the Stock Exchange and the Company.

In addition, to promote effective communication, the Company maintains a website at www.tycoongroup.com.hk, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

OTHER RELATED MATTERS

The Company has adopted the following policies to align with the changes to the CG Code which took effect on 1 January 2022:

(1) Anti-corruption policy

The Board has updated the anti-corruption policy ("**Updated Anti-Corruption Policy**") which sets out the principles and guidelines for the Company to promote and support anti-corruption laws and regulations. The Updated Anti-Corruption Policy sets out the basic standard of conduct which applies to all directors and employees of the Company at all levels (collectively known as "**employees**") and external parties doing business with the Company and those acting in an agency or fiduciary capacity on behalf of the Company (e.g. agents, consultants and contractors) ("**Other Stakeholders**"). It also provides guidance to all employees on, among other matters, acceptance of advantage and handling of conflict of interest when dealing with the Company's business. The Company also encourages and expects Other Stakeholders to abide by the principles of the Updated Anti-Corruption Policy. Since 25 January 2022, the Updated Anti-Corruption Policy has become effective.

(2) Whistleblowing policy

The Board has updated the whistleblowing policy ("**Updated Whistleblowing Policy**") which sets out, among other matters, the reporting and investigation procedures for the employees of the Group and Other Stakeholders to raise concerns, in confidence and anonymity, about possible improprieties in matters related to the Group. Since 25 January 2022, the Updated Whistleblowing Policy has become effective.

(3) Shareholders' communication policy

The Board has updated the shareholders' communication policy ("**Updated Shareholders Communication Policy**") since 25 January 2022. With the objective of ensuring that the Shareholders and potential investors are provided with timely access to information about the Company, the Company has established several channels to communicate with the Shareholders and solicit and understand the views of Shareholders.

The Company reviewed the implementation and effectiveness of the Updated Shareholders Communication Policy and considered the policy to be effective for the year ended 31 December 2022 after reviewing the Shareholder and investor communication activities conducted in the reporting period.

CONSTITUTIONAL DOCUMENTS

During the Financial Year, the Company has adopted the New M&A in substitution for and to the exclusion of the Existing M&A by way of the special resolution passed by the Shareholders at the 2022 annual general meeting of the Company held on 25 May 2022. Details of the amendments are set out in the circular of the Company dated 22 April 2022 to the Shareholders.

The New M&A is available on both the websites of the Stock Exchange and the Company.

Environmental, Social and Governance Report

DIRECTOR MESSAGE

The Environmental, Social and Governance ("**ESG**") committee comprises employees across departments including finance, human resources, marketing, procurement and sourcing. It is approved by the Board and is responsible for the ESG operation, materiality assessment and stakeholder engagement. The Board regularly reviews the progress of sustainability performance through communicating with the committee and updates the business plan if necessary. External experts are invited to provide professional guidance and enhance the compliance level of our reporting.

As a Hong Kong's leading omnichannel brand marketing and management service integrator of health and well-being related products, our Group coordinates with different stakeholders to evaluate and manage the physical and transition climate-related risks. The environmental risks of our business are examined regularly. We have adopted preventive measures to reduce the risks and ensure compliance with relevant laws and regulations. We plan to work with different stakeholders to identify, assess and manage climate-related risks. Besides, we keep an eye on the health and safety risks within our working premises. Efforts are made to incorporate employees' feedback to mitigate consequences and ensure the assessment of occupational safety hazards.

The pandemic has eased in the second quarter of 2022. The recovery of the retail and distribution market in Hong Kong has been gradually resumed. The online sales platform of our Group receives excellent review from consumers as they can purchase reputable anti-pandemic and healthcare products by just one click. As a distributor, the Group stands by the pivotal role we play in the value chain through supply chain and retail management. In April 2022, the PRC central government promulgated the "14th Five-Year Plan for the Development of Traditional Chinese Medicine" (《「十四五」中醫藥發展規劃》), proposing development goals such as significant enhancement in the capacity of traditional Chinese medicine healthcare services, and further improvement in the high-quality development policies and system of traditional Chinese medicine by 2025. We expect a great potential as our e-commerce business will continue to be a strong advantage among the industry. On the other hand, the Group has implemented strategic plans to seize the opportunities brought by the local economic recovery since 2021. Through the continuous expansion of our customer base, we can utilize our well-established distribution channels and keep us the role of market leaders.

In the past few years, management of the Group has been working hard to diversify the Group's businesses despite the impact of the pandemic. Apart from strengthening the business chain, the Group continues to refine its online and offline dual-channel distribution model, driving the growth of the Group and gradually entering the harvest period. We will continue to uphold our reputation and build consumer confidence through strong sustainability performance in the highly competitive digital commerce sector, together with our future marketing and promotion plans switching focus to digital marketing, including social media, for the promotion of Private Label Brands. The management will continue to monitor and adapt to the market situation, maximizing the return for shareholders and reaping success in the future.

We have made active progress towards the material sustainability concerns of our valued stakeholders and look forward to sharing our growth with you.

On behalf of the Board

Wong Ka Chun Michael
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 29 March 2023

ABOUT THIS REPORT

The Board of Tycoon Group Holdings Limited ("**Company**", together with its subsidiaries, the "**Group**") is pleased to present this Environmental, Social and Governance ("**ESG**") Report ("**this ESG report**") for the financial year ended 31 December 2022 ("**Reporting Year**" or "**Reporting Period**"). This report is the Company's third ESG report since 2020. It is published annually to keep the stakeholders updated on the latest development of ESG performances.

This ESG report is developed in accordance with "Environmental, Social and Governance Reporting Guide" ("**the Guide**") in Appendix 27 of the Listing Rules. It fulfills the "mandatory" and "comply or explain" provisions of the Guide. Both the English and Chinese versions of this ESG report are available on our website (https://www.tycoongroup.com.hk) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk).

Overview of the Group

The Group is a Hong Kong-based provider of a variety of proprietary Chinese medicines (as defined in the Chinese Medicine Ordinance, Chapter 549 of the Laws of Hong Kong) ("**PCM**"), health supplement, skin care, personal care and other healthcare products, mainly selling and distributing such products of third-party brands and the Group's own brands.

The Group operates three business segments: i) the e-commerce business, ii) the distribution business and iii) the retail store business. The first two are the Group's main business segments.

The Group's e-commerce business includes the operation of online stores and wholesale to e-commerce customers, deriving its revenue mainly from consumers in Mainland China (the People's Republic of China) ("**PRC**"). The Group's distribution business includes the distribution of consumer products to large chain retailers, non-chain retailers (mainly pharmacies) and traders primarily in Hong Kong and Macau. The Group's retail store business includes sales of products through its brick-and-mortar retail store in Macau.

As a reputable provider of health and well-being related products, Tycoon has distributed over 100 brands and is one of the major distributors for PCM in Hong Kong. We have established a diversified sales network through its distribution and retail business, bringing reputable and high-quality products to consumers through its online and offline dual-channel commerce strategy. The products distributed by us include products bearing the brands of third-party brand owners, which are sourced from the brand owners and/or distributors and traders, and Private Label Products, i.e. products developed and marketed under the brands of our Group and produced by external manufacturers engaged by us on an ODM (original design manufacturing) basis.

Reporting boundary

This ESG report covers the Group's commitments and practices in environment, social and governance performance for the Reporting Year. Its operational scope includes the e-commerce, distribution and retail sales of PCM, health supplement, skincare, personal care and other healthcare products in Hong Kong, Macau and Mainland China. These businesses are deemed significant for their financial and operational performance to the Group and its stakeholders. Information and data were collected concerning operations at i) our Group's headquarter in Hong Kong, ii) Macau offices, and iii) PRC offices.

Reporting principles

According to the Guide, the following reporting principles are applied when preparing the report:

Materiality: Our latest materiality assessment was conducted in 2020 by seeking input from key stakeholders, and its process and outcomes were described in this report. The same assessment has been used to establish the inclusion and prioritisation of this year's material topics.

Quantitative: The Group has recorded and estimated quantitative information and compared it with the past performances where applicable. Appendix 3: Reporting Guidance on Social KPIs and Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange, and nationally recognised methodologies, served as references for all quantitative calculations.

- **Greenhouse Gas (GHG) calculation references and methodologies** are based on *Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Sixth Assessment Report, and UK DEFRA Conversion Factors 2020*. Latest grid emission factors published i) in the List of Grid Emission Factors, version 10.10 by the Institute for Global Environmental Strategies, ii) by the PRC's National Development and Reform Commission, and iii) in the reports of utility companies including Companhia de Electricidade de Macau (CEM) and CLP Holdings Limited, are used.

- **Environmental Key Performance Indicators (KPIs):** Data availability and reporting scope for environmental KPIs are further clarified and provided under the 'Environmental' section of this report.

Consistency: The Group adopts consistent data retrieval methods from our internal record system to enable consistent comparisons over time. The Group published its first ESG report for the financial year ended 31 December 2020, and there has no change in reporting boundary, report preparation and methodologies as far as consistency is concerned.

Balance: The Group upholds this reporting principle to prepare ESG reports and strives to disclose both challenges and opportunities of ESG issues that the Group experienced during the Reporting Period. Pictures, charts and graphs reflect the actual performances of the Group, and with appropriate presentation formats, to avoid misleadingness.

STAKEHOLDER ENGAGEMENT

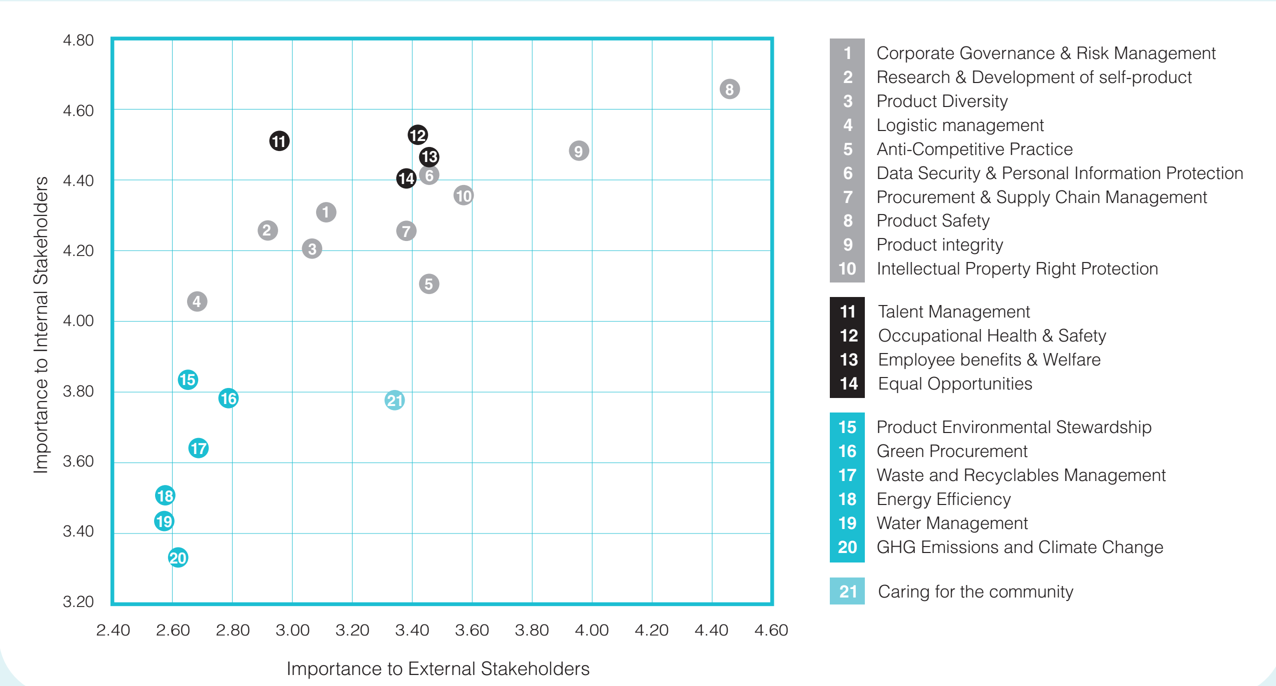
It is important to understand our stakeholders' needs and expectations. Better yet, their opinions help the Group to identify as well as prioritise development strategies. The communication channels we use to engage with different stakeholders regularly are as follows:

Stakeholder category	*Communication channel(s)*	
Customers	• Websites • Emails • Customer satisfaction survey	• Annual reports • General Meetings • Customer service hotline
Employees	• Day-to-day training • Regular meetings • Phone calls • Internal circulars (notices, intranet)	• Emails/opinion collection boxes • Appraisal • Annual reports • Instant communication platforms (WeChat, WhatsApp)
Suppliers	• Hotlines/emails • Onsite visit	• Annual performance review • Annual reports

MATERIALITY ASSESSMENT

Due to no change of reporting scope and key stakeholders, it is expected that the materiality assessment result does not have a major change after internal assessment. The Group will review the result annually to check the necessary of conducting stakeholder engagement and materiality assessment. The Group identified and formulated 21 material sustainability topics back in 2020, and determined their inclusion and prioritisation for reporting by engaging with key internal and external stakeholder groups.

Materiality Matrix



Thirteen ESG topics were concluded to be material after scoring, with the top five main topics ranked as follows: product safety, product integrity, occupational health & safety, intellectual property rights protection, and employee benefits and welfare.

13 material ESG topics identified	
Product responsibility	**Employment and labour practices**
• Product safety • Product integrity • Intellectual property rights protection • Product diversity • Information security and personal data protection • Research & development of self-product	• Occupational health & safety • Employee benefits and welfare • Equal opportunities • Talent management
Supply Chain Management	**Corporate governance**
• Procurement and supply chain management	• Corporate governance and risk management
Community Engagement	
• Caring for the community	

Despite scoring least in relevance, the following topics are also monitored:

- Logistic management;
- Green procurement;
- Product environmental stewardship;
- Waste and recyclables management;
- Energy efficiency;
- Water management; and
- Greenhouse gas (GHG) emissions and climate change.

Basic disclosure over our performance and management approaches in these topics are disclosed under "Standard ESG Disclosures" in this report

SUSTAINABILITY GOVERNANCE

Board Statement

The Board's ESG Oversight

The Board of Directors ("**Board**") is pleased to publish its third ESG report to demonstrate the sustainability performance of the Group. The Board assumes overall responsibility for the oversight of ESG-related issues, including but not limited to ESG strategy and reporting, is accountable for annual review and approval over data collected and presented in this report.

The Company's ESG directions align with international standards including United Nations Global Compact (UNGC) Principles. Below table shows each UNGC principle and the related ESG issue identified. Description of the connection between our ESG topics and the UNGC principles are also presented.

UNGC Principle	*Tycoon ESG topics*	*Description*
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	13. Employee benefits and welfare	Our Group strictly follows the national laws and related legal regulations of our business operating countries. We support human right in both workplace and the community. We are devoted to strengthening and respecting the global recognized human right, as well as to protecting employees' legal rights.

UNGC Principle	*Tycoon ESG topics*	*Description*
Principle 2: Make sure that they are not complicit in human rights abuses	12. Occupational health & safety 13. Employee benefits and welfare	Our Group pledges to assure the business is not involving in events that exploiting human rights.
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	13. Employee benefits and welfare	The Company understands the importance of realizing workforce opinion. Employees can fully enjoy the freedom of association and the authority of collective bargaining.
Principle 4: The elimination of all forms of forced and compulsory labour	13. Employee benefits and welfare	Our Group respects workplace labour rights, we do not tolerate any forms of forced or compulsory labour.
Principle 5: The effective abolition of child labour	13. Employee benefits and welfare	The Group strictly prohibit any forms of child labour. We proactively check the identification and qualification documents of our new joiners to avoid child labour.
Principle 6: The elimination of discrimination in respect of employment and occupation	11. Talent management 14. Equal opportunities	We uphold the values of diversity and anti-discrimination, prohibit all forms of discrimination including racial, nationality, religion, disability, sexual, education, qualification with attitude of "respect, adaptation, acceptance, integration". We offer equal opportunities to all staff, prohibiting any tangible and intangible acts of sexual harassment, bullying and discrimination in our workplace.

UNGC Principle	Tycoon ESG topics	Description
Principle 7: Businesses should support a precautionary approach to environmental challenges	20. Greenhouse gas (GHG) emissions and climate change	We are prepared to confront the climate change and environmental challenges. Our Group has incorporated related issues including climate change topic in the group's risk management system, to reduce the environmental risks and seize the opportunities.
Principle 8: Undertake initiatives to promote greater environmental responsibility	17. Waste and recyclables management 18. Energy efficiency 19. Water management	Our Group targets to upgrade the business operation to a more environmentally sustainable practice. We are taking steps ahead to meliorate our process impact to the environment.
Principle 9: Encourage the development and diffusion of environmentally friendly technologies	15. Product environmental stewardship 16. Green procurement	We are seeking opportunities to integrate the environmentally friendly technologies into our business operations.
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	1. Corporate governance and risk management	We address the importance of anti-corruption along the supply chain. Our Group commits to follow related competition law, anti-corruption law and personal information protection law. Besides, we also raise the law-abiding awareness of our employees through education and training.

MATERIAL DISCLOSURE

PRIORITY TOPICS

Product Safety

Our Group concerns product safety as it links with consumers' health and satisfaction. Comprehensive monitoring procedure has applied to examine the quality of our product, including internal control process and maintain ongoing communication with our customers and suppliers in this regard. The Group has attained a wholesaler licence in proprietary Chinese medicines according to the Chinese Medicine Ordinance in Hong Kong and Licence for Import, Export and Wholesale of Pharmaceutical Products in Macau. Moreover, the Group's products, such as California Baby, Nordic Naturals and AZO Cranberry, have attained various international awards and recognition. Please visit the corresponding websites for information.

During the Reporting Period, the Group was not aware of any material non-compliance with any of the relevant laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services provided by the Group.

Product Integrity

Quality Assurance

To safeguard product safety, the sourcing, sales and marketing department are dedicated for this important process. A comprehensive product quality management system has implemented, and stringent quality assurance process is executed throughout the product life cycle, from product innovation to aftersales service. All procured products must possess a product safety certification and proof of country origin. Our products are randomly inspected for levels of heavy metal and micro-organisms, pesticide residues contents and nutritious values by commissioning a third-party testing and inspection quality assurance company. Our suppliers and brand owners are required to provide testing reports, ISO 9001 and ISO 22000 certificates, permits, if applicable, to prove the legality, quality, benefits and risks associated with the products.

In the Reporting Period, all our food-related products passed random internal inspections. All validated reports are well-documented and maintained.

Product Commitment

The Group strictly follows laws and regulations on product labelling to prevent adverse reactions and overdose from occurring during normal use. Our product labelling is fully compliant with relevant laws and regulations in Hong Kong, such as the Trade Descriptions Ordinance, Undesirable Medical Advertisements Ordinance, Consumer Goods Safety Regulation, and Food and Drugs (Composition and Labelling) Regulations. All products we sell bear labels displaying ingredients, allergies and additives, nutritious values, brand name and contact information, best before date, volume, indications and dosage, and storage conditions. A medical prescription must be present inside the packing. The sales and marketing department works closely with the technical team to design promotional materials.

The technical team bases on the suppliers' supporting documents and information to advise wording and descriptions in the material, to ensure that product commitment is correct and free of misleading information. Also, customers can reach the Group's customer service professionals through hotlines and promoters, and they can contact product distributors to arrange returns and refunds if necessary.

Product recall and complaint handling

The Group offers holistic care to consumers' health. We care customer feedback and utilize it in our future product enhancement and promotion. The Group has established customer communication channel to receive feedback or complaint in both verbal and written forms. After a prompt follow-up with customer for the compliant, extensive investigation will be launched for a full review and evaluation. Key focus areas of our Group on the complaints are: drug efficacy, adverse reactions, and all safety and health issues.

In the Reporting Period, the Group did not receive any significant complaint. However, there were 77 cases for product recalled for safety and health reasons. All cases were investigated immediately, and clients were well-informed by the cases.

Occupational Health and Safety

The Group places employees' health and safety as the top priority. We aim at providing a healthy, safe and comfortable working environment to the employees. We strive to eliminate potential workplace health and safety hazards, and safety management measures in all aspects are implemented to enhance employees' health and safety during work.

A cross-branch safety committee consisting of the human resources department and the sales and marketing department has been formed. The committee maintains Tycoon Group's occupational health and safety issues to identify potential risks in the workplace and establish safety measures as per the operation regions' recommendations and requirements. Routine occupational health and safety training such as cardiopulmonary resuscitation (CPR) training, Automated External Defibrillator (AED) instruction training, potential hazards in the workplace etc. are scheduled for all newcomers and existing employees. During the Reporting Period, several occupational safety trainings and fire drills have been held in order to heighten employees' safety awareness.

During the pandemic, the Group paid close attention to relevant government policies and market practices to understand the best practices in labour protection and employee health and safety management. The Group and the cross-brands safety committee continue to implement COVID-19 safety measures in office and operation sites. Regular cleaning and disinfection services were scheduled in place. Additional schedules were arranged on request. The Group pays extra attention to the disinfectant's active ingredient, concentration levels and contact time with cleaning surfaces to ensure the disinfectant's efficacy and also closely communicate with the cleaning crew/property management on the cleaning and disinfection services. The Group also has sufficient stock of personal protective equipment (PPE) for usage. The Group will arrange a deep cleaning service in the office if there are confirmed cases, and the Group and employees will continue to pay attention to the office's hygiene conditions and monitor the pandemic situation. The Group strictly follows the government instructions on anti-pandemic measures. We encourage our employees to vaccinate in accordance with recommendations from the government, to better protect the health of our employees and their families.

On our office premises, the Group has rearranged the layout and setting of the office as much as possible by respecting social distancing policy. Reminders, notices and posters were placed prominently to remind personal hygiene etiquette and safe social distance. Mask-on policy, temperature checks, and gatherings as per local government requirements were in place to protect employees' health. The Group pursues to implement work-from-home policies and restrict the cross-border travels only to necessary visits and with prior approval. The Group has monitored employees' and visitors' travel history and health surveillance records, and follows the latest government quarantine and testing requirements for inbound travellers and infected persons when allowing the resumption of on-site work.

No work-related fatalities were accrued in the past three years. There is also no lost day due to work injury recorded in the Reporting Period. This shows improvement in our health and safety measures. The Group is also mindful to the occupational safety and health of our employees. In view of our business nature, we have regular communication emails and posters for all employees to raise their health and safety awareness. Leaflets from Occupational Safety and Health Council, such as "General safety instruction for manual handling" and "Exercises for a Healthy Back" are adopted as reminders to our employees on a constant basis. Safety policies including stockpile height limit are implemented in the warehouse to protect our employees. In case of accidents, the Group will provide prompt assistance to the injured and launch an intensive investigation to examine the root cause of the accidents. External consultants or professional parties may get involved in the investigation and develop an improvement plan if necessary.

Health and safety are the foundation to strengthen safety awareness, and we intend to continue our unrelenting efforts to maintain safe and healthy work environments and operations. During the Reporting Period, there were no non-compliance issues with any health and safety-related laws and regulations in Hong Kong, PRC and Macau.

Intellectual Property Rights Protection

The Group has its own research and development team and owns self-owned brands. The Group takes intellectual property rights very seriously, and as of 2022, owns 56 registered trademarks for our Private Label Products.

Our sales and marketing department has been assigned to oversee the use, collection, and disclosure of trademarks and intellectual property rights. All usage of logos and certification marks are as per the brand owner's instructions. Similarly, the Group requires third parties to uphold the same approach when they use the Group's logo.

Employee Benefits and Welfare

Benefits and Welfare

The Company values equality in every employee since our establishment. The remuneration packages of our employees are mainly based on their performance and experience, taking into accounts the current industry practices. The remuneration policy and packages will be reviewed regularly. The Group shows its care for the employees by organising a wide range of activities such as free Chinese soup, birthday celebrations, festival gatherings, happy hour meets/afternoon teas, monthly gatherings, quarterly leisure travels, and team building activities. The Group has been reviewing the pandemic situation and adjusting the activities from time to time. In view of the pandemic situation and regular review of the office working environment, the Group has streamlined office layout and offered employees a more decent and spacious place to work.

The Group respects and upholds the employees' rights by offering "Five Social Insurances and One Housing Fund" in Greater China and the Mandatory Provident Fund (MPF) scheme in Hong Kong. On top of that, all employees are entitled to have paid leaves such as annual leave, maternity leave and marriage leave. Employees in Hong Kong are enrolled in medical plans that include dental check-ups and body checks.

CORPORATE GOVERNANCE

Corporate Governance and Risk Management

Anti-corruption

Integrity and ethics are important elements to the Group's business operations. Anti-corruption laws and regulations bound the Group and as updated from time to time. Any form of bribery, extortion, fraud and money laundering are prohibited to all levels of employees and directors. We have developed a manual of Code of Conduct and requested all new joiners to read on their first day of employment. The manual includes instructions on anti-corruption and conflict of interest. All levels of employees including the executive director are required to sign and acknowledge the manual. To refresh the memories of anti-corruption related practices and conduct, regular refresher trainings are provided to existing employees.

The Group has established a Whistleblowing Policy, which allows employees and third parties (for example, customers and suppliers) to report concerns about any suspected or actual improprieties relating to the Group. Reports and complaints received will be handled in a prompt and fair manner.

Moreover, the Group maintains channels to report any suspicious cases anonymously. A committee has been established to oversee the compliance levels of anti-corruption and business ethical practices of the Group. Once non-conformity is identified, the Group will take immediate actions to investigate and cooperate with law enforcement. The Group will not condone any unlawful acts and corruption.

During the Reporting Period, no suspected or confirmed cases of bribery, extortion, fraud, and money laundering were brought against Tycoon Group or its employees. The Group has complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong, Macau and China.

Anti-corruption training

Category	*Percentage of Trained Employees in 2022 (%)*	*Average Number of Hours of Training Completed by Each Employee in 2022 (Hour)*
By Employee Category		
Director	1.8%	0.67
Manager	18.1%	0.63
General Staff	80.1%	0.68

EMPLOYMENT AND LABOUR PRACTICES

Labour Practices

Employment laws and regulations specify the minimum age for employment and corresponding employment rights and protection. The Group fully respects and complies with relevant employment laws and regulations, so the Group must go through an identity check by ensuring the candidates are at legal employment ages and can work legally. The employment contract will be terminated immediately when there are any child labour or illegal workers involved. If necessary, the Group will seek assistance from relevant institutions to take care of the child as well as the worker. During the Reporting Period, there are no reported incidents in this regard.

In daily operation, forced labour is not acceptable, and the Group recognises the importance of a work-life balance. This is not only done by ensuring productivity, but also by safeguarding employees' physical and mental health. Consequently, the Group has always been meticulous in the deployment plan and working schedules. If overtime work is necessary, prior approval from the management is required.

During the Reporting Year, there was no non-compliance with relevant laws and regulations reported relating to child and forced labour.

Compensation and promotion

To retain talents and conserve stable and outstanding product quality within our Group, we offer competitive remuneration package to the employees, to recognise their contribution and encourage their continuous support to the Group.

Employees have their key performance indicators and must complete annual appraisal as subjective proofs for promotion and salary review. All employees share an equal opportunity to enjoy rewards and appreciation. Only employees' capability, educational attainment, performance and business needs are being considered. Priority will be given to the well-equipped employees by internal transfer. Every candidate shares an equal opportunity to be chosen, and no one will be discriminated against by any means. Seats are always reserved for the capable.

Regular trainings are provided to all employees covering various topics including company product knowledge, technical knowledge and information security. Apart from training related to job proficiency, soft skills trainings are arranged to facilitate the growth of employees and the Group. Review on training programs are conducted by human resources department periodically to stay update with market trend and the global macro environment. Incorporating training into the promotion mechanism encourages employees to keep up with the changes and equip themselves with a better understanding of their day-to-day job requirement and safety issues.

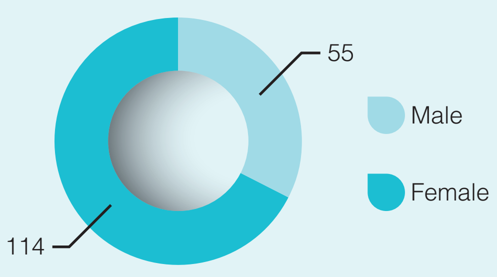
Employees' salary remuneration packages have been benchmarked against industry norms, and the Group's remuneration policy is based on the position, duties and performance of the employees. Depending on their job position, employees are given remuneration packages including salary, overtime allowance, bonuses and subsidies. The performance appraisal cycle varies according to the positions of employees. To provide incentives to and to recognise the contributions of employees of the Group, Share Award Scheme has rolled out since 2021. The Company made the decision to implement the Share Award Scheme to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**"). In the Reporting Period, 29% of employees have been awarded under the Share Award Scheme to appreciate their contribution provided to the Group.

Team Structure

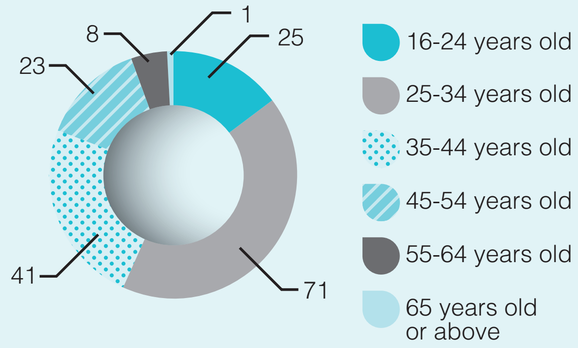
On 31 December 2022, the Group had 169 employees of which general staff accounted for around 81% (137). The remaining 19% (32) employees were the directors and managers. Detailed team structure by gender, age group, geographical region, employee category and employment type are shown below.

Workforce Composition

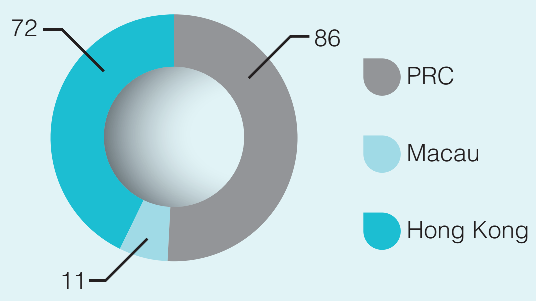
Total Workforce by gender



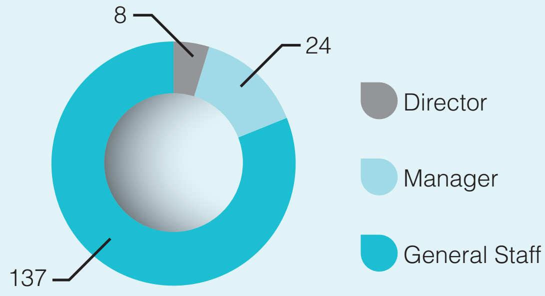
Total Workforce by age group



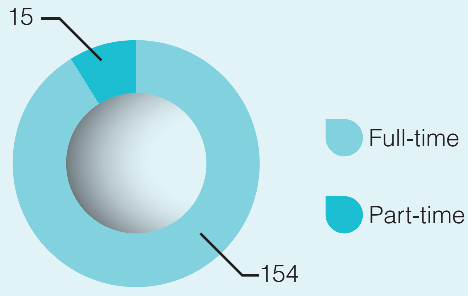
Total Workforce by geographical region



Total Workforce by employee category

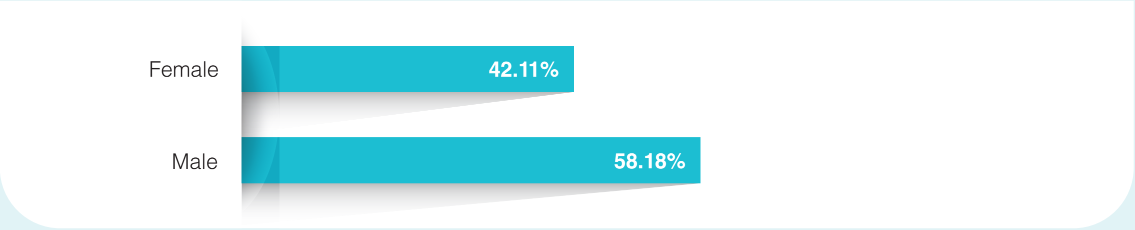


Total Workforce by employee type

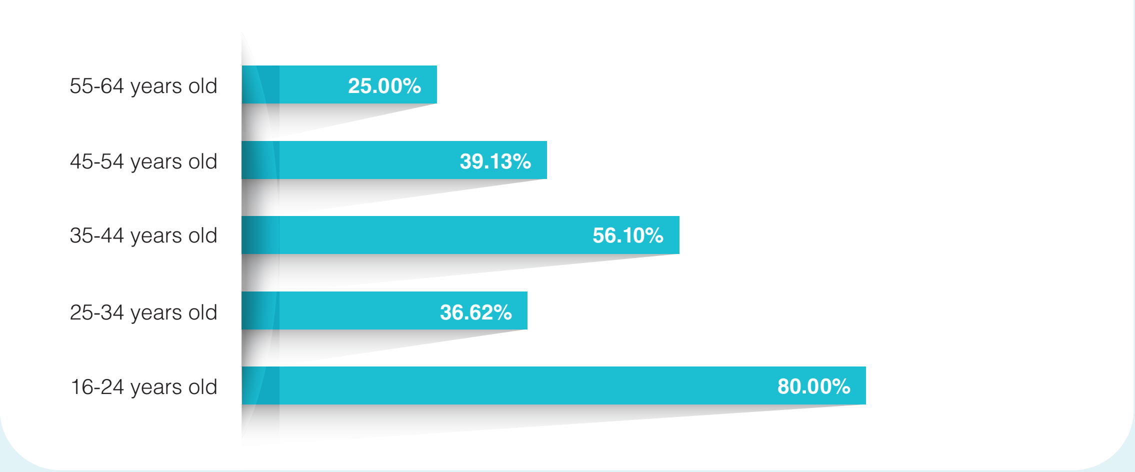


In the Reporting Period, the overall turnover rate was around 47%. For the turnover rate by gender, age group and geographical region[1], please refer to the bar charts below.

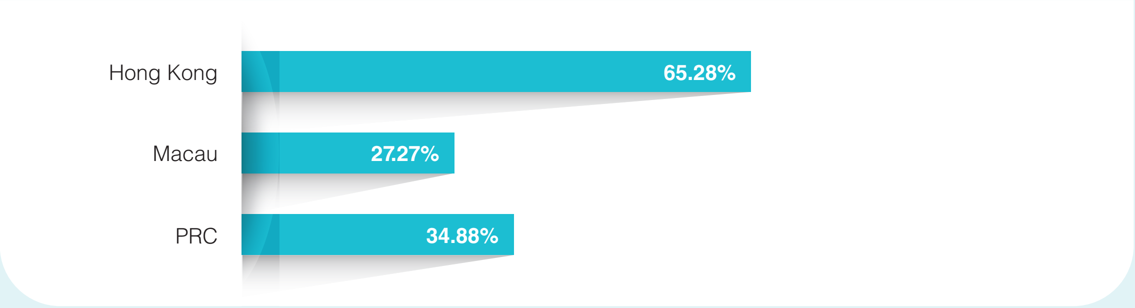
Employee turnover rate by gender



Employee turnover rate by age group



Employee turnover rate by geographical region



1 "Turnover rate" calculation formula: Employees in the specific category leaving employment / Number of employees in the specific category * 100%

Equal Opportunity

The Group strives its best to build an inclusive, safe and harmonious working environment as we believe employees are indispensable and they are important to our business. Through the pleasant working environment, we hope to accelerate communication, cooperation and engagement within our Group and enhance employees' sense of belongings. During the Reporting Period, there was no non-compliance with any of the relevant laws and regulations reported relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Recruitment, Dismissal, Equal Opportunity and Anti-discrimination

The Group complies with all the relevant legislation as per operation regions to recruit and employ candidates during the Reporting Period. A standardised and systematised recruitment process can ensure the employees respect the legislation and are legally operated. The shortlisting criteria are based on candidates' experiences, abilities and business needs, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion and nationality. Interviews, aptitude tests, written tests or any assessment format can provide subjective evidence for management to make comparable and justifiable decision-making. Meanwhile, the Group adheres to the dismissal rights and protection of employees as per operation regions. Every leaving employee will attend an exit interview with the human resources department to gain insight into their opinions and thoughts. The Group strives to improve and make changes whenever applicable.

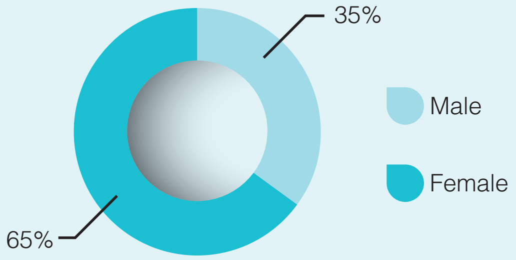
Any employee who is intimidated, humiliated, bullied or harassed (including sexual harassment) may report to the employee's representative or file complaints directly to the management representative or the general manager, and the Group will take a serious approach to resolve these issues upon receiving the said complaint.

Talent Management

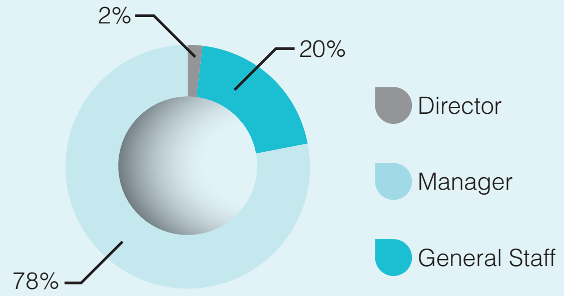
To cater the dynamic market situation and better equip our employees with updated technologies and technical knowledge, the human resources department of the Group has implemented a training plan for promoters and marketing teams on product knowledge. During the Reporting Period, there were 810 training hours offered to 60% (101) employees. The percentage of trained employees duration provided to all employees and the average training hours by gender and employee category are shown below. The average training hours were 8.0 per person in the Reporting Period.

Training hours completed

Percentage of employees trained by gender



Percentage of employees trained by employee category



	Average training hours completed (hours)[2]
Per employee by gender	
Male	4.76
Female	4.80
Per employee category	
Director	0.88
Manager	3.5
General staff	5.25

Employees trained and total training hours completed on anti-corruption awareness could be found in the "Corporate Governance" section of this report.

PRODUCT RESPONSIBILITY

Product Diversity

Bringing a healthy and energetic lifestyle to customers is the goal of our Group. We pledged to source and expand our product offerings. We have obtained the distribution rights of various health product brands since 2021. Among these new brands, the Group has obtained the sole distributorship in Mainland China for certain health supplement products under the brand of Culturelle®.

2 "Average training hours completed" calculation formula: Number of training hour in specific category/number of employees in specific category

Culturelle® is a leading probiotic brand in the United States whose products help relieve digestive problems of infants, children and adults and improve intestinal health through improving the balance of intestinal microbiome populations. This new product offering captures an important trend in recent years – enhancing immunity through improving the intestinal microbiome. In 2020, the National Health Commission of the PRC pointed out that intestinal micro-ecological regulators (also known as "probiotics") can be used to alleviate the symptoms of patients during COVID-19 recovery by regulating and restoring the intestinal micro-ecological balance of the body to reduce secondary infection risks.

The Group continues to expand its oversea presence since 2020. Throughout the years, a heterogeneous sales network and extensive product portfolio have been established to strengthen the role of omnichannel brand marketing and management service provider. The Group has established sourcing centers in France and South Korea in 2022. We will continue to liaise distribution rights of high-quality health and beauty related products, and further expanding product diversity.

Data Security and Personal Information Protection

With the continuous development of internet technology, those information systems can bring convenience and efficiency, but at the same time it also brings new security threats to the Group.

Related risk management and Information technology policies has implemented to protect the data of our working partners. The Group established a protocol to guide employees to handle personal data and standardise the use, collection, and disclosure of data as per the operation areas' requirements. The Group must collect information lawfully and directly for a pre-defined purpose only. All storage and transmission of personal data must be encrypted and with up-to-date antivirus protection. The Group takes practicable steps to safeguard the personal data from unauthorised or accidental access, processing, erasure, loss or use by third parties. The Group discloses personal data, both internally and externally, on a need-to-know basis.

Special access rights to customer data are granted to management responsible person only. Regular data handling training is arranged and scheduled for the person to receive the latest updates and requirements. Individuals will be dismissed from the Group if found guilty of any wrongdoings. Meanwhile, the Group must notify the clients if their data has been disclosed, collected or used without authorisation. Routine checkup and improvement of our information technology system are applied to maintain our information security and service quality to customers.

COVID-19 and further expansion of e-commerce business

The COVID-19 pandemic has continued in 2022 and it keeps accelerating the Group's expansion into sales through digital commerce. The Group has subscribed to premium user plans on e-commerce platform since 2021 to offer more socialising features and advanced security data management to our customers. It enables the online-offline dual-channel marketing strategy for our Private Label Brands.

Research and development of own-brand products

Our Private Labels have a team of technical professionals, including registered pharmacists and nutritionists, supporting product design, market values, labelling and scientific analysis. The Group is bound by regional laws and international standards.

OPERATING PRACTICES

Procurement and supply chain management

The Group highly regards reliable, honest, and mutual respect that brings suppliers and us together, building a long-term relationship. A supplier's Code of Conduct is disseminated to all service providers along the supply chain to promote alignment with the same working principles and values.

Supplier assessment

The Group has established a holistic supplier assessment process, including the design of protocol to guide employees to select, assess and approve suppliers systematically, with criteria including price, market potential and product. For the assurance of key ingredients, test reports, as well as certifications, are requested when applicable. The Group also requires suppliers to complete an annual performance review. This is to monitor their performance and safeguard the product quality of the Group. Suppliers would be dismissed or disqualified from the approved supplier list if they failed the performance review.

As the society is having higher environmental concerns, we are devoting resources in exploring the enhancement of green procurement along our supply chain. The Group is expected to start to assess suppliers' environmental and social responsibility and engage suppliers who incorporate the consideration of environmental and social risks into their supply chain management. The Group will also consider and try to engage suppliers with relevant environmental and social practices and responsible acts for society. However, in 2022, none of our new and existing suppliers possess environmental certifications.

The global COVID-19 outbreak has been putting much pressure on the supply chain and the situation continues during the reporting period. Many corporations were facing a temporary breakdown of the supply chain. Flexibility and resilience along the chain have become a critical factor in business success. Due to our stable customer profile, as well as shared efforts made between our suppliers and the Group, we can forecast orders and demands by one year in advance. Suppliers and the Group also communicate from time to time and adjust the demands accordingly whenever necessary. The long-term relationship between suppliers and the Group makes the responses efficiently and promptly.

Suppliers by geographic region

Geographic region	*Number of suppliers*
Hong Kong, China	223
Australia	15
United States	2
Japan	26
Mainland China	5
India	3
Macau, China	2
Singapore	3
Italy	1
Taiwan	4
Korea	8
France	3
Germany	2
Malaysia	5
Thailand	1
USA	8
Others	4

COMMUNITY

Caring for the Community

The Group understands that building relationships with local communities is crucial to the sustainability of our business. We endeavour to maintain long term commitment to the community with our efforts and partnership. It is our focus to devote resources in events with long-term impacts on our stakeholders, partners, and communities. Below table shows our donations during the reporting year:

Organisation	*Resources Donated*	*Quantity*
YMCA	Hand Sanitizer Gel	15000 bottles
	Face Masks	15000 pieces
Pentecostal Church of Hong Kong Sau Mau Ping Neighbor Family Centre	Hand Sanitizer Gel	2000 bottles
	Face Masks	5000 pieces
St Barnabas' Church Kindergarten	Hand Sanitizer Gel	3000 bottles
	Face Masks	105 boxes
Gingko House <Love Project>	Hand Sanitizer Gel	800 bottles
	Face Masks	7840 pieces

The target beneficiaries are children, youth, elderly and low-income families. We also strive to provide effective health products for babies, children and pregnant women through our own brand, Boost & Guard ("**BG**"). We cooperate with different non-profit-making social service organizations from time to time to provide support for them.

STANDARD ESG DISCLOSURES

OPERATING PRACTICES

Logistics management

Logistics arrangement is a critical factor to maintain our products in optimal condition during the inventory stage. The delivery team adheres to storage at below 25-degree Celsius and 65% humidity per suppliers' requirements. During the pandemic, additional temporary storage is available so that the storage operators conform to the same temperature and condition requirements to minimise the chance of denaturation and deactivation.

Green Procurement

Product Environmental Stewardship

Environmentally preferable products

Case Study: Biolane

Biolane is one of the top baby washing care brands and the best-selling baby washing care brands in France. The "Biolane Expert Organic Series" provides protection to babies and protecting the environment in a natural and organic way. The products are certified by ECOCERT Greenlife COSMOS for their 99% natural and organic content. The aloe and shea butter used in the "Biolane Expert Organic Series" are Fair Trade ingredients, which helps producers in developing countries achieve sustainable and equitable trade relationships. Besides, the product packaging of the "Biolane Expert Organic Series" is an eco-friendly packaging with 100% plant-based vegan bottles, which is compostable and reduces environmental impact.

Case Study: California Baby

California Baby is the world-leading organic skincare manufacturer. Its mission is to create safe, pure and high-quality products for consumers and reduce its environmental impact. Hence, California Baby has adopted solar panels to provide up to 80% of energy to the manufacturing facility in California, USA. Also, California Baby realises that packaging is an environmental problem, as a result, it recycles the post-consumer plastic to replace conventional HDPE plastic bottles for the product. By doing so, energy and natural resources can be conserved and also GHG emissions are reduced. The post-consumer recycled packaging was fully launched in 2019. The transition to recycling post-consumer packaging for all products is still under processing.

Case Study: Nordic Naturals

Nordic Naturals is a Norwegian fish oil company that provides its primary Omega-3 product all over the world. It is committed to conserving the health of the oceans. The headquarter in California is LEED gold certified. Nordic Naturals also utilises unused fats from the fish oil production process to generate power, supporting the electricity of the headquarter. Moreover, all omega-3 products are certified by Friend of the Sea (FOS) to guarantee the products are from sustainable fisheries and minimise the impacts on the ecosystem. All the product containers and packaging are recyclable.

ENVIRONMENTAL PROTECTION

Overview

The Group is primarily an office-based business. Our annual environmental impact and footprint is insignificant compared to our social involvement and contribution. Our daily operations do, however, involve the emission of greenhouse gases, as well as water and electricity consumption and waste generation.

During the Reporting Period, there was no environmental non-compliance with relevant laws and regulations reported relating to air and greenhouse emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Waste and Recyclables Management

Due to the arrangement between our offices and their respective property management companies, waste disposal data has not been available for reporting purposes. The Group's non-hazardous waste and hazardous waste are centrally handled. At our China offices, waste is collected by the building's management companies and transported to municipal-approved locations.

Non-hazardous Waste

For waste management, the Group upholds Reduce, Recycle and Reuse principles to manage waste. In general, most of the waste is household waste that is centrally collected, handled and disposed of by registered waste collectors. The remaining part of the waste is a non-hazardous waste but common recyclables such as paper packaging materials, office paper and beverage bottle plastic. The office automation system and the Systems Applications and Products in Data Processing system can facilitate the Group transitioning to the electronic office and reduce office paper consumption. Duplex-printing and environmentally-friendly paper are adopted for necessary printing. In 2022, the Group does not generate a significant amount of non-hazardous waste.

Below shows our waste reduction targets and measures taken during the year:

Environmental targets	*Directional statements*	*Measures taken during the year*
Waste reduction	Reduce paper waste generated from the office operation	• Strengthened electronic operations and file management to reduce paper consumption in offices; • Maximized the use of papers on both sides; • Arranged to recycle scrap papers as much as possible.

Hazardous Waste

Some office-oriented waste is classified as hazardous waste requiring special cares, for instance, compact fluorescent lamps, exhausted cartridges and toners. The Group collects, handles, stores, and hand-overs to registered collectors in accordance with regulations as per operation regions. Proper and eye-catching labels are available to single out hazardous waste to avoid leakage and misuse. The Group assesses contractors' competency by checking permits.

Energy Efficiency

Energy consumption comprises a key part of the Group's environmental profile. The heating, ventilation and air conditioning (HVAC) system is the largest source of energy consumption in day-to-day operation. Company vehicles for our Hong Kong and Macau operations are another factor contributing to energy consumption. Aiming for the high energy efficiency objective, and our energy use efficiency targets and measures taken during the year are presented in below table:

Environmental targets	*Directional statements*	*Measures taken during the year*
Energy use efficiency	• Adopt alternative means to reduce the use of company's vehicles for fuel consumption reduction; • Reduce the number of office equipment that consume energy.	• Implemented video conferencing system for internal meeting arrangement, thereby reducing the number of business trips for intra-group meetings and hence reducing the use of vehicles; • Streamlined the office layout and simplified the office operation, thereby eliminating the number of high energy consumption facilities; • Turned off lighting, personal computer and air-conditioners during non-office hours; • Switched off idling equipment; • Maintained indoor room temperature at 24 to 26 Degrees Celsius at the office; • Placed energy-saving reminders at the pantry, office areas and dormitory; • Established an energy management centre to analyse and monitor energy usage regularly.

Energy consumption

		2022	
Category	**Measuring unit**[3]	**Total consumption**	**Intensity (per sales quantity)**
Electricity purchased	kWh	317,160.00	0.00051
Unleaded petrol	kWh	12,975.04	0.0000023
Diesel oil	kWh	21,536.22	0.0000035

3 The conversion factors from volumetric units of fuel consumption to energy units are in reference to CDP Technical note: Conversion of fuel data to MWh.

Water Management

Property management bodies of our Group's offices provide comprehensive services related to water sourcing and access, water delivery systems. Due to the lack of ownership control over our office spaces, our employees play a limited role in monitoring water consumption and implementing water-saving measures on an infrastructural or systemic level.

On the behavioural and daily operations level, water-saving reminders are placed at the pantry and toilet, using refillable water bottles or incoming water supplies; adopting water flow controllers and equipment with water efficiency labels.

Water consumption

		2022		
	Measuring unit	**Hong Kong headquarters**	**PRC offices**	**Macau offices**
Total	m^3	129.0	2,149.21	62.0

Water consumption, year-by-year comparison

	Measuring unit	**2022**	**2021**	**2020**
Total	m^3	2,340.21	1924.6	13.2
Intensity	L per sales quantity	0.003573	0.1229	0.000001

Greenhouse Gas (GHG) Emissions and Climate Change

Greenhouse Gas (GHG) Emissions

The primary GHG emissions of the Group are Scope 1 (direct emissions from fossil fuel burning by company vehicles) and Scope 2 (indirect emission by purchased electricity). The business nature of the Group does not emit a significant amount of exhaust gas by vehicles. The Group strives to control the emissions, such as regular engine repair and maintenance. We continue to seek cleaner transport choices and promote a low-carbon living style.

2022		
		Measuring unit
Total GHG emissions (Scope 1, 2 and 3)	188.56	tCO_2e
Intensity (per sales quantity)	0.00000029	tCO_2e
Air pollutants		
NO_x	8.37	Kg
SO_x	0.055	Kg
P_M	0.77	Kg

2022					
		Measuring unit	**Hong Kong Headquarters**	**PRC offices**	**Macau offices**
Scope 1 – direct					
Stationary combustion	0	tCO_2e	0	0	0
Mobile combustion	8.96	tCO_2e	0	0	8.96
Scope 2 – energy indirect					
Purchased electricity	176.26	tCO_2e	113.48	41.31	21.47
Scope 3 – other indirect					
Business air travel	3.31	tCO_2e	0.99	2.32	0
Paper disposal	0.03	tCO_2e	N/A	0.03	N/A

Remarks:

- The intensity per sales quantity refers to the total number of products sold in the corresponding Reporting Period.
- The air emission is calculated based on the "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.
- Scope 1 refers to direct greenhouse gas emission. Emission sources of the Company include diesel oil and gasoline mobile combustions.
- Scope 2 refers to energy indirect emission which results only from the generation of the Company's purchased electricity.
- The production of hazardous waste considered as insignificant and managed by the service provider, hence no data was disclosed.
- The calculations of Greenhouse Gases Emissions are based on the IPCC Sixth Assessment Report Global Warming Potentials.

Below table shows the emission reduction targets and measures taken by our Group during the year:

Environmental targets	*Directional statements*	*Measures taken during the year*
Emission reduction	• Reduce emissions from direct sources of GHG; • Lower the indirect GHG emissions by reducing the need in purchase of external electricity.	• Reduced the number of business travelling and turn in-person meetings to video, teleconferencing or other electronic online communication tools. This can lessen the GHG emission incurred from use of transportation, at the same time reduce the use of vehicles and gaseous emissions incurred from fuel consumption; • Streamlined the office layout and reduced the office operation, thereby reducing GHG generated indirectly from power consumption.

Climate Change

The Group pursues to investigate the feasibility to support Hong Kong's roadmap on the popularization of electric vehicles by any means. Besides, the Group takes low-carbon emissions by heart and seeks environmentally responsibly choices while tendering, procuring and purchasing. During the Reporting Period, the Group was not aware of non-compliance with laws and regulations related to air and GHG emissions, including but not limited to the Air Pollution Control Ordinance (Cap. 311) of Hong Kong, which would have a significant impact on the Group's operation.

Since 2020, the Group has been reinforcing the climate change and related environmental concepts to its employees by establishing a climate change statement. The Group will continue to work with different stakeholders to identify, assess and manage physical and transitional risks. In view of the business nature, the Group could be severely affected by abnormal and even extreme weather as this will cause supply chain collapse. Our stakeholders are raising their concerns for the GHG emissions on the supply chain. Their expectations tend to be environmentally friendly driven. The government is currently updating their regulations on environmentally related aspects. As a result of the policy-shift, the Group may have to obey more stringent regulations in the near future.

The Group will continue to influence the stakeholders by any means to achieve regional and local carbon neutrality targets, to achieve the aim of carbon emission disclosures and reporting transparency. Moreover, the Group will find ways to strengthen the cooperation with suppliers to recycle packaging and reduce GHG emissions across logistics.

The changing climate poses impacts on the Group's operation and everyone's life. The Chinese and Hong Kong governments have set a strategic carbon neutrality target by 2060 and 2050 respectively. The Group works gradually to reduce carbon footprint and GHG gases from unnecessary transportation, striving for a low-carbon operation.

Packaging Materials

The product packaging of our Private Label Brands has been outsourced to third-party factories. During the Reporting Period, our offices used packaging materials, including plastics, papers, stickers, labels and boxes, for several Private Label Brands including BG, Wakan (和漢), Boiron, Ebisu and DU'IT. Most of these materials were sourced by and purchased from a local label printing company. In the future, we will pursue to explore alternative methods in reducing the plastics and paper used, to reduce the impact brought by our business to the environment.

Packaging materials consumption

2022					
		Measuring unit	Hong Kong headquarters	PRC offices	Macau offices
Total, plastic consumed	5.95	Metric tonnes	5.95	0	0
Total, paper consumed	5.70	Metric tonnes	0	5.70	0

The Environment and Natural Resources

Despite the Group only contribute a minor impact on the environment and natural resources in its core business, we are determined to minimise any negative environmental impacts in its business operations. The Group regularly assesses the environmental risks of its business and adopts preventive measures to reduce the risks and ensures compliance with relevant environmental laws and regulations. The Group seeks the best practices for environmental protection and focuses on the Group's business impacts on the environment and natural resources. For the purpose of protecting the natural environment, as well as achieving environmental sustainability, the concepts of environmental protection and natural resource conservation have been integrated into our internal management and daily operations in addition to operating in compliance with related international standards.

Support Short-dated Goods Saving Business

The Group shares the vision of short-dated goods saving. Since 2020, Tycoon Group has worked with GreenPrice, a short-dated goods retailer in Hong Kong, to sell the product at significant discounts. Short-dated goods mean the pre-packaged goods are approaching or even beyond the best before date, but are still of good quality and safe to eat given that the products are stored properly. With this participation, those short-dated goods can remain on the shelves and avoid being discarded. The cooperation is to promote a brand-new concept of sustainable living and to enable us to "rethink" the way we live every day.

CONCLUSION

In the quest for continuous improvement, the Group will continue to keep abreast of sustainable development and to track the ESG performance and progress regularly. Valuable feedback enables us to improve our performance. For any comments regarding this report, please feel free to contact us by email at info@tapgl.com.

羅兵咸永道

To the Shareholders of Tycoon Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Tycoon Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 110 to 199, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Provision for inventories
- Impairment of an investment accounted for using the equity method

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories *Refer to Note 4(a) (critical accounting estimates and judgements) and Note 20 (Inventories) to the consolidated financial statements for the related disclosures* The Group held inventories of HK$341,818,000 as at 31 December 2022, net of provision for inventories of HK$6,378,000. Inventories are carried at the lower of cost and net realisable value ("NRV"). Management's judgement is required for assessing the appropriate level of inventory provision. The Group estimates the provision for inventories based on the marketability of inventories and makes specific provision for near-expiry and slow-moving inventories. For the year ended 31 December 2022, net provision for inventories of HK$464,000 was made to write down the carrying amount of certain inventories to their estimated net realisable values. We focused on this area because the magnitude of inventories and estimation of the provision for inventories involved a high level of management's judgement.	Our audit procedures in relation to management's assessment on provision for inventories included: – Understood, evaluated and tested, on a sample basis, the key control procedures over management's estimation of provision for inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; – Evaluated the outcome of prior period assessment of provision for inventories to assess the effectiveness of management's estimation process; – Tested on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices; – Challenged and evaluated the appropriateness of management judgement made in respect to provision for inventories; and – Tested on a sample basis, the NRV of selected inventory items, by comparing the selling price less the costs necessary to make the sales subsequent to the year end, against the carrying values of these individual inventory items as at the year end. Where there are no subsequent sales of the respective inventory items after the year end, we challenged management as to the realisable values of the inventories, corroborating explanations with the ageing profile, historical margins and marketability of the respective inventories, as appropriate. Based on the procedures described, we found the judgements and estimates of management in relation to the provision for inventories were supportable by available evidence.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of an investment accounted for using the equity method *Refer to Note 4(b) (critical accounting estimates and judgements) and Note 17 (Investments accounted for using the equity method) to the consolidated financial statements for the related disclosures* As at 31 December 2022, the carrying amount of the Group's investment in Hong Ning Hong Limited ("HNH"), an investment accounted for using the equity method was HK$33,710,000. Investment in an associate accounted for using the equity method is subject to impairment assessment whenever changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of the investment is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Significant judgement is required in relation to the assumptions made in the discounted cash flow model including: – Sales growth rate; – Gross profit margin; and – Discount rate. Based on the impairment assessment performed by management, no impairment was considered necessary as at 31 December 2022. We focused on this area because the estimation of the recoverable amount of investment in HNH involved a high level of management's judgement.	Our audit procedures in relation to management's assessment on the recoverable amount of investment in HNH included: – Understood, evaluated and tested the key control procedures over management's estimation of recoverable amount of investment in HNH and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; – Understood and assessed the appropriateness of the valuation methodologies used by management; and – Compared the current year actual results of HNH with management's prior year forecast to consider the accuracy of historical forecasts and understood the explanation for deviation of the actual results compared with prior year forecast to assess the effectiveness of management's estimation process. In addition, we performed the following procedures over management's significant assumptions used in the discounted cash flow model based on value in use: – Assessed the sales growth rate and gross profit margin based on the sales strategy and plan of HNH, market development, and compared these assumptions against approved budget; – Benchmarked the discount rate against the research on the discount rates for comparable companies with involvement of our internal valuation expert; and – Performed sensitivity analysis to assess the potential impact of reasonably changes to the significant assumptions. Based on the procedures described, we found the judgement made by management in relation to the recoverable amount of investment in HNH was supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Tak Wai, Daniel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	1,186,185	888,872
Cost of sales	8	(924,647)	(737,171)
Gross profit		261,538	151,701
Other income	6	3,246	3,191
Other losses, net	6	(5,609)	(312)
Selling and distribution expenses	8	(121,411)	(97,165)
General and administrative expenses	8	(72,884)	(65,198)
Operating profit/(loss)		64,880	(7,783)
Finance costs	7	(11,323)	(6,261)
Share of results of investments accounted for using the equity method		(3,190)	(3,454)
Profit/(loss) before income tax		50,367	(17,498)
Income tax (expense)/credit	10	(6,736)	96
Profit/(loss) for the year		43,631	(17,402)
Other comprehensive (loss)/income			
Item that has been reclassified or may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		(3,893)	451
Total comprehensive income/(loss) for the year		39,738	(16,951)
Profit/(loss) attributable to:			
Equity holders of the Company		43,750	(18,816)
Non-controlling interests		(119)	1,414
		43,631	(17,402)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		39,857	(18,365)
Non-controlling interests		(119)	1,414
		39,738	(16,951)
Earnings/(losses) per share attributable to the ordinary equity holders of the Company			
Basic (HK cents per share)	11	HK6 cents	HK(2) cents
Diluted (HK cents per share)	11	HK6 cents	HK(2) cents

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

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	*13*	60,954	65,673
Right-of-use assets	*14*	13,101	9,389
Intangible assets	*15*	38,664	40,122
Investments accounted for using the equity method	*17*	33,710	36,900
Prepayments and deposits	*19*	996	1,145
Financial assets at fair value through profit or loss	*18*	19,000	23,633
Deferred income tax assets	*28*	9,205	11,897
Other non-current asset	*31*	6,835	–
Total non-current assets		182,465	188,759
Current assets			
Inventories	*20*	341,818	303,214
Prepayments, deposits and other receivables	*19*	147,651	108,333
Amounts due from related parties	*21*	9,367	4,561
Trade receivables	*22*	256,213	204,971
Cash and cash equivalents	*23*	74,603	71,625
Total current assets		829,652	692,704
Total assets		1,012,117	881,463
Non-current liabilities			
Lease liabilities	*14*	3,010	3,618
Deferred income tax liabilities	*28*	1,170	1,379
Total non-current liabilities		4,180	4,997

	Notes	2022 HK$'000	2021 HK$'000
Current liabilities			
Trade payables	24	302,764	306,637
Other payables and accruals	25	68,101	71,992
Bank borrowings	26	278,368	178,960
Loan from a shareholder	27	50,000	50,000
Amounts due to related parties	21	8	8
Lease liabilities	14	10,220	6,503
Current tax liabilities		5,316	1,104
Total current liabilities		714,777	615,204
Total liabilities		718,957	620,201
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	8,000	8,000
Reserves		285,640	249,918
		293,640	257,918
Non-controlling interests		(480)	3,344
Total equity		293,160	261,262
Total equity and liabilities		1,012,117	881,463

Wong Ka Chun Michael
Director

Li Ka Wa Helen
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Merge reserve HK$'000	Other reserve HK$'000	Share held under share award plan HK$'000	Share based payment reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained profit HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022	8,000	230,967	(80)	-	(23,824)	4,126	278	173	38,278	257,918	3,344	261,262
Profit/(loss) for the year	-	-	-	-	-	-	-	-	43,750	43,750	(119)	43,631
Other comprehensive loss:												
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	-	(3,893)	-	(3,893)	-	(3,893)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(3,893)	43,750	39,857	(119)	39,738
Transactions with owners in their capacity as owners:												
Vesting of shares under share award scheme	-	425	-	-	1,297	2,209	-	-	-	3,931	-	3,931
Dividends to a non-controlling interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,943)	(1,943)
Acquisition of a non-controlling interest of a subsidiary	-	-	-	(8,066)	-	-	-	-	-	(8,066)	(1,762)	(9,828)
Balance at 31 December 2022	8,000	231,392	(80)	(8,066)	(22,527)	6,335	278	(3,720)	82,028	293,640	(480)	293,160

The above consolidated statement of changes in equity should be read in conjunction with the accompany notes.

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Merge reserve HK$'000	Share held under share award plan HK$'000	Shard based payment reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained profit HK$'000	Total HK$'000	Non-Controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	8,000	246,967	(80)	(23,824)	–	–	(278)	57,372	288,157	2,282	290,439
(Loss)/profit for the year	–	–	–	–	–	–	–	(18,816)	(18,816)	1,414	(17,402)
Other comprehensive income:											
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	–	451	–	451	–	451
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	451	(18,816)	(18,365)	1,414	(16,951)
Transactions with owners in their capacity as owners:											
Vesting of shares under share award scheme	–	–	–	–	4,126	–	–	–	4,126	–	4,126
Dividends to the shareholders of the Company	–	(16,000)	–	–	–	–	–	–	(16,000)	–	(16,000)
Dividends to a non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	–	(352)	(352)
Appropriation to statutory reserves	–	–	–	–	–	278	–	(278)	–	–	–
Balance at 31 December 2021	8,000	230,967	(80)	(23,824)	4,126	278	173	38,278	257,918	3,344	261,262

The above consolidated statement of changes in equity should be read in conjunction with the accompany notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash used in operations	*32(a)*	(52,145)	(22,351)
Income taxes paid		(41)	(13,830)
Net cash used in operating activities		(52,186)	(36,181)
Cash flows from investing activities			
Purchase of property, plant and equipment	*13*	(1,455)	(7,914)
Disposal of property, plant and equipment	*32(b)*	–	200
Acquisition of a subsidiary		–	(18,031)
Incorporation of an investment accounted for using the equity method		–	(508)
Investment in an insurance contract	*31*	(8,158)	–
Interest received		42	6
Net cash used in investing activities		(9,571)	(26,247)
Cash flows from financing activities			
Acquisition of non-controlling interests of a subsidiary	*18(c)*	(7,000)	–
Dividends paid to the shareholders of the Company		–	(16,000)
Dividends paid to a non-controlling interest in a subsidiary		(1,943)	(352)
Interest paid	*32(c)*	(10,853)	(6,023)
Proceeds from bank borrowings	*32(c)*	439,954	219,131
Repayment of bank borrowings	*32(c)*	(340,546)	(172,036)
Principal elements of lease payments	*32(c)*	(11,359)	(10,391)
Proceeds from loan from a shareholder	*32(c)*	100,000	100,000
Repayment of loan from a shareholder	*32(c)*	(100,000)	(100,000)
Net cash generated from financing activities		68,253	14,329
Net increase/(decrease) in cash and cash equivalents		6,463	(48,099)
Cash and cash equivalents at the beginning of the year		71,625	119,344
Exchange (losses)/gains on cash and cash equivalents		(3,518)	380
Cash and cash equivalents at the end of the year	*23*	74,603	71,625

The above consolidated statement of cash flows should be read in conjunction with the accompany notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the distribution and retail of health and well-being related products.

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("**HK$'000**"), unless otherwise stated.

These consolidated financial statements were approved for issue by the board of directors of the Company (the "**Board**") on 29 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("**FVPL**"), which are measured at fair values, and investment in an insurance contract classified in other non-current asset which is stated at its cash surrender value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2022:

Annual improvements	Annual improvements to HKFRSs 2018 – 2020
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The amendments listed above did not have any material impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period. The Group has not early adopted these new accounting standards, amendments and interpretations in current reporting period and is in the process of assessing their impact on the Group's future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUBSIDIARIES

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.4).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2.3 EQUITY ACCOUNTING

(i) Associated companies

Associated companies are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 EQUITY ACCOUNTING (continued)

(ii) Joint arrangements

Under HKFRS 11 "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures. Interests in the joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the statement of profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associated companies are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in this entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in Note 2.10.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 EQUITY ACCOUNTING (continued)

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BUSINESS COMBINATIONS (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired equity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SEPARATE FINANCIAL STATEMENTS

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Director that make strategic decisions.

2.7 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the group entities operate ("the functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the profit or loss on a net basis within "other losses, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 FOREIGN CURRENCY TRANSLATION (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary financial assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equity classified as fair value through other comprehensive income is recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	Over the lease term or useful live of 25 years, whichever is shorter
Leasehold improvements	Over the lease term or useful live of 5 years, whichever is shorter
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 INTANGIBLE ASSETS

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes and not larger than an operating segment.

(b) Exclusive distribution rights, customer relationships and supplier relationships

Exclusive distribution rights, customer relationships and supplier relationships acquired in a business combination are recognised at fair values at the acquisition date. Other intangible assets acquired separately are measured on initial recognition at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is calculated using the straight-line method over their expected lives from 2 to 10 years to allocate the cost of them. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets as follows:

- those to be measured at amortised cost; and
- those to be measured subsequently at FVPL

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories to classify the debt instruments of the Group:

(i) Assets carried at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss. Impairment losses are presented as separate line item in the profit or loss.

(ii) Assets measured at FVPL

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the profit or loss and presented net within "other losses, net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other losses, net" in the profit or loss as applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 Financial Instruments ("HKFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other financial assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis. Net realisable value is the estimated selling price less any estimated costs to be incurred to completion and disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "net impairment losses on financial assets" in the profit or loss.

2.15 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks, with original maturities of three months or less. Bank overdrafts are shown within bank borrowings in current liabilities in the consolidated statement of financial position.

2.16 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as shares held under share award plan until the shares are cancelled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 TRADE AND OTHER PAYABLES

Trade and other payables are liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss as financial costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 BORROWING COSTS

Borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.20 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the jurisdictions where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 CURRENT AND DEFERRED INCOME TAX (continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 EMPLOYEE BENEFITS

Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Pension Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the Pension Scheme. The assets of the Pension Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the Pension Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the Pension Scheme.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on certain percentages of the wages for the year of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group. Contributions to these retirement benefits schemes are charged to the profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 SHARE-BASED PAYMENTS

Equity-settled share based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share awards) of the Group. The fair value of the employee services received in exchange for the grant of the share awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share awards granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of the share awards that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The grant by the Group of the share awards to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for the future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 REVENUE RECOGNITION

Sales of goods

Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under other payables and accruals as receipt in advance from customers in the consolidated statement of financial position.

Product is often sold with discounts and retrospective sales rebates based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and rebates. Accumulated experience is used to estimate and provide for the sales discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected sales discounts and rebates payable to customers in relation to sales made until the end of the reporting period and presented within "other payables and accruals" in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 REVENUE RECOGNITION (continued)

Sales of goods (Continued)

It is the Group's policy to sell its products to customer with a right of return. Therefore, a refund liability and a right to the returned goods are recognised for the products expected to be returned and presented within "other payables and accruals" and "prepayments, deposits and other receivables", respectively in the consolidated statement of financial position. Accumulated experience is used to estimate such returns at the time of sale. Given the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

2.25 INTEREST INCOME

Interest income is recognised on a time proportion basis using the effective interest method.

2.26 LEASES (AS LESSEE)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 LEASES (AS LESSEE) (continued)

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholder is recognised as a liability in the Group's consolidated financial statements and the Company's separate financial statement in the period in which the dividends are approved by the Company's shareholder or directors, where appropriate.

2.28 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions, Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.29 INVESTMENT IN AN INSURANCE CONTRACT

The insurance contract of the Group includes both investment and insurance elements. The investment in an insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract (cash surrender value) at the end of each reporting period, with changes in value being recognised in profit or loss.

3 FINANCIAL RISK

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the management of the Group. Formal and informal meetings are held to identity and evaluate significant risks and to develop procedures to deal with any financial risks in relation to the Group's business.

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency. The Group operates mainly in Hong Kong, the PRC and Macau and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Chinese Renminbi ("RMB").

As at 31 December 2022, if RMB had strengthened/weakened by 5% against the HK$ with all other variables held constant, post-tax profit for the year would have been HK$1,793,000 higher/lower (2021: post-tax loss for the year would have been HK$1,020,000 lower/higher), mainly as a result of foreign exchange differences on translation of RMB-denominated cash and cash equivalents, trade receivables and trade payables.

(ii) Price risk

The Group's exposure to equity securities price risk arises from the investment in listed securities in Hong Kong. To manage its price risk arising from its investment in equity securities, the Group reviews the share price of the investments on a regular basis.

As at 31 December 2022, if the fair value of the financial asset in listed securities increase/decrease by 10%, post-tax profit would have been HK$1,900,000 higher/lower (2021: post-tax loss would have been HK$2,060,000 lower/higher), mainly as a result of the fair value gain/loss of the investment.

(iii) Cash flow and fair value interest rate risk

The income and operating cash flows of the Group and the Company are both substantially independent of changes in market interest rates. Both the Group and the Company have no significant interest-bearing assets and liabilities, except for cash and cash equivalents, loan from a shareholder and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2022, if interest rate on cash and cash equivalents, loan from a shareholder and bank borrowings issued at variable rates had been 50 basis point higher/lower with all variables held constant, post-tax profit for the year and equity of the Group would have been HK$1,059,000 lower/higher (2021: post-tax loss for the year and equity of the Group would have been HK$657,000 higher/lower), mainly as a result of change in interest expenses on loan from a shareholder and bank borrowings issued at variable rates (2021: same).

As at 31 December 2022, the fair value interest rate risk is insignificant to the Group (2021: same).

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables (Note 22), deposits and other receivables (Note 19), amounts due from related parties (Note 21), cash and cash equivalents (Note 23) and financial assets at FVPL (Note 18), which represent the Group's maximum exposure to credit risk in relation to its financial assets.

(i) Risk management

To manage this risk, deposits of the Group are mainly placed with reputable banks. The Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength, credit history and an appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews regularly the authorisation of credit limits to individual customers and recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risk. The largest and top five customers accounted for 16.1% and 49.4% (2021: 18.8% and 57.3%) of the gross trade receivable balances as at 31 December 2022, respectively. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets

Trade receivables for sales of goods of the Group are subject to the expected credit loss model. The credit risks on its amounts due from related parties are minimal because management has performed assessment over the recoverability of these balances and management does not expect any loss from non-performance by related parties, after taking into account of related parties' financial position, their business development and other factors. While deposits and other receivables and cash and cash equivalent are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss on individual basis

The receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2022, the expected credit loss on individual basis is close to zero (2021: same).

Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its credit rating, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(b) Credit risk (continued)

Given (i) the majority of customers of the Group are mainly well-known chain retailers and e-commerce platforms and there was no history of default in prior years, and (ii) there was no significant change in credit terms granted to these customers despite the temporarily worsened business environment caused by COVID-19, the director of the Company considered that the default rate of financial assets is close to zero. Management considered that the expected credit loss rates of customers were close to zero for all ageing bands as at 31 December 2022 and 2021. As a result, no loss allowance for impairment of trade receivables was considered necessary for the years ended 31 December 2022 and 2021.

Deposits and other receivables, amounts due from related parties, cash and cash equivalents and financial assets at FVPL

There is no loss allowance for deposits and other receivables, amounts due from related parties and cash and cash equivalents as at 31 December 2022 (2021: same).

The Group is also exposed to credit risk in relation to debt instruments that are measured at FVPL. The maximum exposure was HK$2,565,000 as at 31 December 2021. There were no debt instruments measured at FVPL as at 31 December 2022.

(c) Liquidity risk

With prudent liquidity risk management, the Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including bank borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to interest-bearing bank deposits with appropriate maturities to manage its overall liquidity position. As at 31 December 2022, the Company maintained cash and cash equivalents of HK$74,603,000 (2021: HK$71,625,000), that are expected to be readily available and sufficient to meet the cash outflows of its financial liabilities, hence, management considers that Company's exposure to liquidity risk is not significant.

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Repayable on demand HK$'000	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 December 2022					
Trade payables	117,857	184,907	–	–	302,764
Other payables and accruals	–	62,091	–	–	62,091
Bank borrowings	278,368	–	–	–	278,368
Loan from a shareholder	–	50,804	–	–	50,804
Amounts due to related parties	8	–	–	–	8
Lease liabilities	–	10,492	2,241	843	13,576
Total	396,233	308,294	2,241	843	707,611

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(c) Liquidity risk (continued)

	Repayable on demand HK$'000	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 December 2021					
Trade payables	190,895	115,742	–	–	306,637
Other payables and accruals	–	51,662	–	–	51,662
Bank borrowings	178,960	–	–	–	178,960
Loan from a shareholder	–	50,334	–	–	50,334
Amounts due to related parties	8	–	–	–	8
Lease liabilities	–	6,979	3,709	–	10,688
Total	369,863	224,717	3,709	–	598,289

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(c) Liquidity risk (continued)

The table that follows summaries the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within one year HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Beyond five years HK$'000	Total HK$'000
At 31 December 2022					
Principal	242,012	24,088	4,049	8,219	278,368
Interest	9,785	2,785	1,284	1,540	15,394
Total	251,797	26,873	5,333	9,759	293,762

	Within one year HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Beyond five years HK$'000	Total HK$'000
At 31 December 2021					
Principal	137,835	7,020	22,756	11,349	178,960
Interest	4,669	1,432	1,850	1,430	9,381
Total	142,504	8,452	24,606	12,779	188,341

3 FINANCIAL RISK (continued)

3.2 CAPITAL MANAGEMENT

The Group regards its shareholder's equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio, which is net debt divided by the total sum of equity attributable to equity holders of the Company ("Capital") plus net debt. Net debt includes bank borrowings, loan from a shareholder, lease liabilities less cash and cash equivalents. Total capital comprises ordinary equity holders' equity as stated in the consolidated statement of financial position. The gearing ratios as at the end of the years ended 31 December were as follows:

	2022 HK$'000	2021 HK$'000
Bank borrowings	**278,368**	178,960
Loan from a shareholder	**50,000**	50,000
Lease liabilities	**13,230**	10,121
Less: Cash and cash equivalents	**(74,603)**	(71,625)
Net debt	**266,995**	167,456
Capital	**293,640**	257,918
Capital and net debt	**560,635**	425,374
Gearing ratio	**47.6%**	39.4%

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION

(i) Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair values as at 31 December 2022 and 2021 by level of valuation techniques used to measure fair values. Such inputs are categorised into three levels with a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial asset that is measured at fair value at 31 December 2022.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial asset at fair value through profit or loss				
– Listed securities	19,000	–	–	19,000
Total	19,000	–	–	19,000

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION (continued)

(i) Fair value hierarchy (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2021.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
– Listed securities	20,600	–	–	20,600
– Contingent consideration receivables	–	–	2,565	2,565
– Call option	–	–	468	468
Total	20,600	–	3,033	23,633

No other transfers of financial assets and liabilities between the fair value hierarchy classifications during the year ended 31 December 2022 (2021: same).

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price. These instruments are included in level 1. This is the case for the listed securities.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the contingent consideration receivables and call option.

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION (continued)

(ii) Valuation techniques used to determine fair values

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. External valuers will be engaged, if necessary. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Specific valuation techniques used to value level 3 financial instruments include techniques such as Monte Carlo simulation model and binominal options pricing model. There are no changes in valuation techniques during the year (2021: same).

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2022:

	Contingent consideration receivables *(Note 18)* HK$'000	Call option *(Note 18)* HK$'000
Balance at 1 January 2022	2,565	468
Fair value loss on revaluation recognised in profit or loss	(2,565)	–
Terminated	–	(468)
Balance at 31 December 2022	–	–

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (continued)

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2021:

	Contingent consideration receivables *(Note 18)* HK$'000	Call option *(Note 18)* HK$'000
Balance at 1 January 2021	2,590	840
Fair value loss on revaluation recognised in profit or loss	(25)	(372)
Balance at 31 December 2021	2,565	468
Unrealised loss recognised in the consolidated statement of profit or loss and other comprehensive income attributable to balances held at the end of the reporting period	(25)	(372)

The fair values of the contingent consideration receivable as at 31 December 2021 were estimated, using a Monte Carlo simulation model, taking into account the following key significant unobservable inputs:

	2021
Cost of equity (%)	27
Expected volatility (%)	29
Equity value of 100% interest (HK$'000)	46,904

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (continued)

The fair value of the call option as at 31 December 2021 were estimated, using a binomial options pricing model, taking into account the following key significant unobservable inputs to the model used:

	2021
Expected volatility (%)	33
Equity value of 20% interest (HK$'000)	6,574

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements as at 31 December 2021:

Description	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Contingent consideration receivables	Monte Carlo Simulation	Cost of equity	27%	5% increase/decrease in cost of equity would result in decrease/increase in fair value by HK$399,000/HK$559,000
		Expected volatility	29%	5% increase/decrease in expected volatility would result in increase/decrease in fair value by HK$465,000/HK$392,000
		Related equity value (HK$000)	HK$46,904	5% increase/decrease in equity value would result in decrease/increase in fair value by HK$402,000/HK$482,000
Call option	Binomial options pricing model	Expected volatility	33%	5% increase/decrease in expected volatility would result in increase/decrease in fair value by HK$168,000/HK$156,000
		Related equity value (HK$000)	HK$6,574	5% increase/decrease in equity value would result in increase/decrease in fair value by HK$106,000/HK$94,000

3 FINANCIAL RISK (continued)

3.4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The fair values of the following financial assets and liabilities approximate their carrying values due to their short-term maturities, or they are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group. Lease liabilities are initially measured on a present value basis by discounting the lease payments to net present value using the Group's incremental borrowing rate.

- Deposits and other receivables
- Amounts due from related parties
- Trade receivables
- Cash and cash equivalents
- Trade payables
- Other payables and accruals
- Bank borrowings
- Loan from a shareholder
- Amounts due to related parties
- Lease liabilities

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Provision for inventories

Inventories are carried at the lower of cost and net realisable value ("NRV"). The cost of inventories is written down to NRV when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off in the profit or loss is the difference between the carrying value and NRV of the inventories. In determining whether the inventories can be recoverable, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(b) Impairment of an investment accounted for using the equity method

The Group assesses whether there are any indicators of impairment of an investment accounted for using the equity method at the end of each reporting period. It is tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the investment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash- generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Judgement is required to determine key assumptions adopted in the cash flow projections including sales growth rate, gross profit margin and discount rate. Changes to these key assumptions could affect these cash flow projections and therefore the results of the impairment review.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of cash-generating unit ("CGU") have been determined based on value in use calculations. These calculations require the use of estimates. Estimating the value in use requires an estimate of the expected future cash flows from the cash-generating unit and also a suitable discount rate in order to calculate the present value of those cash flows. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment review. Details of the assumptions used in the impairment test of goodwill is disclosed in Note 15 to the consolidated financial statements.

5 OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

5 OPERATING SEGMENT INFORMATION (continued)

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

	E-commerce		Distribution		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	738,673	545,962	447,512	339,697	–	3,213	1,186,185	888,872
Inter-segment revenue	–	–	34,788	16,363	–	–	34,788	16,363
Reportable segment revenue	738,673	545,962	482,300	356,060	–	3,213	1,220,973	905,235
Reportable segment results	40,743	17,689	42,152	(7,757)	–	(1,764)	82,895	8,168
Share of results of investments accounted for using the equity method							(3,190)	(3,454)
Gain on disposal of property, plant and equipment							–	200
Fair value (loss)/gain on financial assets at fair value through profit or loss							(4,165)	203
Change in value of investment in an insurance contract							(1,323)	–
Foreign exchange differences, net							(121)	(715)
Finance income							42	6
Finance costs (other than interests on lease liabilities)							(10,821)	(5,667)
Corporate and other unallocated expenses							(12,950)	(16,239)
Profit/(loss) before income tax							50,367	(17,498)
Income tax (expense)/credit							(6,736)	96
Profit/(loss) for the year							43,631	(17,402)

5 OPERATING SEGMENT INFORMATION (continued)

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

	E-commerce		Distribution		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	472,530	385,429	367,263	318,829	–	307	839,793	704,565
Investments accounted for using the equity method							33,710	36,900
Financial assets at fair value through profit or loss							19,000	23,633
Investment in an insurance contract							6,835	–
Deferred income tax assets							9,205	11,897
Amounts due from related parties							9,367	4,561
Cash and cash equivalents							74,603	71,625
Corporate and other unallocated assets							19,604	28,282
Total							1,012,117	881,463

	E-commerce		Distribution		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment liabilities	(208,081)	(215,525)	(164,920)	(135,496)	–	(162)	(373,001)	(351,183)
Deferred income tax liabilities							(1,170)	(1,379)
Bank borrowings							(278,368)	(178,960)
Loan from a shareholder							(50,000)	(50,000)
Amounts due to related parties							(8)	(8)
Current tax liabilities							(5,316)	(1,104)
Corporate and other unallocated liabilities							(11,094)	(37,567)
Total							(718,957)	(620,201)

5 OPERATING SEGMENT INFORMATION (continued)

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

	E-commerce HK$'000	Distribution HK$'000	Others HK$'000	Unallocated HK$'000	Total HK$'000
2022					
Other segment information					
Depreciation of property, plant and equipment, including leasehold land	1,429	4,182	–	135	5,746
Depreciation of right-of-use assets	5,128	4,755	–	926	10,809
Amortisation of intangible assets	–	1,458	–	–	1,458
Addition to non-current assets	2,544	11,743	–	2,268	16,555
2021					
Other segment information					
Depreciation of property, plant and equipment, including leasehold land	1,345	4,125	28	67	5,565
Depreciation of right-of-use assets	2,710	6,180	–	1,062	9,952
Amortisation of intangible assets	–	1,173	–	–	1,173
Addition to non-current assets	5,545	13,584	6	2,082	21,217

5 OPERATING SEGMENT INFORMATION (continued)

(c) Geographical information

(i) Revenue from external customers

	2022 HK$'000	2021 HK$'000
Mainland China	**750,878**	558,847
Hong Kong	**321,552**	225,167
Macau	**94,592**	95,752
Singapore	**18,889**	8,925
Others	**274**	181
Total revenue from contracts with customers	**1,186,185**	888,872
Timing of revenue recognition at a point in time	**1,186,185**	888,872

The revenue above is based on the location of the customers.

(ii) Non-current assets (other than deferred income tax assets, financial instruments and investment in an insurance contract)

	2022 HK$'000	2021 HK$'000
Hong Kong	**79,388**	84,334
Macau	**43,643**	45,751
Mainland China	**10,789**	12,001
Singapore	**10,677**	9,841
Australia	**475**	774
Others	**2,453**	528
Total	**147,425**	153,229

5 OPERATING SEGMENT INFORMATION (continued)

(d) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2022 HK$'000	2021 HK$'000
E-commerce		
Customer A	**198,835**	166,983
Customer B	**204,706**	134,354
Distribution		
Customer C	**253,057**	98,974

6 REVENUE, OTHER INCOME AND OTHER LOSSES, NET

Revenue, other income and other losses, net recognised during the year are as follows:

	2022 HK$'000	2021 HK$'000
Revenue		
Sales of goods	**1,186,185**	888,872
Timing of revenue recognition		
At a point in time	**1,186,185**	888,872
Other income		
Government grants *(Note)*	**1,405**	643
Service income from a joint venture *(Note 33(a))*	**498**	1,439
Others	**1,343**	1,109
	3,246	3,191
Other losses, net		
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(4,165)**	203
Change in value of investment in an insurance contract	**(1,323)**	–
Gain on disposal of property, plant and equipment	**–**	200
Foreign exchange differences, net	**(121)**	(715)
	(5,609)	(312)

Note:

The amounts recognised were primarily related to the government subsidies granted by the Government of the Hong Kong Special Administrative Region under Employment Support Scheme and the Government of the Macau Special Administrative Region for the year ended 31 December 2022 (2021: the Government of the Macau Special Administrative Region). There were no unfulfilled conditions and other contingencies attaching to these grants.

7 FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	**8,816**	4,274
Interest on lease liabilities	**502**	594
Interest on loan from a shareholder	**2,005**	1,393
	11,323	6,261

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses are analysed as follows:

	2022 HK$'000	2021 HK$'000
Cost of inventories sold (including write down of inventories of HK$5,132,000 (2021: HK$10,461,000))	**924,647**	737,171
Depreciation of property, plant and equipment, including leasehold land *(Note 13)*	**5,746**	5,565
Depreciation of right-of-use assets *(Note 14)*	**10,809**	9,952
Amortisation of intangible assets *(Note 15)*	**1,458**	1,173
Remuneration to the Company's auditor		
– Group annual audit services	**2,200**	2,100
– Non-audit services	**33**	–
Employee benefit expenses *(Note 9)*	**53,674**	53,354
Expenses under short-term leases	**1,892**	4,073
Impairment of intangible assets	**–**	999
Advertising fee	**40,607**	29,280
Service expense to a joint venture *(Note 33(a))*	**22,347**	11,636

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 HK$'000	2021 HK$'000
Wages, salaries and bonus	**45,460**	45,001
Pension costs	**4,283**	4,227
Share-based payment expenses	**3,931**	4,126
	53,674	53,354

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2022 included one director (2021: same), details of whose remuneration are set out in note 34. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and benefits in kind	**5,093**	4,464
Pension scheme contributions	**72**	72
Share-based payment expenses	**1,454**	864
	6,619	5,400

The number of non-director, non-chief executive and highest paid employees whose remuneration fell within the following bands is as follows:

	2022 HK$'000	2021 HK$'000
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**2**	2

During the year ended 31 December 2022, no remuneration was paid by the Group to any of the non-director, non-chief executive and highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2021: same).

10 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax and PRC enterprise income tax have been provided at the rate of 16.5% (2021: 16.5%) and 25% (2021: 25%) on the estimated assessable profits for the year ended 31 December 2022 respectively. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2022 HK$'000	2021 HK$'000
Current income tax		
– Hong Kong	4,267	22
– PRC	–	1,099
– Others	833	965
Overprovision in prior years	(847)	–
Total current income tax	4,253	2,086
Deferred income tax	2,483	(2,182)
Total tax expense/(credit) for the year	6,736	(96)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate is as follows:

	2022 HK$'000	2021 HK$'000
Profit/(loss) before tax	50,367	(17,498)
Tax at the statutory tax rate at 16.5%	8,311	(2,887)
Effect of tax rate differences in other jurisdictions	(323)	2,443
Income not subject to tax	(1,289)	(133)
Expenses not deductible for tax	355	420
Tax loss not recognised	427	151
Overprovision in prior years	(847)	–
Others	102	(90)
Tax expense/(credit)	6,736	(96)

11 EARNINGS/(LOSSES) PER SHARE

Basic

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

	Year ended 31 December	
	2022	2021
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**43,750**	(18,816)
Weighted average number of ordinary shares in issue (in thousands)	**780,821**	780,000
Basic earnings/(losses) per share (HK cents)	**6**	(2)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one (2021: one) category of potentially dilutive ordinary shares: share awards (2021: same). For the share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the year) based on the monetary value of the outstanding share awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share awards.

11 EARNINGS/(LOSSES) PER SHARE (continued)

Diluted (continued)

For the year ended 31 December 2022, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the Company and the adjusted weighted average number of ordinary shares outstanding assuming the conversion of all potentially dilutive ordinary shares, which was calculated as follows:

	Year ended 31 December 2022
Profit attributable to equity holders of the Company (HK$'000)	43,750
Weighted average number of ordinary shares in issue (in thousands)	780,821
Adjustment for share awards (in thousands)	4,013
Weighted average number of ordinary shares in issues for diluted earnings per share (in thousands)	784,834
Diluted earnings per share (HK cents)	6

For the year ended 31 December 2021, the diluted losses per share was the same as the basic losses per share as the share awards would result in antidilutive impact to the basic losses per share.

12 DIVIDEND

	2022 HK$'000	2021 HK$'000
Proposed dividend:		
Final dividend in respect of the year ended 31 December 2022		
– HK3 cents per ordinary share	24,000	–

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2021						
Cost	64,229	6,963	2,988	472	1,902	76,554
Accumulated depreciation	(5,809)	(3,900)	(1,588)	(256)	(1,730)	(13,283)
Net book amount	58,420	3,063	1,400	216	172	63,271
Year ended 31 December 2021						
Opening net book amount	58,420	3,063	1,400	216	172	63,271
Additions	–	6,338	1,106	470	–	7,914
Depreciation *(Note 8)*	(2,569)	(2,063)	(702)	(122)	(109)	(5,565)
Exchange realignment	–	45	9	(1)	–	53
Closing net book amount	55,851	7,383	1,813	563	63	65,673
At 31 December 2021						
Cost	64,229	13,361	4,102	941	1,902	84,535
Accumulated depreciation	(8,378)	(5,978)	(2,289)	(378)	(1,839)	(18,862)
Net book amount	55,851	7,383	1,813	563	63	65,673
Year ended 31 December 2022						
Opening net book amount	55,851	7,383	1,813	563	63	65,673
Additions	–	913	531	11	–	1,455
Depreciation *(Note 8)*	(2,569)	(2,309)	(642)	(163)	(63)	(5,746)
Exchange realignment	–	(370)	(55)	(3)	–	(428)
Closing net book amount	53,282	5,617	1,647	408	–	60,954
At 31 December 2022						
Cost	64,229	13,837	4,550	949	1,902	85,467
Accumulated depreciation	(10,947)	(8,220)	(2,903)	(541)	(1,902)	(24,513)
Net book amount	53,282	5,617	1,647	408	–	60,954

Depreciation expense of HK$5,108,000 and HK$638,000 (2021: HK$4,927,000 and HK$638,000) has been charged to general and administrative expense and selling and distribution expense, respectively.

At 31 December 2022, certain of the Group's property, plant and equipment with a net carrying value of approximately HK$53,282,000 (2021: HK$55,851,000), were pledged to secure bank loans granted to the Group (Note 26).

14 LEASES

The Group as a lessee

The Group has lease contracts mainly for buildings. Leases of buildings generally have lease terms between 1 and 4 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets excluding leasehold land and the movements during the year are as follows:

	HK$'000
As at 1 January 2021	15,266
Additions	3,769
Depreciation charge *(Note 8)*	(9,952)
Exchange realignment	306
As at 31 December 2021 and 1 January 2022	**9,389**
Additions	**15,100**
Depreciation charge *(Note 8)*	**(10,809)**
Exchange realignment	**(579)**
As at 31 December 2022	**13,101**

Depreciation of HK$4,600,000 (2021: HK$4,444,000) and HK$6,209,000 (2021: HK$5,508,000) have been charged to general and administrative and selling and distribution expenses, respectively.

The total cash outflow for leases during the year ended 31 December 2022 was HK$13,753,000 (2021: HK$15,058,000), including the payment of principal elements, interest elements of lease liabilities and expenses under short-term leases (Note 8) amounted to HK$11,359,000 (2021: HK$10,391,000) (Note 32(c)), HK$502,000 (2021: HK$594,000) and HK$1,892,000 (2021: HK$4,073,000), respectively.

14 LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

In addition to the right-of use assets disclosed above, the carrying amount of the Group's right-of-use assets included leasehold land and buildings as disclosed in note 13 and the movements during the year are as follows:

	Leasehold land HK$'000
Carrying amount at 1 January 2021	48,139
Depreciation	(2,117)
Carrying amount at 31 December 2021 and 1 January 2022	**46,022**
Depreciation	**(2,117)**
Carrying amount at 31 December 2022	**43,905**

No cash outflows with respect to leasehold land for the year ended 31 December 2022 (2021: same).

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 HK$'000	2021 HK$'000
As at 1 January	**10,121**	16,455
Additions	**15,100**	3,769
Accretion of interest recognised during the year	**502**	594
Payments	**(11,861)**	(10,985)
Exchange realignment	**(632)**	288
As at 31 December	**13,230**	10,121

14 LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The lease liabilities based on their maturities are as follows:

	2022 HK$'000	2021 HK$'000
Analysed into:		
Within one year	10,220	6,503
In the second year	2,182	3,618
In the third to fifth years, inclusive	828	–
	13,230	10,121

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets-buildings *(Note 14)*	10,809	9,952
Interest on lease liabilities *(Note 7)*	502	594
Expenses under short-term leases *(Note 8)*	1,892	4,073
	13,203	14,619

(d) Extension options

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

15 INTANGIBLE ASSETS

	Goodwill HK$'000 *(Note a)*	Exclusive distribution rights HK$'000 *(Note b)*	Customer relationships and supplier relationships HK$'000 *(Note b)*	Others HK$'000	Total HK$'000
At 31 December 2020 and 1 January 2021	26,139	5,622	–	999	32,760
Acquisition of a subsidiary	4,639	–	4,895	–	9,534
Impairment during the year	–	–	–	(999)	(999)
Amortisation during the year *(Note 8)*	–	(969)	(204)	–	(1,173)
At 31 December 2021 and 1 January 2022	**30,778**	**4,653**	**4,691**	**–**	**40,122**
Amortisation during the year *(Note 8)*	**–**	**(969)**	**(489)**	**–**	**(1,458)**
At 31 December 2022	**30,778**	**3,684**	**4,202**	**–**	**38,664**

Impairment testing of goodwill

Notes:

(a) Goodwill allocated to individual CGU

The relevant goodwill is allocated to the respective groups of CGUs, which represent the lowest level within the Group at which the relevant goodwill is monitored for internal management purposes.

As at 31 December 2022, the Group's goodwill of HK$26,139,000 and HK$4,639,000 are attributable to the acquisition of Jefferine Macau Limited ("Jefferine") and Fu Qing Chinese Medical Trading Pte. Ltd. ("Fu Qing"), respectively (2021: same).

The recoverable amounts of CGUs are determined based on value in use calculations. The calculations are performed by an external valuer by using pre-tax cash flow projection based on financial budgets approved by management covering a five-year period. Thereafter, the cash flows are extrapolated using the terminal growth rates not exceeding the long-term average growth rate of the country in which the CGU operates.

15 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill (continued)

Notes: (continued)

(a) Goodwill allocated to individual CGU (continued)

Impairment test for goodwill arising from acquisition of Jefferine

The key assumptions are as follows:

	2022	2021
Sales growth rate	**4.2%**	3.4%
Gross profit margin	**16.8%**	16.1%
Discount rate	**20.2%**	22.4%

In the opinion of the Company's directors, any reasonably possible change in any of these assumptions would not cause the CGU's recoverable amount to fall below its carrying amount.

Impairment test for goodwill arising from acquisition of Fu Qing

The key assumptions are as follows:

	2022	2021
Sales growth rate	**8.3%**	7.1%
Gross profit margin	**23.1%**	21.7%
Discount rate	**15.3%**	14.2%

In the opinion of the Company's directors, any reasonably possible change in any of these assumptions would not cause the CGU's recoverable amount to fall below its carrying amount.

(b) Amortisation of HK$1,458,000 (2021: HK$1,173,000) has been charged to general and administrative expenses.

16 SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation and kind of legal entity	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2022 Direct %	2022 Indirect %	2021 Direct %	2021 Indirect %	Principal activities and place of operation
Tycoon Asia Pacific Group Limited	Hong Kong, limited liability company	HK$10,000 ordinary	–	100	–	100	Distribution business in Hong Kong and e-commerce business in Mainland China
Tycoon Global Limited	Hong Kong, limited liability company	HK$10,000 ordinary	–	100	–	100	Distribution business in Hong Kong
Tycoon (Shenzhen) E-commerce Company Limited	The PRC, limited liability company	HK$6,000,000	–	100	–	100	Provision of operational and marketing support in Mainland China
Fu Qing Chinese Medical Trading Pte. Ltd.	Singapore, limited liability company	Singapore dollars 1,680,000 ordinary	–	100	–	100	Distribution and retail business in Singapore
Tycoon Asia Pacific Group (Macau) Company Limited	Macau, limited liability company	Macau Pataca ("MOP") 25,000 ordinary	–	100	–	100	Distribution and retail business in Macau
Jefferine Macau Limited	Macau, limited liability company	MOP25,000 ordinary	–	100	–	80	Distribution business in Macau
Billion Crown (China) Limited	Hong Kong, limited liability company	HK$1 ordinary	–	100	–	100	E-commerce business in Mainland China

16 SUBSIDIARIES (continued)

(a) Partly-owned subsidiaries with material non-controlling interests

Transaction with non-controlling interests

On 1 April 2022, the Group acquired an additional 20% of the issued shares of Jefferine for HK$9,360,000. Immediately prior to the purchase, the carrying amount of the existing 20% non-controlling interest in Jefferine was HK$1,762,000. The Group recognised a decrease in non-controlling interests of HK$1,762,000 and a decrease in equity attributable to the Company's equity holders of HK$8,066,000. The effect on the equity attributable to Jefferine's equity holders during the year is summarised as follows:

	2022 HK$'000
Consideration payable to non-controlling interests	**9,360**
Carrying amount of call option terminated	**468**
	9,828
Carrying amount of non-controlling interests acquired	**(1,762)**
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**8,066**

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2021
Percentage of equity interest held by non-controlling interests:	
– Jefferine	20%
Profit for the year allocated to non-controlling interests (in HK$'000):	
– Jefferine	1,414
Accumulated balances of non-controlling interests at the reporting date (HK$'000):	
– Jefferine	3,344

16 SUBSIDIARIES (continued)

(a) Partly-owned subsidiaries with material non-controlling interests (continued)

The following table illustrates the summarised financial information of Jefferine for the year ended 31 December 2021. The amounts disclosed are before any inter-company eliminations:

	2021 HK$'000
Revenue	73,901
Total expenses	(66,828)
Profit	7,073
Total comprehensive income	7,073
Current assets	28,541
Non-current assets	5,007
Current liabilities	(16,181)
Non-current liabilities	(645)
Net cash flows used in operating activities	(1,892)
Net cash flows used in financing activities	(2,525)
Net decrease in cash and bank balances	(4,417)

The non-controlling interest as at 31 December 2022 is not material.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 31 December 2022, the Group's investments accounted for using the equity method represent the investments in Hong Ning Hong Limited ("**HNH**"), Fancy Summit Inc. and Five Ocean Inc.. They have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of company	Place of incorporation and operation	Percentage of ownership interest attributable to the Group 2022	2021	Nature of relationship	Principal activities	Measurement method
HNH *(Note a)*	Hong Kong	**49%**	49%	Associated company	Retail and distribution of pharmaceutical products and proprietary medicine	Equity method
Five Ocean Inc. *(Note b)*	The BVI	**50%**	50%	Joint venture	Provision of marketing and promotion services	Equity method
Fancy Summit Inc. *(Note b)*	The BVI	**50%**	50%	Joint venture	Investment holdings	Equity method

Note a:

The following table illustrates the summarised financial information in respect of HNH:

	2022 HK$'000	2021 HK$'000
Current assets	**75,017**	61,827
Non-current assets	**69**	165
Current liabilities	**(67,131)**	(47,527)
Net assets	**7,955**	14,465
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate, excluding goodwill	**3,898**	7,088
Goodwill on acquisition	**29,812**	29,812
Carrying amount of the investment	**33,710**	36,900
Revenue	**176,749**	188,990
Loss for the year	**(6,510)**	(6,012)

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Note a: (continued)

At 31 December 2022, all of the Group's shares in HNH were pledged to secure a loan from a shareholder granted to the Group (2021: same) (Note 27). There are no contingent liabilities and commitments to provide funding relating to the Group's interests in HNH. HNH is a private company and there is no quoted market price available for its shares.

The Group's balances with HNH are disclosed in Note 33(b) to the consolidated financial statements.

Impairment test for investment in HNH

The key assumptions are as follows:

	2022	2021
Sales growth rate	10.7%	12.5%
Gross profit margin	7.8%	6.8%
Discount rate	15.8%	11.9%

Note b:

In addition to the investment in HNH disclosed above, the Group also has interests in individually immaterial joint ventures that are accounted for using the equity method.

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individually immaterial joint ventures	–	–
Aggregate amounts of the Group's share of:		
– Loss from continuing operations	–	(508)

As of 31 December 2022, the Group's share of loss of the joint ventures exceeded its interests in their equity. The accumulated unrecognised share of loss of the interest in the joint ventures was HK$7,120,000 (2021: HK$3,993,000).

The Group's balance with the joint ventures are disclosed in Note 33(b) to the consolidated financial statements.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Listed equity investment in Hong Kong *(Note a)*	**19,000**	20,600
Contingent consideration receivable *(Note b)*	**–**	2,565
Call option *(Note c)*	**–**	468
	19,000	23,633

Notes:

(a) Pursuant to the subscription agreement dated 27 July 2020 entered into among the Group, JBM Group (BVI) Limited and JBM (Healthcare) Limited (a subsidiary of Jacobson Pharma, "JBM Healthcare", together with its subsidiaries, the "JBM Group"), the Group subscribed 20,000,000 shares of JBM Healthcare. JBM Healthcare was then listed on the Main Board of the Stock Exchange on 5 February 2021.

(b) The contingent consideration receivables represent the shortfall compensation the Group is entitled to receive from the former owner of Jefferine, a subsidiary of the Group, in the event that its actual aggregate profit for the year ended 31 December 2021 and 2022 is lower than HK$14,000,000, up to a maximum undiscounted amount of HK$15,000,000. There is no minimum amount payable. The actual aggregated profit exceeded HK$14,000,000 for the year ended 31 December 2021 and 2022. No compensation was entitled by the Group. Fair value loss amounting to HK$2,565,000 (2021: HK$25,000) was recognised in the profit or loss for the year ended 31 December 2022 (Note 6).

(c) The call option represents a right to purchase the remaining 20% of the equity interest in Jefferine, at a purchase price of HK$9,360,000. Pursuant to the original agreement, the exercise period of this option should commence from the day that the audited financial statements of Jefferine for the year ending 31 December 2022 are made available to the Group and up to 31 December 2023. On 1 April 2022, the Group negotiated and agreed with the former owner of Jefferine to terminate the call option and to enter into a sales and purchase agreement to acquire the remaining equity interest at the same purchase price (Note 16). Jefferine became a wholly owned subsidiary of the Group thereafter.

As a result of this transaction, the Group recognised a decrease in non-controlling interests of HK$1,762,000 and a debit of HK$8,066,000 was recognised in other reserve with equity. HK$7,000,000 of the purchase price was settled during the year and the remaining balance of HK$2,360,000 would be settled by 31 December 2023. The outstanding balance was recognised as an other payable in the consolidated statement of financial position as at 31 December 2022.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Prepayments	**86,310**	71,738
Deposits	**16,461**	15,536
Other receivables	**45,876**	22,204
	148,647	109,478
Less: Prepayments and deposits classified as non-current assets	**(996)**	(1,145)
	147,651	108,333

Prepayments, deposits and other receivables mainly represent rental deposits and prepayment to suppliers. As at 31 December 2022, included in deposits was HK$579,000 (2021: HK$579,000) for rental deposits placed with Mr. Wong Ka Chun, Michael, the controlling shareholder of the Company (the "**Controlling Shareholder**") in relation to leasing properties from the Controlling Shareholder for warehouse and carpark uses (Note 33(a)).

20 INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	**341,818**	303,214

During the year ended 31 December 2022, the Group has written down inventories of HK$5,132,000 (2021: HK$10,461,000) in the consolidated statement of profit or loss and other comprehensive income, which includes provision for inventories of HK$464,000 (2021: HK$4,686,000).

21 AMOUNTS DUE FROM/(TO) RELATED PARTIES

(a) Amounts due from related parties

As at 31 December, 2022, the balance represents amounts due from Hong Kong Han Lam Tong Medicine Limited ("**Han Lam Tong**"), a wholly-owned subsidiary of HNH of HK$486,000 (2021: HK$297,000), joint ventures of HK$8,858,000 (2021: HK$4,248,000) and the Controlling Shareholder of HK$23,000 (2021: HK$16,000), which are unsecured, interest free and repayable on demand. The maximum amounts outstanding during the year for the amounts due from an associate, joint ventures and the Controlling Shareholder were HK$486,000, HK$8,858,000 and HK$23,000, respectively.

(b) Amounts due to the related parties

As at 31 December 2022, the balance represents amount due to a joint venture of HK$8,000 (2021: HK$8,000).

22 TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**256,213**	204,971

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 30 to 120 days. Each customer has a maximum credit limit and the credit limit is reviewed regularly. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Included in the Group's trade receivables were amounts due from related parties of the Group of HK$17,900,000 (2021: HK$14,579,000) as at 31 December 2022 (Note 33(b)).

An ageing analysis of the trade receivables based on the invoice date is as follows:

	2022 HK$'000	2021 HK$'000
Trade receivables:		
Within 90 days	**202,101**	172,629
91 to 180 days	**29,587**	25,912
Over 180 days	**24,525**	6,430
	256,213	204,971

23 CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents	**74,603**	71,625

The Group's cash and cash equivalents with banks in the PRC as at 31 December 2022 amounted to approximately HK$2,173,000 (2021: HK$11,566,000), where the remittance of funds is subject to foreign exchange control.

24 TRADE PAYABLES

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

	2022 HK$'000	2021 HK$'000
Within 30 days	**140,208**	60,543
31 to 60 days	**48,099**	88,264
61 to 120 days	**42,731**	112,385
Over 120 days	**71,726**	45,445
	302,764	306,637

Trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 120 days.

Included in the Group's trade payables were amounts due to related parties of the Group of HK$117,857,000 (2021: HK$190,895,000) as at 31 December 2022 (Note 33(b)).

25 OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Accruals	**24,204**	27,959
Refund liabilities	**12,824**	10,275
Interest payables	**804**	334
Receipt in advance *(Note)*	**1,271**	14,557
Other payables	**28,998**	18,867
	68,101	71,992

Note:

Revenue recognised during the year ended 31 December 2022 that was included in the receipt in advance balance at the beginning of the year amounted to approximately HK$14,557,000 (2021: HK$3,437,000). The Group expects to deliver the goods to satisfy the remaining performance obligations of these receipt in advance within one year or less.

26 BANK BORROWINGS

	As at 31 December 2022		As at 31 December 2021	
	Contractual interest rate (%)	HK$'000	Contractual interest rate (%)	HK$'000
Current				
Bank loans – secured	Prime-1.25 to HIBOR + 3.25	84,135	Prime-2.75 to HIBOR + 3.25	97,072
Bank loans – secured	4.00	378	4.00	1,025
Bank loans – unsecured	HIBOR + 2.40	39,000	HIBOR + 2.40	39,000
Invoice financing loans – secured	HIBOR + 1.20 to HIBOR + 3.00	154,855	HIBOR + 1.20 to HIBOR + 2.50	41,863
Total		278,368		178,960
Analysis into:				
Bank loans repayable:				
On demand		278,368		178,960

At 31 December 2022 and 2021, the Group's bank borrowings were secured by:

(a) Mortgages over the properties owned by the Group situated in Hong Kong and Macau (Note 13);

(b) Guarantees provided by the Controlling Shareholder of HK$6,000,000 (2021: HK$6,000,000);

(c) Guarantees provided by the Company of HK$166,363,000 (2021: HK$120,416,000); and

(d) Investment in an insurance contract of HK$6,835,000 (Note 31) (2021: Nil).

Except for the Group's bank borrowings of HK$9,217,000 (2021: HK$10,318,000) as at 31 December 2022, that were denominated in MOP, the Group's bank borrowings are all denominated in HK$.

27 LOAN FROM A SHAREHOLDER

The balance is a loan from a wholly-owned subsidiary of Jacobson Pharma, a shareholder of the Company. As at 31 December 2022 and 2021, the balance was secured by all shares in HNH held by the Group (Note 17), with interest bearing at HIBOR + 2.5% per annum and was repayable on 31 March 2023.

28 DEFERRED TAX

Deferred tax liabilities

The deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of intangible assets HK$'000
At 1 January 2021	778
Acquisition of a subsidiary	832
Credited to profit or loss during the year	(231)
At 31 December 2021 and 1 January 2022	**1,379**
Credited to profit or loss during the year	**(209)**
As at 31 December 2022	**1,170**

As at 31 December 2022, deferred income tax liabilities have not been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of the PRC subsidiaries of the Group amounting to approximately HK$2,211,000 (2021: HK$2,499,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28 DEFERRED TAX (continued)

Deferred tax assets

The deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses and others HK$'000
At 1 January 2021	9,946
Credited to profit or loss during the year	1,951
As at 31 December 2021 and 1 January 2022	**11,897**
Debited to profit or loss during the year	**(2,692)**
As at 31 December 2022	**9,205**

Deferred tax assets are mainly recognised for the tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

The Group had unrecognised tax losses of approximately HK$4,791,000 (2021: HK$2,939,000) as at 31 December 2022 to offset against future taxable profits. Tax losses amounting to HK$3,352,000 (2021: HK$2,795,000) have no expiry dates. The remaining tax losses will expire in 2026 and 2027 (2021: 2026).

29 ISSUED CAPITAL

Shares

	2022 HK$'000	2021 HK$'000
Issued and fully paid:		
800,000,000 (2021: 800,000,000) ordinary shares of HK$0.01 each	8,000	8,000

The movements in share capital were as follows:

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

30 SHARE-BASED COMPENSATION

(a) Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the shareholders' written resolution passed on 23 March 2020. The purposes of the Share Option Scheme are to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Eligible persons include (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; (b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The initial total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares in issue on the listing date. The total number of shares issued and which may fall to be issued upon exercise of the options to be granted under the Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted to such participant must be fixed before shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the Listing Rules.

30 SHARE-BASED COMPENSATION (continued)

(a) Share option scheme (continued)

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee. The period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for shares under the Share Option Scheme will be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK$1.0 is payable on acceptance of the grant of an option.

No share options were granted, exercised or cancelled under the Share Option Scheme during the current and prior year.

No Share option was outstanding under the Share Option Scheme as at 31 December 2022 and 2021.

(b) Share award scheme

On 25 May 2020, the board of directors of the Company adopted a share award scheme as means to recognise the contributions by certain eligible persons and giving incentives thereto in order to retain them for the continuing operation and development of the Group and attract suitable personnel for further development of the Group (the "**Share Award Scheme**").

30 SHARE-BASED COMPENSATION (continued)

(b) Share award scheme (continued)

Subject to any early termination as may be determined by the Board in accordance with the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on 25 May 2020 (the "**Adoption Date**"), provided that no further settlement of the reference amount ("**Reference Amount**") shall be made by the Company on or after the 10th anniversary of the Adoption Date. Subject to compliance with all applicable laws, codes or regulations including without limitation those imposed by the Listing Rules from time to time, the Board shall cause the Company to instruct the trustee (the "**Trustee**") to purchase the awarded shares. In each case, the purchase shall be made on the open market with the Reference Amount from the funds of the Group. The shares purchased shall be held by the Trustee until they are vested in the selected grantees. The Trustee shall not exercise any voting rights in respect of any shares held under the trust.

The aggregate number of shares to be awarded pursuant to the Share Award Scheme shall not exceed 5% of the total issued share capital of the Company as at the Adoption Date (i.e. 40,000,000 shares). The maximum number of shares which may be awarded to a selected grantee at any one time shall not exceed 0.50% of the total number of issued shares as at the Adoption Date. If and whenever there shall be an alteration to the nominal value of the shares as a result of consolidation or subdivision ("**Capital Reorganisation**") and the effective date of such Capital Reorganisation falls on a day when the Share Award Scheme remains in effect, the maximum number of the shares referred to above shall be adjusted proportionally. Such adjustment shall automatically become effective on the date on which the Capital Reorganisation takes effect.

Awarded shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the grant of the award and on each relevant vesting date an eligible person and the transfer documents and any other relevant documents as prescribed by the Trustee to effect the transfer have been duly executed by the selected grantee.

30 SHARE-BASED COMPENSATION (continued)

(b) Share award scheme (continued)

During the year ended 31 December 2021, 10,348,000 awarded shares have been granted for the selected grantees under the Share Award Scheme, of which 984,000 awarded shares have been forfeited for the year. These shares had a grant date fair value of HK$1.58, which was the closing price of the Company's shares trading on the Hong Kong Stock Exchange on the grant date. These awarded shares shall vest within one to five years from the grant date.

During the year ended 31 December 2022, no awarded shares have been granted for the selected grantees under the Share Award Scheme. 530,000 awarded shares have been forfeited for the year.

Movements in the number of awarded shares outstanding are as follows:

	2022 Share awards (thousands)	2021 Share awards (thousands)
At 1 January	**9,364**	–
Granted	**–**	10,348
Vested	**(1,090)**	–
Forfeited	**(530)**	(984)
At 31 December	**7,744**	9,364

During the year ended 31 December 2022, share-based payment expense of HK$3,931,000 (2021: HK$4,126,000) (Note 9) was recognised in the consolidated statement of profit or loss and other comprehensive income and was credited in equity.

31 OTHER NON-CURRENT ASSET

	HK$'000
Balance as at 1 January 2022	**–**
Addition	**8,158**
Net decrease in cash surrender value	**(1,323)**
Balance as at 31 December 2022	**6,835**

Other non-current asset represents an investment in a life insurance product acquired for the Controlling Shareholder, for the purpose of pledging of bank borrowings of HK$29,296,000 (Note 26). Decrease in the cash surrender value of HK$1,323,000 was recognised in the profit or loss for the year ended 31 December 2022 (Note 6).

32 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit/(loss) before income tax to cash used in operations

	Notes	2022 HK$'000	2021 HK$'000
Cash flow used in operating activities			
Profit/(loss) before income tax		50,367	(17,498)
Adjustments for:			
Finance costs	7	11,323	6,261
Share of results of investments accounted for using the equity method		3,190	3,454
Finance income		(42)	(6)
Depreciation of property, plant and equipment, including leasehold land	8	5,746	5,565
Depreciation of right-of-use assets	8	10,809	9,952
Amortisation of intangible assets	8	1,458	1,173
Impairment of intangible assets	8	–	999
Share-based payment expenses	9	3,931	4,126
Gain on disposal of property, plant and equipment	6	–	(200)
Fair value loss/(gain) on financial assets at fair value through profit or loss	6	4,165	(203)
Change in value of investment in an insurance contract	31	1,323	–
Write down of inventories	8	5,132	10,461
		97,402	24,084
Changes in working capital:			
Increase in inventories		(43,736)	(178,998)
Increase in trade receivables		(51,242)	(80,251)
Increase in prepayments, deposits and other receivables		(39,169)	(43,452)
(Decrease)/increase in trade payables		(3,873)	240,153
(Decrease)/increase in other payables and accruals		(6,721)	19,751
Decrease in amounts due from related parties		(4,806)	(2,650)
Decrease in amounts due to related parties		–	(988)
		(52,145)	(22,351)

32 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Proceeds from sales of property, plant and equipment

In the consolidated statement of cash flow, proceeds from sales of property, plant and equipment comprise:

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Net book amount	–	–
Gain on disposals of property, plant and equipment, net	–	200
Proceeds from sales of property, plant and equipment	–	200

(c) Changes in liabilities arising from financing activities

	Other payables and accruals HK$'000	Loan from a shareholder HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2022	334	50,000	178,960	10,121
Changes from financing cash flows				
Interest paid	(10,351)	–	–	(502)
New bank loans	–	–	439,954	–
Repayment of bank loans	–	–	(340,546)	–
Repayment of loan from a shareholder	–	(100,000)	–	–
Proceeds from loan from a shareholder	–	100,000	–	–
Principal elements of lease payments	–	–	–	(11,359)
Other changes				
Interest expenses	10,821	–	–	502
Additions to lease liabilities *(Note 14)*	–	–	–	15,100
Exchange realignment	–	–	–	(632)
At 31 December 2022	804	50,000	278,368	13,230

32 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Changes in liabilities arising from financing activities (continued)

	Other payables and accruals HK$'000	Loan from a shareholder HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2021	96	50,000	131,865	16,455
Changes from financing cash flows				
Interest paid	(5,429)	–	–	(594)
New bank loans	–	–	219,131	–
Repayment of bank loans	–	–	(172,036)	–
Repayment of loan from a shareholder	–	(100,000)	–	–
Proceeds from loan from a shareholder	–	100,000	–	–
Principal elements of lease payments	–	–	–	(10,391)
Other changes				
Interest expenses	5,667	–	–	594
Additions to lease liabilities *(Note 14)*	–	–	–	3,769
Exchange realignment	–	–	–	288
At 31 December 2021	334	50,000	178,960	10,121

33 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions.

	Notes	2022 HK$'000	2021 HK$'000
Sale of products:			
Associate:			
– Han Lam Tong	*(i)*	**19,489**	29,578
Shareholders:			
– China Resources Pharmaceutical Group Limited ("**CR Pharmaceutical**") and its subsidiaries (together, the "**CR Pharmaceutical Group**")	*(ii)*	**6,045**	18,385
Companies controlled by the Controlling Shareholder:	*(iii)*		
– Talent Smart Holdings Limited and its subsidiaries ("**Talent Smart Group**")		**356**	–
Purchase of products:			
Associate:			
– Han Lam Tong	*(i)*	**16,916**	15,272
Shareholders:			
– The CR Pharmaceutical Group	*(ii)*	**267,559**	296,345
Companies controlled by the Controlling Shareholder:	*(iii)*		
– Talent Smart Group		**4,180**	–
– TJ-TYT Pharmaceutical (M) Sdn. Bhd, ("**TJ-TYT**")		**592**	–
Service expense:			
Joint venture:			
– JMM Healthcare Limited ("**JMM**")	*(iv)*	**22,347**	11,636
Service Income:			
Joint venture:			
– JMM	*(v)*	**498**	1,439
Payments made on behalf of:			
Associate:			
– Han Lam Tong	*(vi)*	**669**	262
Joint ventures:			
– JMM	*(vi)*	**3,308**	5,594
– Fancy Summit Inc. and its subsidiaries	*(vi)*	**35**	45

33 RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

During the year, the Group leased properties from the Controlling Shareholder for warehouse and carpark use. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Right-of-use assets of HK$3,374,000 (2021: HK$223,000) and lease liabilities of HK$3,425,000 (2021: HK$227,000) in respect of the leases were recognised in the consolidated statement of financial position as at 31 December 2022.

During the year, depreciation of right-of-use assets of HK$3,597,000 (2021: HK$3,275,000) and an interest expense on the lease liabilities of HK$152,000 (2021: HK$82,000) was charged to the consolidated statement of profit or loss and other comprehensive income.

Notes:

(i) The sales to and purchase from Han Lam Tong were made at a mutually agreed price.

(ii) Sales to and purchase of products from CR Pharmaceutical Group were transacted pursuant to the terms and conditions set out in the master agreement entered into by the Company and CR Pharmaceutical Group on 1 January 2020. The terms and conditions of the master agreement were renewed on 8 February 2021 and 27 August 2021. These transactions were continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules as detailed in the section headed “Non-Exempt Continuing Connected Transactions” in the Directors’ Report in respect of these transactions.

(iii) Sales to and purchase of products from Talent Smart Group and TJ-TYT were transacted pursuant to the terms and conditions set out in the master agreements entered into by the Company, Talent Smart Group and TJ-TYT on 1 July 2022. These transactions were continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules as detailed in the section headed “Non-Exempt Continuing Connected Transactions” in the Directors’ Report in respect of these transactions.

(iv) Service expense to JMM, a wholly owned subsidiary of Five Ocean, a joint venture of the Company, were transacted pursuant to the terms and conditions set out in the service agreement entered into by the Company and JMM on 8 April 2021.

(v) Service income from JMM was charged at a rate mutually agreed between the two parties.

(vi) The amounts represent expenses paid on behalf of the related parties during the year ended 31 December 2022 and 2021.

33 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Notes	2022 HK$'000	2021 HK$'000
Trade receivables			
Trade receivables due from			
– The CR Pharmaceutical Group	*(i)*	1,849	6,929
– Han Lam Tong	*(ii)*	15,766	7,650
– Talent Smart Group	*(iii)*	285	–
		17,900	14,579
Amounts due from			
– Han Lam Tong	*(ii)*	486	297
– Joint ventures	*(ii)*	8,858	4,248
– The Controlling Shareholder	*(ii)*	23	16
		9,367	4,561
Trade payables			
Trade payables due to			
– The CR Pharmaceutical Group	*(i)*	96,766	185,055
– Han Lam Tong	*(ii)*	17,098	5,840
– Talent Smart Group	*(iii)*	3,424	–
– TJ-TYT	*(iii)*	569	–
		117,857	190,895
Amounts due to			
– Joint venture	*(ii)*	8	8
		8	8

Notes:

(i) As at 31 December 2022, the balances with the CR Pharmaceutical Group are unsecured, interest-free and repayable on demand (2021: same).

(ii) As at 31 December 2022, these balances are unsecured, interest-free and repayable on demand (2021: same).

(iii) As at 31 December 2022, these balances are unsecured, interest-free and repayable on demand.

(c) The compensation of key management personnel of the Group during the year is disclosed in note 9 to the consolidated financial statements.

34 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 HK$'000	2021 HK$'000
Fees	480	452
Other emoluments:		
Salaries, allowances and benefits in kind	2,990	1,300
Pension scheme contributions (defined contribution scheme)	18	36
	3,008	1,336
	3,488	1,788

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 HK$'000	2021 HK$'000
Mr. Wong Yuk Woo Louis (resigned on 17 December 2021)	–	115
Mr. Chung Siu Wah	120	120
Ms. Chan Ka Lai Vanessa	120	120
Mr. Mak Chung Hong (appointed on 17 December 2021)	120	5
	360	360

During the year ended 31 December 2022, none of the independent non-executive directors waived emoluments (2021: None).

There were no other emoluments payable to the independent non-executive directors during the year (2021: No).

34 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2022				
Executive director and Chairman				
Mr. Wong Ka Chun, Michael	120	2,990	18	3,128
Non-executive directors				
Ms. Chong Yah Lien	120	–	–	120
Mr. Yao Qingqi (resigned on 18 July 2022)	–	–	–	–
Mr. Cao Weiyong (appointed on 18 July 2022)	–	–	–	–
Ms. Li Ka Wa Helen	120	–	–	120
Mr. Lau Ka On David	120	–	–	120
	480	2,990	18	3,488

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2021				
Executive director and Chairman				
Mr. Wong Ka Chun, Michael	130	1,300	36	1,466
Non-executive directors				
Ms. Chong Yah Lien	120	–	–	120
Mr. Yao Qingqi	–	–	–	–
Mr. Ng Wang Yu Gary (resigned on 7 May 2021)	42	–	–	42
Ms. Li Ka Wa Helen	120	–	–	120
Mr. Lau Ka On David (appointed on 1 September 2021)	40	–	–	40
	452	1,300	36	1,788

34 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

During the year ended 31 December 2022, two (2021: one) of the directors waived emoluments in aggregate of HK$120,000 (2021: HK$120,000).

The emoluments of the executive Director shown above were for his services in connection with the management of the affairs of the Group. The non-executive Directors' emoluments shown above were for their services as Directors of the Company. All of their emoluments disclosed above include those for services rendered by them in such roles.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: same).

35 EVENTS OCCURRED AFTER THE END OF REPORTING PERIOD

(a) Proposed acquisition of 12% equity interest of HNH

On 17 February 2023, Million Effort Investment Limited ("**Million Effort**"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**MoU**") with Coming Wealth Inc., a wholly-owned subsidiary of Jacobson Pharma. Pursuant to the MoU, Million Effort intended to acquire 12% equity interests of HNH from Coming Wealth Inc. at a cash consideration of HK$9,120,000. Upon completion of this proposed acquisition, HNH will become a partially-owned subsidiary of the Company.

(b) Disposal of Five Ocean Inc. ("Five Ocean")

On 17 March 2023, Million Effort, as vendor, entered into a sale and purchase agreement with JBM (BVI) Limited ("**JBM BVI**"), a wholly-owned subsidiary of JBM Healthcare, as purchaser, pursuant to which Million Effort would sell its entire 50% interests in Five Ocean, a joint venture of the Million Effort, and its liabilities to JBM BVI and its subsidiary at a consideration of HK$17,000,000.

The consideration would be settled by 20,000,000 shares to be issued by JBM Healthcare to Million Effort's nominee, at the issue price of HK$0.85 each at date of completion. The transaction was completed on 23 March 2023 and Five Ocean ceased to be a joint venture of the Company.

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Investment in subsidiaries	*(i)*	480,000	480,000
Prepayments		37	49
		480,037	480,049
Current assets			
Prepayments, deposits and other receivables		3,029	3,180
Amounts due from subsidiaries		312,784	269,591
Amounts due from related parties		133	78
Cash and bank balances		1,436	1,536
Total current assets		317,382	274,385
Current liabilities			
Other payables and accruals		276	836
Bank borrowings		39,000	39,000
Amount due to a subsidiary		22,855	18,483
Total current liabilities		62,131	58,319
Net current assets		255,251	216,066
Total assets less current liabilities		735,288	696,115
Net assets		735,288	696,115
Equity			
Issued capital	*29*	8,000	8,000
Reserves	*(ii)*	727,288	688,115
Total equity		735,288	696,115

Notes:

(i) Details of the principal subsidiaries are disclosed in Note 16.

(ii) A summary of the Company's equity is as follows:

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Share premium HK$'000	Contribution surplus HK$'000	Shares held under share award scheme HK$'000	Share-based payments HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
As at 1 January 2021	246,967	479,899	(23,824)	–	8,427	711,469
Loss for the year	–	–	–	–	(11,480)	(11,480)
Vesting of shares under share award scheme	–	–	–	4,126	–	4,126
Dividends to the shareholder of the Company	(16,000)	–	–	–	–	(16,000)
As at 31 December 2021 and 1 January 2022	230,967	479,899	(23,824)	4,126	(3,053)	688,115
Profit for the year	–	–	–	–	35,242	35,242
Vesting of shares under share award scheme	425	–	1,297	2,209	–	3,931
As at 31 December 2022	231,392	479,899	(22,527)	6,335	32,189	727,288

Note:

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange thereof. Pursuant to the Cayman Islands company law, a company may make distributions to its members out of the contributed surplus in certain circumstances.

37 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 March 2023.

Financial Summary

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	1,186,185	888,872	505,991	700,755	693,326
GROSS PROFIT	261,538	151,701	53,308	191,141	210,299
Profit/(loss) before tax	50,367	(17,498)	(68,469)	68,360	123,679
Profit/(loss) for the year	43,631	(17,402)	(60,965)	54,516	100,900
Profit/(loss) attributable to:					
Equity holders of the Company	43,750	(18,816)	(61,134)	54,516	100,900
Non-controlling interests	(119)	1,414	169	–	–

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets	182,465	188,759	188,061	80,889	81,532
Current assets	829,652	692,704	431,849	285,475	296,968
Total assets	1,012,117	881,463	619,910	366,364	378,500
LIABILITIES					
Non-current liabilities	4,180	4,997	8,191	7,952	9,476
Current liabilities	714,777	615,204	321,280	240,052	255,073
Total liabilities	718,957	620,201	329,471	248,004	264,549
NET ASSETS	293,160	261,262	290,439	118,360	113,951