THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tycoon Group Holdings Limited, you should at once hand this circular to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Tycoon Group Holdings Limited
滿貫集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3390)

MAJOR TRANSACTIONS –
(1) DISPOSAL OF 51% INTEREST IN THE TARGET;
(2) THE PUT OPTION; AND
(3) PROVISION OF FINANCIAL ASSISTANCE TO THE TARGET GROUP

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

This circular is being despatched to the Shareholders for information only, and a written Shareholder's approval has been obtained in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

26 October 2023

CONTENTS

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

"Announcement"	the announcement of the Company dated 7 July 2023 in relation to the Disposal and the transactions contemplated thereunder
"Board"	the board of Directors
"Business Day"	any day(s) (except any Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Tycoon Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Disposal
"Completion Date"	the date on which Completion took place, being 30 September 2023
"connected person"	has the meaning ascribed to it in the Listing Rules
"Consideration"	HK$130,000,000, being the total consideration of the Disposal
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the SP Agreement
"Exercise Price"	the exercise price for the Put Option pursuant to the SP Agreement
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party"	a third party independent of the Company and the connected persons of the Company

"Latest Practicable Date"	24 October 2023, being the last practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	4:00 p.m. on 30 September 2023 (or such later time and date as the Vendor and the Purchaser may agree in writing)
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Provision of Financial Assistance"	the continuing arrangement regarding the provision of the Transitional Financial Assistance by the Remaining Group to the Target Group as more particularly described in the section headed "(3) The Provision of Financial Assistance to the Target Group" in the Letter from the Board of this circular
"Purchaser"	Eyolution Capital Fund, an exempted company with limited liability incorporated in the Cayman Islands, and registered with the Cayman Islands Monetary Authority as a mutual fund under the Mutual Funds Act of the Cayman Islands
"Put Option"	the put option granted by the Vendor to the Purchaser and exercisable by the Purchaser to require the Vendor to purchase or to procure the purchase, either by itself and/or other third party(ies), from it all (and not part only) of the Sale Shares held by the Purchaser pursuant to the terms and conditions in the SP Agreement
"Remaining Group"	the Group (other than members of the Target Group) and as the context may require, with effect from Completion, the Company and its subsidiaries collectively
"Sale Shares"	51% of the issued shares of the Target
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the shareholder(s) of the Company

"SP Agreement"	the agreement for the sale and purchase of shares dated 7 July 2023 entered into by and among the Vendor, the Company and the Purchaser in relation to the Disposal and the Put Option
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Combo Win Asia Limited, a company incorporated in BVI with limited liability
"Target Group"	the Target and its subsidiaries
"Transitional Financial Assistance"	collectively, the Relevant Inter-Company Balance and the Relevant Banking Facilities as more particularly described in the section headed "(3) The Provision of Financial Assistance to the Target Group" in the Letter from the Board of this circular
"Vendor"	Dynasty Garden Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"%"	per cent.

Tycoon Group Holdings Limited
滿貫集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3390)

Executive Director:
Mr. Wong Ka Chun Michael *(Chairman)*

Non-executive Directors:
Mr. Cao Weiyong
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)

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26 October 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS –
(1) DISPOSAL OF 51% INTEREST IN THE TARGET;
(2) THE PUT OPTION; AND
(3) PROVISION OF FINANCIAL ASSISTANCE TO THE TARGET GROUP

INTRODUCTION

Reference is made to the Announcement in which the Company announced that on 7 July 2023, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Company entered into the SP Agreement with the Purchaser in relation to the Disposal and the transactions contemplated thereunder.

This circular is despatched to the Shareholders for information purposes only and contains, among other matters, further details of the SP Agreement and the transactions contemplated thereunder and information required under the Listing Rules.

The principal terms of the SP Agreement are summarised as follows:

(1) THE SP AGREEMENT

Date: 7 July 2023

Parties:

(1) The Vendor

(2) The Company

(3) The Purchaser

Assets disposed of

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares. The Sale Shares represents 51% of the issued shares of the Target held by the Group. Further particulars of the Target and the Target Group are set out in section headed "Information on the Target" below.

Under the SP Agreement, the Company has undertaken to guarantee the due performance by the Vendor of all and any of its obligations under the SP Agreement.

Consideration

The Consideration for the sale and purchase of the Sale Shares shall be HK$130,000,000 and payable to the Vendor in cash in the following manner:

(1) as to HK$10,000,000 to be paid within 10 Business Days upon the signing of the SP Agreement plus HK$5,000,000 to be paid on or before 7 August 2023, and collectively as refundable deposit ("**Deposit**");

(2) as to HK$55,000,000 to be paid upon Completion ("**Second Instalment**); and

(3) as to HK$60,000,000 ("**Remaining Consideration**") to be paid on or before 31 December 2024.

As at the Latest Practicable Date, the Deposit and the Second Instalment had been received by the Group.

The Consideration of the Disposal was determined after arm's length negotiations between the parties to the SP Agreement on normal commercial terms taking into account various factors including (i) the historical financial performance of the Target Group; (ii) the reasons set out in the section headed "Reasons for and benefits of the Disposal" in this Letter from the Board below; and (iii) a valuation of the market value of approximately HK$130.0 million of 51% equity interest of the Target Group as at 31 December 2022 performed by Savills Valuation and Professional Services (China)

Limited ("**Valuer**"), an independent valuer. According to the valuation report prepared by the Valuer, the valuation was determined on the basis of the income approach typically through the use of discounted cash flow method.

In performing the valuation, the Valuer confirmed that in arriving at the market value of 100% equity interest of the Target as at the date of valuation using model of Free Cash Flow to Firm (FCFF), the Valuer has taken into account and made all necessary adjustments for the details of debts/borrowings and other non-operating items which included the Transitional Financial Assistance.

Pursuant to Rule 14.62(1) of the Listing Rules, the specific assumptions and general assumptions, upon which the valuation as described above is based under income approach, are as follows:

Specific assumptions

1. The projected business according to the forecast of the Target can be achieved for the whole forecast period with the effort of the management of the Target at the required rate of return;

2. The business of the Target will maintain stable and no material change in business size is expected in forecastable future;

3. Discount for lack of marketability to the equity value of the Target as at the Valuation Date is considered in the specific risk premium of discount rate in contemplating the Transaction;

4. Financial and operational information provided and confirmed by the Company are accurate and the Valuer has relied to a considerable extent on such information in arriving at the opinion of value;

5. There are no hidden or unexpected conditions associated with the assets of the Target that might adversely affect the reported value; and

6. The Target will reach stable operation after 2027 with a long-term growth rate 2% which is the expected China long-term inflation rate into perpetuity.

General assumptions

1. There will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation;

2. The long term inflation rate, interest rate and currency exchange rate will not differ materially from those presently prevailing;

3. The Target will retain sufficient management and technical personnel to maintain its ongoing operations;

4. There will be no major business disruptions through diseases, riots, international crisis, industrial disputes, industrial accidents or severe weather conditions that will significantly affect the existing business;

5. The Target's businesses are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements. All applicable laws and regulations have been and will be complied with;

6. The business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render the Target's default against its outstanding commitment or obligations; and

7. Any potential bad debt of the Target will not materially or significantly affect the value of the Target.

For details about the valuation, please refer to the valuation report in Appendix IV to this circular.

PricewaterhouseCoopers, the auditor of the Company, has reported on the arithmetical accuracy of the calculations of the discounted cash flow forecast on which the valuation of the Target Group prepared by the Valuer is based. Please refer to the "Report from PricewaterhouseCoopers on the discounted cash flows which is regarded as profit forecast" and the "Letter on forecast underlying the valuation on the Target Group from Akron Corporate Finance Limited" as set out in Appendix VA and Appendix VB to this circular respectively, for further details.

The payment arrangement under the SP Agreement was determined by the parties on normal commercial terms and taking into account that the Purchaser would prefer to have longer payment period of the remaining consideration as it would require more time to observe and assess the performance of the Target Group. In this regard, the Board has taken into consideration the fact that the Target Group would still continue to be owned as to 49% by the Group, and that the Group would serve as a strategic partner to the Purchaser in the ongoing operation of the Target Group following Completion. The Board believes that the agreed payment arrangement, as outlined in the terms of the SP Agreement, is fair and reasonable after carefully analyzing the payment arrangements as specified in the SP Agreement. In addition, it also aligns with the interests of the Company and its shareholders as a whole: (i) the agreed payment term was negotiated on normal commercial terms and the terms were fair and reasonable in the context of the transaction and the market conditions; and (ii) considering that the Group would retain a 49% ownership stake in the Target Group and serve as a strategic partner to the Purchaser after Completion, the Board assessed the implications of this ongoing involvement and evaluated that the payment arrangement was in line with the Group's interests and its ability to contribute to the continued operation of the Target Group. Taking into account the above, the Board is of the view that the agreed payment term under the SP Agreement is in the interests of the Company and its shareholders as a whole.

As set out in the announcement of the Company dated 3 October 2023, subsequent to the Announcement, there had been a change in the identities of the investors of the Purchaser, which was set out in the section headed "Information on the Parties – The Purchaser" in this Letter from the Board. The Board acknowledged the subsequent changes in the ultimate beneficial owners of the Purchaser which occurred after the entering into of the SP Agreement and the Announcement, and undertook an assessment to evaluate the implications and its potential impact on the agreed payment term. After taking into account the background of the new investors of the Purchaser, including the financial capabilities of the Purchaser's then investors at the entering into of the SP Agreement and the new investors, as part of the due diligence work on the Purchaser, the management of the Group has met the Purchaser's investors or, as the case may be, their representative to discuss the investment objectives of the investors and inspected documents/financial statement of the then investors and new investors, the management of the Group is satisfied with the financial capabilities of the Purchaser, the Group considered that such change would not adversely affect the fairness and reasonableness of the payment arrangement. In addition, as set out in in the section headed "Information on the Parties – The Purchaser" in this Letter from the Board, it is noted that the current investors of the Purchaser are only the initial investors of the Purchaser, which is an open-end fund. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is not a special purpose fund where the acquisition of the 51% interest in the Target Group through the Disposal was only one of the investment/proposed investment projects of the Purchaser. The personnel involved in the management of the Purchaser had strong business network and experience/expertise in helping portfolio companies in initiating, negotiating, and managing investment opportunities, as well as overseeing private equity, mutual fund, and family office portfolios, amounting to assets under management of more than HK$1,800 million in the past few years. Such expertise was further strengthened by the fact that a new investor had been brought in to the Purchaser after the signing of the SP Agreement by leveraging on the business network of the management of the Purchaser. As at the Latest Practicable Date, the Purchaser's fund-raising exercise was still ongoing, and as represented by the Purchaser, it is expected that more investors will invest in the fund. Taking into account the above, the Company is of the view that although the SP Agreement does not include specific provisions guaranteeing the payment of the Remaining Consideration when it becomes due, there is no evidence to reasonably form reservations on the Purchaser's financial ability to fulfill the payment obligations of the Remaining Consideration. After considering any legal or regulatory requirements associated with the change in ultimate beneficial ownership to ensure compliance with applicable laws and regulations, the Board is of the view that the payment arrangement under the SP Agreement remains fair and reasonable and in interests of the Company and its shareholders as a whole.

Conditions precedent

Completion is conditional upon the fulfilment or, if applicable, waiver of the following conditions prior to the Long Stop Date:

(1) the Shareholders (or as the case may be, the independent Shareholders) of the Company having approved the transactions contemplated under the SP Agreement at an extraordinary general meeting to be held by the Company or by way of a written shareholders' approval in lieu of holding a general meeting in accordance with the Listing Rules;

(2) (where applicable) all requisite consents, clearances, authorisations and approvals (or, as the case may be, the relevant waivers) in connection with the entering into and performance of the terms of the SP Agreement having been obtained by the Vendor and remaining in full force and effect;

(3) the Purchaser having carried out and completed the due diligence review of the Target Group (whether legal, accounting, financial, operational or other aspects that the Purchaser considers necessary) and being satisfied with the results of the due diligence review of the Target Group;

(4) (where applicable) all requisite consents, clearances, authorisations and approvals (or, as the case may be, the relevant waivers) in connection with the entering into and performance of the terms of the SP Agreement having been obtained by the Purchaser and remaining in full force and effect;

(5) during the period from the date of the SP Agreement to the Completion Date, no action, legal proceeding, lawsuit or public inquiry has been taken or initiated by any relevant government agency, or no request or decree or judgment (whether temporary, preliminary or permanent), making the transfer of the Sale Shares or any transaction under the SP Agreement unlawful, void, unenforceable or otherwise prohibited or restricted;

(6) during the period from the date of the SP Agreement to the Completion Date, there is no matter that caused or could reasonably be expected to cause a material adverse effect on the Target Group; and

(7) the representations, warranties and undertakings given by the Vendor to the Purchaser under the SP Agreement remaining true and accurate in all material respects and not misleading in any material respect up to Completion.

The Purchaser may waive the conditions precedent (3), (6) and (7) above by written notice to the Vendor either in whole or in part and such waiver may be made subject to such terms and conditions as the Purchaser may require. The conditions precedent (1), (2), (4) and (5) above are not capable of being waived by the parties.

If any of the conditions precedent (other than those which can only be fulfilled at Completion) shall not have been fulfilled or waived (as the case may be) at or before the Long Stop Date, the Deposit, without interest, shall be refunded by the Vendor to the Purchaser forthwith and all rights and obligations of the parties under the SP Agreement shall cease and terminate (save and except for certain provisions, including confidentiality and announcements, notices and governing law) and no party shall have any claim against the other party with respect to any matter referred to in the SP Agreement save for claim (if any) in respect of such continuing provisions or any antecedent breaches of the SP Agreement.

As at the Latest Practicable Date, all of the conditions precedent have been fulfilled.

Completion

Following the fulfillment of all the conditions precedent, Completion took place on 30 September 2023.

(2) THE PUT OPTION

Pursuant to the SP Agreement, the Vendor has granted to the Purchaser the Put Option which subject to Completion, may be exercised by the Purchaser at its discretion, pursuant to which the Purchaser is entitled to sell, during the period ("**Put Option Period**") commencing from the date of Completion and within two years after Completion, and require the Vendor to purchase or to procure the purchase, either by itself and/or other third party(ies), all (and not part only) of the Sale Shares held by it ("**Option Shares**") upon the occurrence of any of the following triggering events ("**Put Option Triggering Events**"):

(1) there exists any event in relation to the Target Group, including but not limited to fraud, financial fraud, off-the-books expenses which should be disclosed but not disclosed, liabilities, external guarantees, tax liabilities, litigation and arbitration, administrative penalties, major defects in internal control and other matters and circumstances which have material adverse impact on the Target Group or the Vendor is in breach of any laws and regulations which have material adverse impact on the Target Group;

(2) the Vendor having breached the representations and warranties as set out in the SP Agreement and failed to take remedial actions within 10 Business Days after the Purchaser has requested remedial actions in writing; and

(3) the Target Group failing to meet any one of the following performance targets:

(a) the total consolidated profit after tax attributable to the owners of the Target for the financial year ending 31 December 2023 ("**FY2023**") and the financial year ending 31 December 2024 ("**FY2024**") being no less than HK$74,000,000; and/or

(b) the total consolidated turnover of the Target for FY2023 and FY2024 being no less than HK$1,640,000,000,

and in the event the unaudited consolidated financial statements of the Target for FY2023 or FY2024 is unavailable by the end of the Put Option Period, the performance targets would be deemed not having been met.

The Exercise Price payable by the Vendor to the Purchaser for all the Option Shares sold to the Vendor shall be in cash and equal to the amount of the lower of (i) HK$162,000,000 or (ii) 51% of the valuation of the Target Group reported on by an independent valuer, jointly appointed by the Vendor and the Purchaser, as the fair value of the Target Group as at a date which is not more than 30 days before the date on which the Put Option is exercised and on a valuation methodology jointly approved by the Vendor and the Purchaser. In the event that the Put Option has not been exercised by the end of the Put Option Period, the Put Option shall lapse automatically on the day falling on the second anniversary of the Completion Date.

Under the terms of the Put Option, the parties acknowledge that completion of the sale and purchase of the Put Option Shares pursuant to the exercise of the Put Option may be subject to the requisite consents, licences and approvals (or, as the case may be, the relevant waiver) in connection with the sale and purchase of the Option Shares and the transactions contemplated thereunder having been obtained by the Vendor, including those required to be obtained by the Company under the Listing Rules (“**Put Option Conditions Precedent**”).

Completion of the sale and purchase of the Option Shares pursuant to the exercise of the Put Option shall take place on the 5th Business Day after all (if any) of the Put Option Conditions Precedent having been fulfilled (or such other time and date as the Vendor and the Purchaser may agree). The Exercise Price shall be settled in cash at completion of the sale and purchase of the Option Shares.

Under the SP Agreement, the Purchaser has undertaken to the Vendor that save as provided for under the SP Agreement or unless with the prior consent in writing of the Vendor, at any time after the Completion but before the earlier of (i) the completion of the sale and purchase of the Option Shares; or (ii) the last day of the Put Option Period, the Purchaser shall not offer, pledge, charge, sell, contract to sell, or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, the Option Shares or any part of them. A breach of the foregoing undertaking by the Purchaser shall entitle the Vendor to cancel the Put Option in its entirety.

Under the SP Agreement, the Vendor shall provide a share charge of its remaining 49% shares in the Target in favour of the Purchaser as security for the performance by the Vendor of its obligations under the Put Option in the event that the Put Option was exercised, and in the event that completion of the sale and purchase of the Option Shares pursuant to the exercise of the Put Option did not occur as stipulated under terms of the Put Option, the

Purchaser may by written notice to the Company to require the Company to assume the obligations of the Vendor under the Put Option and purchase all the Option Shares from the Purchaser at the Exercise Price.

(3) THE PROVISION OF FINANCIAL ASSISTANCE TO THE TARGET GROUP

Since the inception of the Group and prior to Completion, members of the Target Group had been subsidiaries of the Company and its operation had been funded by the internal resources of the Group as a whole and also proceeds from the listing of the Shares on the Stock Exchange in April 2020 ("**Listing**"). Since the Listing, members of the Group (including the Target Group) have been sharing certain banking facilities granted to the Group and such banking facilities were/are mostly secured by guarantees and security provided by members of the Group.

Relevant Bank Facilities

As at 30 June 2023 and 31 August 2023, the total loan amount granted/facility limit of the Group (including the Target Group) that can be utilised by members of the Target Group amounted to approximately HK$308.5 million ("**Relevant Bank Facilities**"), of which approximately HK$154.5 million of the loan amount granted/ facility limit was available solely to the Target Group, and approximately HK$154.0 million of the remaining amount granted/facility limit was shared by both members of the Target Group and those of the Remaining Group. Such Relevant Banking Facilities were provided by licensed banks in Hong Kong and were secured by corporate guarantees provided by certain members of the Remaining Group, charges over three properties held by a member of the Remaining Group, and other non-current asset held by a member of the Target Group. The terms for the grant of the Relevant Banking Facilities were on normal commercial terms and were negotiated on arms' length basis. For illustration purpose, the historical amounts which had been drawndown under the Relevant Bank Facilities as at 31 December 2020, 2021 and 2022 and 31 August 2023 are as follows:

	Total amount under the Relevant Bank Facilities drawn down by the Target Group *(HK$'000)*	**Total amount under the Relevant Bank Facilities drawn down by the Remaining Group** *(HK$'000)*
As at 31 December 2020	78,035	–
As at 31 December 2021	120,416	–
As at 31 December 2022	182,340	1,051
As at 31 August 2023	127,177	60,248

As at the Latest Practicable Date, the Purchaser had not provided any guarantee for the Relevant Bank Facilities but has undertaken to the Group that it shall procure the Target Group not to draw any further amount exceeding approximately HK$1.0 million.

As mentioned above, since the inception of the Group and prior to the Completion, members of the Target Group had been subsidiaries of the Company, and in order to avoid unnecessary disruption to the operations of the Target Group, pursuant to the terms of the SP Agreement, upon Completion, the Vendor and the Purchaser shall cooperate and use their respective reasonable efforts to procure, as soon as practicable and within one year after Completion (or such other time as the Vendor and the Purchaser may agree), taking into account the then circumstances of the Target Group, the release of the all guarantees and security provided by the Vendor or any of other members of the Remaining Group to secure the obligations of any member of the Target Group in the Relevant Bank Facilities. Given that prior to the Disposal, the Target Group, which was part of the Group, has been utilising certain Relevant Bank Facilities to conduct its ordinary course of business, and that after Completion the Group would continue to own 49% of the Target Group, the Board acknowledges the importance and the need to avoid unnecessary disruption to the operations of the Target Group and to maintain the financial stability and operational continuity of the Target Group, which is in the interests of the Group and the Shareholders as a whole. From a commercial and practical perspective, it takes time for the Group and also the Target Group (together with the Purchaser) to renegotiate and restructure the Relevant Bank Facilities with the banks concerned. If the Target Group would be disallowed to utilise its then existing utilisable banking facilities immediately upon Completion in an abrupt manner, the operations of the Target Group would be inevitably adversely affected and taking into account the Group would still own 49% shareholding interest in the Target Group after Completion, such adverse effect is definitely not beneficial and not in the interest of the Shareholders. Accordingly, in order to allow a smooth transition, the Group has agreed to include in the SP Agreement provisions to secure the release of the guarantees and security provided by the Remaining Group as soon as practicable and within a certain timeframe, to allow for a reasonable period to arrange and implement the necessary steps for the release of the guarantees and security provided by the Remaining Group and the banking facilities to be obtained independently by the Target Group.

In order to facilitate a smooth transition period for the Target Group, prior to finalising the SP Agreement and also thereafter, the Group had proactively engaged in discussions with the relevant banks to explore the releasing of the guarantees and security provided by the Remaining Group after Completion. Based on the feedback from the relevant banks, it had been indicated that they preferred to maintain the existing structure of the Relevant Bank Facilities for the time being, so as to allow them to monitor the market conditions and to assess the ongoing financial performance of the Target Group before revising the banking facilities terms available to the Target Group. In this regard, the modifications to the guarantees and security already provided would only be considered and adjusted upon the renewal of the Relevant Bank Facilities, which was expected to take place during the period within around one year after Completion. After considering and discussing with the relevant banks, the Group is of the view that this approach would allow adjustments to the guarantees and security to align with the Target Group's performance and provide stability and continuity in the banking relationships during the immediate post-Completion period.

Taking into account the above regarding the commercially negotiated terms, the need for operational continuity of the Target Group, the continued ownership stake of the Group in the Target Group after Completion and the assessment of the Target Group's circumstances, the Board is of the view that to allow for one year after Completion (or such other time as the Vendor and the Purchaser may agree) and as soon as practicable for the release of all guarantees and security provided by the Vendor or any other members of the Remaining Group to secure the obligations of the Target Group in the Relevant Bank Facilities is fair and reasonable while facilitating a smooth transition for and continuance of operations of the Target Group. To this end, the Group, in addition to the ongoing arrangements with the relevant banks, has taken proactive measures in order to establish clear guidelines and ensure effective financial management. Moreover, the Group and the Purchaser, as the shareholders of the Target upon Completion, have entered into agreement regarding the utilisation of banking facilities by the Target Group that, among other things, apart from the amounts already drawndown by the Target Group, the Target Group would only be permitted to utilise an additional maximum amount of approximately HK$1.0 million under the Relevant Bank Facilities. By establishing these measures, it is expected that the Remaining Group would be able to oversee and control the Target Group's utilisation of the Relevant Bank Facilities effectively during the transition period. The Group, under its existing risk management framework, will continue to regularly monitor and review the progress to ensure timely identification of any delays or non-release of the guarantees and security, taking into the then circumstances of the Target Group, and to maintain effective communications with the relevant parties responsible for releasing the guarantees and security. In the event that the guarantees and security provided by the Vendor or any other members of the Remaining Group to secure the obligations of the Target Group in the Relevant Banking Facilities are not released within one year after Completion (or such other time as the Vendor and the Purchaser may agree), the Group as the 49% owner of the Target Group would proactively collaborate with the Purchaser for remedies, or alternative arrangements such as establishing alternative funding sources to resolving potential challenges, to safeguard the Group's financial position.

In the event that the guarantees and security provided by the Vendor or any other members of the Remaining Group to secure the obligations of the Target Group in the Relevant Bank Facilities are not released within one year after Completion, the continuance of the provision of the guarantees and security by the Remaining Group in the Relevant Bank Facilities would constitute a provision of financial assistance by the Company under the Chapter 14 of the Listing Rules and the Company will take all appropriate steps to ensure compliance with the Listing Rules if such case arises.

Relevant Inter-Company Balance

In addition, against the background set out above, as at 30 June 2023, the Target Group owed to members of the Remaining Group an amount of approximately HK$81.0 million. Such amount was resulted from inter-company advances, trading activities between members of the Group and/or certain payment/receipt for and on behalf one another ("**Relevant Inter-Company Balance**"), including HK$20.0 million in trade nature and HK$61.0 million in non-trade nature. The Relevant Inter-Company Balance is interest free, repayable on demand and is expected to continue given that the Group would remain to be a 49% owner of the Target Group after Completion.

The Group has taken into consideration the nature of the Relevant Inter-Company Balance, which arose during the period when the Target Group was wholly owned by the Group prior to Completion and the fact that historically before the Listing and shortly thereafter, a substantial portion of the operations of the Group was carried out through a member of the Target Group, against such background, members of the Remaining Group have never charged any interest on the amount due from the members of the Target Group and vice versa.

For the balances which consist of amounts derived from intra-group trading activities in the ordinary course of business, such amounts are of a trade nature and the Group would not charge interest or impose additional repayment terms to such previous inter-company balances, as they are governed by their respective trading terms. Such arrangement is consistent with the terms when the Group is dealing with Independent Third Parties. For the inter-company advances that are of a non-trade nature, these non-trade inter-company advances mainly represented previous shareholders contributions to the working capital of the Target Group and such amount was accumulated during the period when the Target Group was wholly owned by the Group before the Disposal. To maintain these inter-company advances despite their non-trade nature as interest-free and repayable on demand, the Board has considered the following: (i) the Group has historically treated these non-trade inter-company advances, which in fact was the shareholders contributions to the working capital of the Target Group, as interest-free and repayable on demand during the time when the Target Group was wholly owned by and part of the Group. Such established practice reflected the Group's internal policies and approach to handling such inter-company financing arrangements; (ii) the Group recognised the importance of maintaining a cooperative and supportive relationship, even after the disposal of the Target Group. The Group would like to demonstrate its commitment to preserving the existing financial dynamics and facilitating smooth transition between the Remaining Group and the Target Group so as to foster the business relationship between the Remaining Group and the Target Group after Completion; (iii) to keep the non-trade inter-company advances interest-free and repayable on demand would allow the Target Group to manage its financial obligations effectively; and (iv) although the Group (through the Vendor) is disposing of 51% of the Target Group, the Group will still retain a 49% ownership stake which the Group intended to maintain as a strategic partner to the Purchaser in the operation of the Target Group post-Completion. This ongoing ownership interest would reinforce the rationale for maintaining the interest-free and repayable on demand terms for the non-trade inter-company advances, such that it allows the Target Group to maintain its liquidity and financial stability, ultimately benefiting the Group's overall investment and long-term interests.

Furthermore, throughout the negotiation process leading up to the entering into of the SP Agreement concerning the Disposal, the Group has deliberated an alternative approach, which involved capitalising the Relevant Inter-Company Balances of non-trade nature before finalising the SP Agreement. Under this approach, all non-trade

Relevant Inter-Company Balances would be converted thereby transforming them into equity. Consequently, the amount owed by the Target Group would be eliminated and the obligations of the Target Group to repay such amounts will not arise. Nonetheless, after assessing the advantages of the different treatment of the non-trade Relevant Inter-Company Balances, the Group has concluded that it is more beneficial to allow the non-trade Relevant Inter-Company Balances to remain so that the Target Group can repay such balance to the Remaining Group in the future which could have a positive impact on the cash flow of the Remaining Group, and would be in the best interests of the Company and its shareholders. Taking into account all the above, the Group is of the view that maintaining the Relevant Inter-Company Balance as interest-free and repayable on demand after the Completion of the Disposal is fair and reasonable and in the interests of the Company and its shareholders, which aligns with past practices, supports the ongoing business relationship, and acknowledges the continued ownership connection between the Group and the Target Group.

Considering and differentiating the circumstances surrounding the Relevant Inter-Company Balances, in which (i) the trade-related balances were originated from intra-group trading activities conducted in the ordinary course of business and are governed by their respective trading terms and consistent with the terms applicable to Independent Third Parties; and (ii) the non-trade balances were accumulated during the period when the Target Group was wholly owned by the Group before the Disposal and resembles quasi-equity, the Purchaser has not extended similar financial assistance to the Target Group when it became a shareholder of the Target after Completion. Taking into account the historical financial performance and operation track record of the Target Group, it is expected after Completion, the Target Group will not require further financial assistance from either the Group or the Purchaser, that is, the shareholders of the Target upon Completion. Further, under the shareholders' agreement entered into between the Group and the Purchaser in relation to the Target upon Completion, no shareholder of the Target is obliged to make further financing to the Target by way of shareholders' loan or equity contribution and in case such need arises, it would be in pro rata basis in accordance with the shareholding percentage in the Target.

Given that upon Completion, the Relevant Inter-Company Balance will continue to exist and the Relevant Bank Facilities will continue to exist for a period of time in its current form pending the release/change of guarantees and security as mentioned above, the Relevant Inter-Company Balance and the Relevant Banking Facilities (together, the "**Transitional Financial Assistance**") will constitute provision of financial assistance by the Remaining Group to the Target Group under the Listing Rules.

While the amount of the Transitional Financial Assistance is not expected to increase after Completion, the Company will comply with the applicable requirements under the Listing Rules in case there are any changes to amount of the Transitional Financial Assistance.

INFORMATION ON THE TARGET

The Target is a company incorporated in BVI with limited liability and principally engaged in investment holding and the Target Group is principally engaged in e-commerce business and distribution business of healthcare and wellbeing related products in the PRC. As at the date of the SP Agreement, the Target is wholly-owned by the Vendor and each member of the Target Group is a subsidiary of the Company.

Set out below is a summary of certain audited consolidated financial information of the Target Group for the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 extracted from Appendix II to this circular:

	For the six months ended 30 June 2023	**For the year ended 31 December 2022**	**For the year ended 31 December 2021**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	**(audited)**	**(audited)**
Turnover	280,792	751,118	558,847
Profit before income tax	16,851	31,031	8,987
Profit after tax	14,220	26,982	7,578

The audited total assets and net assets of the Target Group as at 30 June 2023 were approximately HK$498.2 million and HK$23.1 million.

As at 30 June 2023, the Target Group owed to the Remaining Group of amount due to related parties in the form of current account of an aggregate amount of approximately HK$81.0 million (including HK$20.0 million in trade nature and HK$61.0 million in non-trade nature).

Upon Completion, the Target will be owned as to 51% by the Purchaser and 49% by the Vendor, and each member of the Target Group will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's financial statements.

INFORMATION ON THE PARTIES

The Group and the Vendor

The Group is a reputable omnichannel marketing and management service integrator of healthcare and wellbeing related products in Hong Kong. The Group principally engages in the provision of a variety of Proprietary Chinese Medicine (PCM), health supplement and other healthcare products through diversified online and offline sales channels, through the operation of distributing products to chain retailers, non-chain retailers and traders, and operation of offline store, online stores and e-commerce portals to consumers.

The Vendor is an investment holding company which is an indirect wholly-owned subsidiary of the Company.

The Purchaser

The Purchaser is an exempted company with limited liability incorporated in the Cayman Islands and registered with the Cayman Islands Monetary Authority as a mutual fund under the Mutual Funds Act of the Cayman Islands. The Purchaser's proposed investment objective is to invest in e-commerce and its investment manager is Kudos Summit Asset Management, a corporation licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The investors of the Purchaser comprised of Chu Yin Sang Ken and Mak Kai Ming Maurice (each an individual), subscribed for 57.1% and 42.9% of the participating shares respectively. Based on the representations made by the Purchaser, the current investors of the Purchaser are initial investors of the Purchaser and the fund-raising exercise of the Purchaser will continue apart from the funds required for the Disposal.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser, Kudos Summit Asset Management Limited and their respective ultimate beneficial owner(s) is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group specialises in providing one-stop services for Proprietary Chinese Medicine (PCM) and health supplement products, including brand agent, marketing, management, distribution, and sales. Over the years, the Group has established a strong online and offline sales network in Hong Kong, Macau, the PRC and Southeast Asia. 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 mainly in Hong Kong, Macau, Mainland China and Southeast Asia.

The Target Group is principally engaged in the e-commerce business and distribution business of healthcare and wellbeing related products in the PRC. The Group views the Disposal as a strategic move to streamline its operations and access to additional capital for its core businesses of both e-commerce and distribution. As the trend of online shopping is expected to continue in the future, it is expected that the Group would require investing additional capital and resources to further expand its market share in the e-commerce business. After Completion, the Target Group will continue to be owned as to 49% by the Group and by bringing in the Purchaser as a strategic partner in the operation of the Target Group, the Group would be able to focus its resources on expanding its existing sales network and strengthening its relationships with its clients and suppliers.

In addition to streamlining its operations, the Consideration received from the Disposal will provide the Group with access to capital. It is expected that such additional capital will be reinvested in its core businesses to foster growth and expansion, invest in marketing and promotional activities, and improve its supply chain and logistics operations. As mentioned in the annual report 2022 of the Company, one of the Group's strategies had been the development of the omnichannel brand marketing and management business, which includes brand agent, promotion and marketing, management and distribution, providing onestop services for brands as well as upgrading the Group's business chain and diversifying the Group's product portfolio and businesses, and the Group is also actively developing its own brands in addition to its brand agency business. In this regard, it is also expected that the additional capital is required for developing the Group's own brands of healthcare products. This will enable the Group to compete more effectively in the highly competitive healthcare and wellbeing related products market in Hong Kong, Macau, the PRC and Southeast Asia, and strengthen its position as a leading omnichannel marketing and management service provider of healthcare and wellbeing related products in the region.

It is expected that the Company will recognise a gain of approximately HK$204.6 million from the Disposal that subject to audit, which is arrived at after taking into account (i) the amount of the Consideration of HK$130.0 million; (ii) offset by the carrying amount of net assets of the Target Group of approximately HK$23.1 million as at 30 June 2023; (iii) the fair value of the Group's 49% previously held equity interest in the Target Group of approximately HK$100.4 million as at 30 June 2023; and (iv) offset by reclassification of exchange reserve of approximately HK$2.7 million. The above financial impacts are for illustrative purpose only based on the latest available financial and valuation of the Target Group. Shareholders should note that the final amount of gain/loss on the Disposal to be recorded by the Company will be based on the fair value of the Group's 49% previously held equity interest in the Target Group, the net assets value of the Target Group and the actual amount of exchange reserve as of the Completion Date and subject to audit by the auditor of the Company. It is expected that the proceeds from the Disposal will be as to HK$100.0 million for general working capital and as to HK$30.0 million for future development of the Group which includes the development of the omnichannel brand marketing and management business and developing the Group's own brands of healthcare products as mentioned in the paragraph above.

Following the completion of the Disposal, the Target will be owned as to 51% by the Purchaser and 49% by the Vendor, and each member of the Target Group will cease to be a subsidiary of the Company and its financial results (including the earnings) will no longer be consolidated into the financial statements of the Group. Based on the pro forma financial information of the Group set out in Appendix II to this circular, (i) as a result of the Disposal, the unaudited pro forma net assets of the Group is estimated to increase by approximately HK$203.4 million mainly as a result of the disposal gain; and (ii) as a result of the buy-back of the Sale Shares pursuant to the exercise of the Put Option, the net asset value of the Group would remain the same as the net asset value of the Group after the Disposal. The estimated fair value of remaining 49% equity interest in the Target as investment in an associate is approximately HK$100.5 million upon the Completion of the Disposal. As set out in the unaudited pro forma financial information of the Group in Appendix III to this circular, assuming the Disposal had been completed on 30 June 2023, the Group's total assets would decrease from approximately HK$1,187.8 million to approximately HK$916.0 million and total liabilities would decrease from HK$801.0 million to approximately HK$325.9 million, resulting in an overall increase in total consolidated net assets from approximately HK$386.8 million as at 30 June 2023 to approximately HK$590.1 million upon Completion.

The terms of the SP Agreement (including the Consideration) were determined after arm's length negotiations between the Vendor and the Purchaser. In light of the reasons above, the Directors (including the independent non-executive Directors (other than Mr. Chung Siu Wah)) are of the view that the terms of the Disposal, the Put Option and the Provision of Financial Assistance are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

RISK FACTORS RELATING TO THE DISPOSAL

Set out below are the potential risks in connection with the Disposal. Shareholders are reminded that additional risks and uncertainties not presently known to the Directors, or not expressed or implied below, or that the Directors currently deem immaterial, may also adversely affect the Group's business, operating results and financial condition in a material aspect.

Risks relating to the due receipt of the Remaining Consideration

As at the Latest Practicable Date, the Deposit and the Second Instalment had been received by the Group, and the Remaining Consideration of HK$60,000,000 is to be paid by the Purchaser on or before 31 December 2024. Although the credit risk for the Purchaser failing to pay will be relatively low, in the event that the Group could not receive any of the Remaining Consideration or at all, the amount which was not received will become bad debts and such amount will be recognised as expenses in the financial statements of the Company and the financial position of the Group may be materially and adversely affected.

Risks relating to the Provision of Financial Assistance

As set out in "(3) The Provision of Financial Assistance to the Target Group" in this Letter from the Board above, after Completion, the Transitional Financial Assistance, being the Relevant Inter-Company Balance and the Relevant Banking Facilities, will continue to exist for a period of time and will constitute provision of financial assistance by the Remaining Group to the Target Group under the Listing Rules. Regarding the Relevant Inter-Company Balance, in the event that the Target Group failed to settle any of the Relevant Inter-Company Balance or at all, the amount not settled will become bad debts and such amount will be recognised as expenses in the financial statements of the Company and the financial position of the Group may be materially and adversely affected. Regarding the Relevant Banking Facilities, in the event that the Target Group failed to pay or settle any of the bank loans/facilities under the Relevant Banking Facilities which had guarantees and securities provided by the Remaining Group, the members of the Remaining Group which had provided such guarantees or securities may be asked by the relevant banks concerned to be liable for due performance by the Target Group of its obligations under the Relevant Banking Facilities and may be required to pay or settle on behalf of the Target Group the amount that were unpaid or not settled together with other charges and expenses. In that case, the Group's cash and bank balance in the financial statements of the Company may be materially and adversely affected.

Risks relating to the assumptions and bases of the valuation on the Target Group

The valuation on the Target Group as referred to in this Letter from the Board of this circular was compiled by the Valuer based on certain assumptions and bases as set out in this Letter from the Board above. The said assumptions and bases may not be valid nor sustainable and therefore may affect the said valuation significantly and substantially.

Forward-looking statements contained in this circular are subject to risks and uncertainties

This circular contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would" or "will" and similar expressions. It must be noted that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this circular should not be regarded as representations or warranties by the Company that the relevant plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, the Company does not intend to update or otherwise revise the forward-looking statements in this circular to the public, whether as a result of new information, future events or otherwise. Accordingly, undue reliance should not be placed on any forward-looking information. All forward-looking statements in this circular are qualified by reference to this cautionary statement.

There may be unidentified risks relating to the Disposal

The Group may not be able to identify all material risks associated with the Disposal due to inherent limitations of due diligence, including, among other things, unforeseen contingent risks that may not become apparent until in the future.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of each of the Disposal and the Provision of Financial Assistance is more than 25% but less than 75%, each of the Disposal and the Provision of Financial Assistance constitutes a major transaction of the Company under the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under the Listing Rules.

The Put Option is exercisable at the discretion of the Purchaser upon satisfaction of certain specified events, with the Exercise Price for the Put Option to be determined in accordance with the terms of the SP Agreement. As the monetary value of the Exercise Price is not known at the time of granting the Put Option, the grant of the Put Option shall be classified as at least a major transaction for the Company pursuant to Rule 14.76(1) of the Listing Rules. The grant of the Put Option is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules as and when appropriate should the Purchaser exercise the Put Option.

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction; and (2) the written shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

So far as the Company is aware having made all reasonable enquiries, no Shareholder is required to abstain from voting at the extraordinary general meeting of the Company for approving the Disposal, the Put Option, and the Provision of Financial Assistance if one is to be convened. The Company has obtained an approval in writing from Tycoon Empire Investment Limited, which held 448,096,326 Shares, representing approximately 56.01% of the issued share capital of the Company as at the date of the SP Agreement and as at the date of the written approval, in lieu of an approval from the Shareholders at the extraordinary general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors (including the independent non-executive Directors (other than Mr. Chung Siu Wah)) are of the view that the terms of the Disposal, the Put Option and the Provision of Financial Assistance are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. If a general meeting were to be convened for the approval of the Disposal and the transactions contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the Disposal, the Put Option and the Provision of Financial Assistance at such general meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully
On behalf of the Board
Tycoon Group Holdings Limited
Wong Ka Chun Michael
Chairman, Executive Director and
Chief Executive Officer

1. FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Group for the year ended 31 December 2020, 2021 and 2022, and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023, together with their respective accompany notes are disclosed in the following documents which have been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tycoongroup.com.hk):

- The audited consolidated financial statements of the Company for the year ended 31 December 2020 (Pages 94 to 211) https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200523.pdf
- The audited consolidated financial statements of the Company for the year ended 31 December 2021 (Pages 99 to 189) https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042101193.pdf
- The audited consolidated financial statements of the Company for the year ended 31 December 2022 (Pages 110 to 199) https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0413/2023041300793.pdf
- The unaudited consolidated financial statements of the Company for the six months ended 30 June 2023 (Pages 25 to 54) https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0912/2023091200240.pdf

2. INDEBTEDNESS

As at the close of business on 31 August 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Borrowings

The Group had outstanding borrowings of approximately HK$344.6 million, details of which are set out below:

	Secured	**Unsecured**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	201,062	61,544	262,606
Loan from Shareholder	50,000	–	50,000
Other payables	–	32,000	32,000
	251,062	93,544	344,606

At 31 August 2023, other payables amounting to HK$32,000,000 represent advance from a wholly-owned subsidiary of a shareholder of the Company. These balances are unsecured, unguaranteed and interest-free.

At 31 August 2023, loan from Shareholder amounting HK$50,000,000 represents an interest bearing loan from a wholly-owned subsidiary of a shareholder of the Company. All the Group's equity interest in Hong Ning Hong Limited were pledged to secure the loan from a shareholder granted to the Group.

At 31 August 2023, the borrowings amounting to HK$251,062,000 were secured by mortgages over the properties owned by the Group, guarantees provided by the controlling shareholder of the Company and the Company, an investment in an insurance contract and the Group's equity interest in Hong Ning Hong Limited. The remaining borrowings amounting to HK$93,544,000 were not secured.

Lease liabilities

The Group has various lease contracts for property. As at 31 August 2023, the Group recognised aggregate lease liabilities of HK$12,238,000 under HKFRS 16 in respect of non-cancellable operating lease contracts.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that in the absence of unforeseeable circumstance, taking into account of the internal resources of the Group, the available banking facilities and the net proceeds from the Disposal, the Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 December 2022, being the date on which the latest published audited financial statements of the Company were made up.

5. BUSINESS PROSPECTS

Trading and financial prospects of the Group

Hong Kong's economy has been recovering steadily since the full resumption of normal travel between Hong Kong and Mainland China in early 2023. The HKSAR Government expects the economy to continue to improve in the coming quarters and forecasts that the real GDP growth for the whole year of 2023 will be maintained at the range of 3.5% to 5.5%, as announced in the Budget.

The Group expects that the revenue associated with the popular products among the Individual Visit Scheme ("**IVS**") visitors will rise and the Group's offline distribution business is expected to exceed the pre-epidemic level. As the economies of

Mainland China, Hong Kong and Macau recover, the Group will capitalise on the opportunities brought about by the full resumption of normal travel and step up its efforts to promote its business in the Hong Kong and Macau markets, as well as introduce more popular overseas brands to the Hong Kong, Macau and PRC markets. At the same time, the Group continued to expand into the promising Greater Bay Area market by enriching and optimising its product portfolio and launching more own-brand products, with a dual-track strategy to cater for the needs and preferences of local consumers and IVS visitors, with a view to improving gross profit margins and increasing sales. On the other hand, leveraging on the strength of its omnichannel marketing network, the Group will actively cooperate with large-scale pharmaceutical enterprises in the PRC to introduce renowned products from the PRC into the Hong Kong, Macau and Southeast Asian markets, thereby strengthening its international presence.

Looking forward, the Group will focus on its omnichannel brand marketing business, complemented by its diversified sales network, to strengthen its efforts in driving business growth in the PRC, Hong Kong and Macau. The Group will also be active in the Southeast Asian market, offering a wider range of health and lifestyle-related products to bring health and vitality to consumers and enhance their quality of life.

6. EVENTS AFTER 31 DECEMBER 2022 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

As disclosed in the announcement of the Company dated 28 April 2023 ("**HNH Announcement**"), Million Effort Investment Limited ("**Million Effort**"), an indirect wholly-owned subsidiary of the Company, and Coming Wealth Inc. ("**Seller**") entered into a sale and purchase agreement pursuant to which Million Effort has agreed to purchase, and the Seller has agreed to sell the shares representing 12% of the existing issued share capital of Hong Ning Hong Limited ("**Target Company**") for an aggregate consideration of HK$9,120,000. Upon completion of such acquisition, Million Effort has become the owner of 61% of the issued shares of the Target Company and each of the Target Company and its subsidiary has become a non-wholly-owned subsidiary of the Company. Concurrent with the signing of such sale and purchase agreement, Million Effort and the Seller have also entered into (a) a put option deed pursuant to which Million Effort has granted to the Seller a put option whereby the Seller has the right to require the Purchaser to purchase from the Seller up to all the remaining shares in the Target Company held by the Seller (on one or more occasions) at an agreed price; and (b) a call option deed pursuant to which the Seller has granted to Million Effort a call option whereby Million Effort has the right to require the Seller to sell up to all the remaining shares in the Target Company held by the Seller (on one or more occasions) to Million Effort at an agreed price, further particular of which are set out in the HNH Announcement.

(1) ACCOUNTANT'S REPORT ON THE TARGET GROUP

The following is the text of a report received from the Company's reporting accountant, Linksfield CPA Limited, Certified Public Accountants, Hong Kong for the purpose of incorporation in this circular.

LINKSFIELD
CPA LIMITED

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TYCOON GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Combo Win Asia Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-61, which comprise the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023, the statements of financial position of the Target Company as at 31 December 2021 and 2022 and 30 June 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-61 forms an integral part of this report, which has been prepared for inclusion in the circular of Tycoon Group Holdings Limited (the "**Company**") dated 26 October 2023 (the "**Circular**") in connection with the possible exercise of the put option to acquire 51% interests in the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Group for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 31 December 2021 and 2022 and 30 June 2023, and the consolidated financial position of the Target Group as at 31 December 2020, 2021 and 2022 and 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Linksfield CPA Limited
Certified Public Accountants
Kwok Chi Kan
Practising Certificate Number: P06958
Hong Kong
26 October 2023

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Linksfield CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in thousands of Hong Kong dollar ("**HK$'000**") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Note	**2020**	**2021**	**2022**	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*6*	224,053	558,847	751,118	300,909	280,792
Cost of sales	*7*	(200,041)	(478,785)	(630,854)	(240,043)	(219,882)
Gross profit		24,012	80,062	120,264	60,866	60,910
Other income and gains, net	*6*	8,084	7,901	3,857	1,994	6,160
Selling and distribution expenses	*7*	(25,460)	(47,107)	(60,308)	(31,492)	(31,746)
General and administrative expenses	*7*	(15,230)	(28,442)	(25,215)	(12,355)	(11,236)
Operating (loss)/profit		(8,594)	12,414	38,598	19,013	24,088
Finance costs	*9*	(3,813)	(3,427)	(7,567)	(2,597)	(7,237)
(Loss)/profit before income tax		(12,407)	8,987	31,031	16,416	16,851
Income tax credit/(expense)	*10*	2,119	(1,409)	(4,049)	(2,492)	(2,631)
(Loss)/profit for the year/ period		(10,288)	7,578	26,982	13,924	14,220
Other comprehensive income/ (loss)						
Item that may be subsequently reclassified to profit or loss:						
Exchange differences arising on translation of the financial statements of foreign subsidiaries		41	1,726	(4,146)	(2,126)	(392)
Total comprehensive (loss)/ income for the year/period		(10,247)	9,304	22,836	11,798	13,828

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
(Loss)/profit attributable to:					
Equity holder of the Target Company	(10,288)	7,578	27,363	13,924	14,880
Non-controlling interests	–	–	(381)	–	(660)
	(10,288)	7,578	26,982	13,924	14,220
Total comprehensive (loss)/ income attributable to:					
Equity holder of the Target Company	(10,247)	9,304	23,234	11,798	14,502
Non-controlling interests	–	–	(398)	–	(674)
	(10,247)	9,304	22,836	11,798	13,828

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Note	**2020**	**2021**	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*11*	3,237	8,146	5,789	4,548
Right-of-use assets	*12*	14,105	7,875	4,527	2,354
Intangible assets	*13*	999	–	–	–
Other non-current asset	*14*	–	–	6,835	6,983
Deposits	*17*	3,066	2,588	495	–
Deferred income tax assets	*25*	2,913	1,726	2,643	2,371
Total non-current assets		24,320	20,335	20,289	16,256
Current assets					
Inventories	*15*	70,139	234,493	251,815	292,043
Trade receivables	*16*	63,807	109,960	123,249	85,814
Prepayments, deposits and other receivables	*17*	9,261	67,357	80,303	75,045
Income tax recoverable		–	838	–	–
Cash and cash equivalents	*18*	103,762	52,900	34,313	29,065
Total current assets		246,969	465,548	489,680	481,967
Total assets		271,289	485,883	509,969	498,223

	Note	As at 31 December 2020 HK$'000	As at 31 December 2021 HK$'000	As at 31 December 2022 HK$'000	As at 30 June 2023 HK$'000
EQUITY					
Capital and reserves attributable to the Target Company's equity holder					
Share capital	*19*	–	1	1	1
Other reserves		84	2,202	(1,937)	(2,315)
(Accumulated losses)/retained earnings		(22,969)	(15,783)	11,580	26,460
		(22,885)	(13,580)	9,644	24,146
Non-controlling interests	*21*	–	–	(394)	(1,068)
Total (deficit)/equity		(22,885)	(13,580)	9,250	23,078
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	*25*	–	–	293	237
Lease liabilities	*12*	6,953	3,398	625	117
Total non-current liabilities		6,953	3,398	918	354
Current liabilities					
Trade payables	*22*	57,836	259,283	183,070	178,724
Other payables and accruals	*23*	3,968	47,103	46,914	52,121
Bank borrowings	*24*	78,035	126,416	207,688	173,448
Amount due to a related company	*28*	139,525	58,142	53,070	60,983
Lease liabilities	*12*	7,809	5,121	4,367	2,316
Current tax liabilities		48	-	4,692	7,199
Total current liabilities		287,221	496,065	499,801	474,791
Total liabilities		294,174	499,463	500,719	475,145
Total equity and liabilities		271,289	485,883	509,969	498,223
Net current (liabilities)/assets		(40,252)	(30,517)	(10,121)	7,176

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2021 HK$'000	As at 31 December 2022 HK$'000	As at 30 June 2023 HK$'000
ASSETS				
Non-current assets				
Investments in subsidiaries		–	3,632	3,632
EQUITY				
Capital and reserves attributable to the Target Company's equity holder				
Share capital	*19*	1	1	1
Accumulated losses	*20*	(25)	(57)	(79)
Capital reserve	*20*	–	3,632	3,632
Total deficit		(24)	3,576	3,554
LIABILITIES				
Current liabilities				
Other payables and accruals	*23*	10	20	25
Amount due to a subsidiary	*28*	9	19	19
Amount due to a related company	*28*	5	17	34
Total liabilities		24	56	78
Total equity and liabilities		–	3,632	3,632
Net current liabilities		(24)	(56)	(78)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holder of the Target Company							
	Share capital	Other reserve	Statutory reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2020	–	10	–	21	(12,669)	(12,638)	–	(12,638)
Loss for the year	–	–	–	–	(10,288)	(10,288)	–	(10,288)
Other comprehensive income:								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	41	–	41	–	41
Total comprehensive income/(loss) for the year	–	–	–	41	(10,288)	(10,247)	–	(10,247)
Transactions with owner in its capacity as owner:								
Appropriation to statutory reserves	–	–	12	–	(12)	–	–	–
Balance at 31 December 2020	–	10	12	62	(22,969)	(22,885)	–	(22,885)

	Attributable to equity holder of the Target Company							
	Share capital	Other reserve	Statutory reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2021	–	10	12	62	(22,969)	(22,885)	–	(22,885)
Profit for the year	–	–	–	–	7,578	7,578	–	7,578
Other comprehensive income:								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	1,726	–	1,726	–	1,726
Total comprehensive income for the year	–	–	–	1,726	7,578	9,304	–	9,304
Transactions with owner in its capacity as owner:								
Issuance of shares	1	–	–	–	–	1	–	1
Appropriation to statutory reserves	–	–	392	–	(392)	–	–	–
	1	–	392	–	(392)	1	–	1
Balance at 31 December 2021	1	10	404	1,788	(15,783)	(13,580)	–	(13,580)

	Attributable to equity holder of the Target Company							
	Share capital	**Other reserve**	**Statutory reserve**	**Exchange reserve**	**(Accumulated losses)/ retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2022	1	10	404	1,788	(15,783)	(13,580)	–	(13,580)
Profit/(loss) for the year	–	–	–	–	27,363	27,363	(381)	26,982
Other comprehensive loss:								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	(4,129)	–	(4,129)	(17)	(4,146)
Total comprehensive (loss)/income for the year	–	–	–	(4,129)	27,363	23,234	(398)	22,836
Transactions with owner in its capacity as owner:								
Incorporation of a subsidiary	–	–	–	–	–	–	4	4
Deemed distribution to shareholders	–	(10)	–	–	–	(10)	–	(10)
	–	(10)	–	–	–	(10)	4	(6)
Balance at 31 December 2022	1	–	404	(2,341)	11,580	9,644	(394)	9,250

	Attributable to equity holder of the Target Company							
	Share capital	**Other reserve**	**Statutory reserve**	**Exchange reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2023	1	–	404	(2,341)	11,580	9,644	(394)	9,250
Profit/(loss) for the period	–	–	–	–	14,880	14,880	(660)	14,220
Other comprehensive loss:								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	(378)	–	(378)	(14)	(392)
Total comprehensive (loss)/income for the period	–	–	–	(378)	14,880	14,502	(674)	13,828
Balance at 30 June 2023	1	–	404	(2,719)	26,460	24,146	(1,068)	23,078

	Attributable to equity holder of the Target Company							
	Share capital *HK$'000*	**Other reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
(Unaudited)								
Balance at 1 January 2022	1	10	404	1,788	(15,783)	(13,580)	–	(13,580)
Profit for the period	–	–	–	–	13,924	13,924	–	13,924
Other comprehensive loss:								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	(2,126)	–	(2,126)	–	(2,126)
Total comprehensive (loss)/income for the period	–	–	–	(2,126)	13,924	11,798	–	11,798
Balance at 30 June 2022	1	10	404	(338)	(1,859)	(1,782)	–	(1,782)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2020 HK$'000	2021 HK$'000	2022 HK$'000	Six months ended 30 June 2022 HK$'000 (Unaudited)	2023 HK$'000
Cash flows from operating activities						
Cash (used in)/generated from operations	*26(a)*	(40,935)	2,084	(73,187)	(57,221)	30,960
Income tax (paid)/refunded		–	(1,108)	849	–	–
Net cash (used in)/generated from operating activities		(40,935)	976	(72,338)	(57,221)	30,960
Cash flows from investing activities						
Purchase of property, plant and equipment	*11*	(384)	(7,221)	(568)	(185)	(75)
Proceeds from disposal of property, plant and equipment	*26(b)*	1,000	200	–	–	–
Investment in an insurance contract	*14*	–	–	(8,158)	(8,158)	–
Interest received		46	8	40	3	97
Net cash generated from/(used in) investing activities		662	(7,013)	(8,686)	(8,340)	22
Cash flows from financing activities						
Proceeds from issuance of ordinary shares		–	1	–	–	–
Contribution from a non-controlling interest		–	–	4	–	–
Deemed distribution to shareholders		–	–	(10)	–	–
Interest paid	*26(c)*	(3,813)	(3,427)	(7,567)	(2,597)	(7,237)
Proceeds from bank borrowings	*26(c)*	184,142	239,131	417,490	158,220	208,919
Repayment of bank borrowings	*26(c)*	(157,792)	(190,750)	(336,218)	(106,456)	(243,159)
Increase/(decrease) in amount due to a related company	*26(c)*	83,863	(81,383)	(5,072)	31,763	7,913
Principal elements of lease payments	*26(c)*	(5,144)	(8,626)	(5,333)	(2,895)	(2,573)
Net cash generated from/(used in) financing activities		101,256	(45,054)	63,294	78,035	(36,137)
Net increase/(decrease) in cash and cash equivalents		60,983	(51,091)	(17,730)	12,474	(5,155)
Cash and cash equivalents at beginning of the year/period		42,666	103,762	52,900	52,900	34,313
Exchange gains/(losses) on cash and cash equivalents		113	229	(857)	(220)	(93)
Cash and cash equivalents at end of the year/period	*18*	103,762	52,900	34,313	65,154	29,065

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information, reorganisation and basis of presentation

1.1 General information

Combo Win Asia Limited (the "**Target Company**") is incorporated in the British Virgin Islands (the "**BVI**") on 3 March 2021 as an exempted company with limited liability. The address of the Target Company's registered office is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company. The Target Company and its subsidiaries (collectively the "**Target Group**") are principally engaged in e-commerce business and distribution business of healthcare and wellbeing related products in the People's Republic of China (the "**PRC**") (the "**Business**"). During the Track Record Period, the immediate holding company and intermediate holding company of the Target Company are Dynasty Garden Limited and Tycoon Group Holdings Limited (the "**Company**"), respectively. In the opinion of the directors of the Target Company, the ultimate holding company and ultimate controlling shareholder are Tycoon Empire Investment Limited and Mr. Wong Ka Chun, Michael (the "**Controlling Shareholder**"), respectively.

1.2 Reorganisation

Prior to the incorporation of the Target Company and the completion of the reorganisation (the "**Reorganisation**"), the Business was carried out by companies now comprising the Target Group (the "**Operating Subsidiaries**"), which were controlled by the Company. Tycoon Asia Pacific Group Limited, one of the Operating Subsidiaries was also engaged in the e-commerce and distribution businesses of healthcare and wellbeing related products in Hong Kong and Macau (the "**Excluded Business**") until segregation of these Excluded Business from the Target Group to other subsidiaries of the Company (other than those in the Target Group) (the "**Remaining Group**"). The Reorganisation was undertaken pursuant to which the companies engaged in the Business were transferred to the Target Company. The Reorganisation included mainly the following steps:

On 3 March 2021, the Target Company was incorporated in the BVI with 100 ordinary shares of US$1 each allotted and issued to Dynasty Garden Limited, a wholly-owned subsidiary of the Company.

On 29 March 2021, Combo Win Greater China Limited was incorporated in the BVI with 1 ordinary share of US$1 allotted and issued to the Target Company.

On 10 November 2021, the Target Company acquired 1 share, representing 100% of the issued share capital of Million Effort Holdings Limited from Key Zone Investment Inc., a wholly-owned subsidiary of the Company at the consideration of US$1. As a result of this transaction, Million Effort Holdings Limited became a wholly-owned subsidiary of the Target Company.

On 1 November 2022, Combo Win Greater China Limited, a wholly-owned subsidiary of the Target Company, acquired 10,000 shares, representing 100% of the issued share capital of Tycoon Asia Pacific Group Limited from Million Effort Investment Limited, a wholly-owned subsidiary of the Company at the consideration of HK$10,000. As a result of this transaction, Tycoon Asia Pacific Group Limited became a wholly-owned subsidiary of the Target Company.

Upon the completion of the Reorganisation, the Target Company became the holding company of the companies comprising the Target Group.

As at the end of the Track Record Period, the Target Company has direct or indirect interests in the following subsidiaries:

Company name	Place of incorporation	Date of incorporation	Registered/ issued and paid-up capital	Percentage of equity directly attributable to the Target Company	Principal activities and place of operation	Notes
Directly owned						
Combo Win Greater China Limited	the BVI	29 March 2021	United States dollar ("**US$**") 1	100%	Investment holding, the BVI	(i)
Million Effort Holdings Limited	the BVI	28 March 2018	US$1	100%	Investment holding, the BVI	(i)
Indirectly owned						
Tycoon Asia Pacific Group Limited	Hong Kong	17 April 2015	HK$10,000	100%	Distribution and e-commerce business, Hong Kong	(ii)
Billion Crown (China) Limited	Hong Kong	8 February 2018	HK$1	100%	E-commerce business, Hong Kong	(ii)
Tycoon Asia Pacific (Vietnam) Company Limited	Vietnam	8 August 2022	Vietnamese dong ("**VND**") 1	100%	Provision of operational and marketing support, Vietnam	(iv)
Titita Trading Co., Limited (Hong Kong)	Hong Kong	24 June 2014	HK$10,000	100%	E-commerce business, Hong Kong	(ii)
Tycoon (Shenzhen) E-commerce Company Limited	The PRC	28 August 2018	HK$46,000,000	100%	Provision of operational and marketing support, the PRC	(iii)
AIR & EXPRESS	France	26 August 2022	Euro ("**EUR**") 1,000	51%	Provision of operational and marketing support, France	(iv)

Notes:

(i) No audited financial statements were issued for these subsidiaries as there are no statutory audit requirement in their place of incorporation.

(ii) The statutory financial statements of these companies for the year ended 31 December 2020 were audited by Ernst & Young, Certified Public Accountants and for the years ended 31 December 2021 and 2022 were audited by Linksfield CPA Limited, Certified Public Accountants.

(iii) The statutory financial statements of the company for the years ended 31 December 2020, 2021 and 2022 were audited by 鵬盛會計師事務所, Certified Public Accountants.

(iv) No audited financial statements were issued as the company was newly incorporated.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business is conducted through the Operating Subsidiaries. Pursuant to the Reorganisation, the Business was transferred to and held by the Target Company. The Target Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in management of such business and the ultimate owners of the Business remain the same. Accordingly, the Target Group resulting from the Reorganisation is regarded as a continuation of the Business conducted through the Operating Subsidiaries.

For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the financial information of the Business, with the results, assets and liabilities recognised and measured at the carrying amounts of the Business under the consolidated financial statements of the Target Group for all the years/periods presented.

Intercompany transactions, balances and unrealised gains/losses on transactions between companies now comprising the Target Group are eliminated on consolidation.

The Historical Financial Information only included the Business for the Track Record Period and was presented in the following manner:

(a) Transactions and balances specifically identified as relating to the Business are included in the Historical Financial Information, while those specifically identified as relating to the Excluded Business are not;

(b) To the extent that the transactions that are impracticable to be identified specifically, these items are allocated to the Business accordingly to the ratio of gross profit between the Business and Excluded Business; and

(c) Current and deferred income taxes on profits attributable to the Business calculated on the above basis are provided for according to the applicable tax rules and rates in the relevant individual tax jurisdictions, on a separate return basis.

Transactions and balances of Business with the Remaining Group are identified and disclosed in Note 28 to the Historical Financial Information.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The Historical Financial Information have been prepared under the historical cost convention, except for investment in an insurance contract classified in other non-current asset which is stated at its cash surrender value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management of the Target Group to exercise its judgment in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As at 31 December 2020, 2021 and 2022, the Target Group's current liabilities exceeded its current assets by HK$40,252,000, HK$30,517,000 and HK$10,121,000 respectively. Based on the financial support obtained from the Company, the directors of the Target Company are of the opinion that the Target Group has sufficient financial resources to continue as a going concern for the next twelve months from the end of each reporting period. Therefore, the directors of the Target Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Target Group consistently throughout the Track Record Period.

The followings are amendments to standards which have been issued but are not yet effective during the Track Record Period and have not been early adopted by the Target Group in preparing the Historical Financial Information:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non current (the "**2020 Amendments**")	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Target Group will adopt the above amendments to existing standards as and when they become effective. The directors of the Target Company have performed preliminary assessment and do not anticipate any significant impact on the Target Group's financial position and results of operations upon adopting these amendments to existing HKFRSs.

2.2 Subsidiaries

Subsidiaries are all entities over which the Target Group has control. The Target Group controls an entity when the Target 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 Target Group. They are deconsolidated from the date that control ceases.

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 Target Group.

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

2.3 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 Target 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.

2.4 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 directors of the Target Company that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Target 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 Target Company's functional and the Target 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 statements 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 income and gains, net".

(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.

2.6 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 Target 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 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.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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. 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.

2.8 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.

2.9 Financial assets

(a) Classification

The Target Group classifies its financial assets as those to be measured at amortised cost.

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Target 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 Target Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

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.

(d) Impairment

The Target 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 Target 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.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements 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 Target Group or the counterparty.

2.11 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.

2.12 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 noncurrent 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 Target 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.

2.13 Cash and cash equivalents

In the consolidated statements 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, if any.

2.14 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.

2.15 Trade and other payables

Trade and other payables are liabilities for goods or services provided to the Target 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.

2.16 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 statements 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 Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

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

2.18 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 income tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred income 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 Target 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 Target 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.

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

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the entity 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 income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income 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.

2.19 Employee benefits

Pension obligations

The Target 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 profit or loss 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 Target Group in an independently administrated fund. The Target Group's employer contributions vest fully with the employees when contributed to the Pension Scheme, except for the Target Group's employer voluntary contributions, which are refunded to the Target Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the Pension Scheme.

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

2.20 Provisions

Provisions are recognised when the Target 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.

2.21 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 Target Group recognises the related revenue. The Target Group recognised its contract liabilities under other payables and accruals as receipt in advance from customers in the consolidated statements 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 statements of financial position.

It is the Target 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 statements 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.

2.22 Interest income

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

2.23 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 Target 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 Target 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.

To determine the incremental borrowing rate, the Target Group, where possible, uses recent third-party financing received by the Target 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 Target Group 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.

2.24 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 Target 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.

2.25 Investment in an insurance contract

The insurance contract of the Target 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 management

3.1 Financial risk factors

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

Risk management is carried out by the management of the Target 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 Target Group's business.

(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 entity's functional currency. The Target Group operates mainly in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and Chinese Renminbi ("**RMB**").

As US$ is pegged with HK$ under the Linked Exchange Rate System, the Target Group has minimal exposure to currency risk arising from US$.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, if RMB had strengthened/weakened by 5% against the HK$ with all other variables held constant, loss for the year ended 31 December 2020 would have been HK$412,000 lower/higher, whereas post-tax profit for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 would have been HK$1,503,000, HK$1,130,000 and HK$1,108,000 higher/lower, respectively mainly as a result of foreign exchange differences on translation of RMB-denominated cash and cash equivalents, trade receivables, deposits and other receivables and other payables and accruals.

(ii) Cash flow and fair value interest rate risk

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

As at 31 December 2020, 2021 and 2022 and 30 June 2023, if interest rate on cash and cash equivalents and bank borrowings issued at variable rates had been 50 basis point higher/lower with all variables held constant, loss for the year ended 31 December 2020 would have been HK$107,000 lower/higher, whereas post-tax profit for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 would have been HK$307,000, HK$726,000 and HK$604,000 lower/higher, respectively mainly as a result of change in interest expenses on bank borrowings issued at variable rates.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the fair value interest rate risk is insignificant to the Target Group.

(b) Credit risk

The Target Group's credit risk is primarily attributable to trade receivables (Note 16), deposits and other receivables (Note 17) and cash and cash equivalents (Note 18) which represent the Target Group's maximum exposure to credit risk in relation to its financial assets.

(i) Risk management

To manage this risk, deposits of the Target Group are mainly placed with reputable banks. The Target 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 Target 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 Target Group has concentration of credit risk. The largest customers accounted for 28%, 28%, 46% and 29% of the gross trade receivable balances as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. The top five customers accounted for 86%, 83%, 85% and 70% of the gross trade receivable balances as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

(ii) Impairment of financial assets

The Target Group applies the simplified approach in HKFRS 9 to measure the expected credit losses for trade receivables.

The Target Group applies the general approach in HKFRS 9 to measure the expected credit losses for financial assets at amortised cost that are not qualified for simplified approach, which uses a three-stage model to calculate the loss allowances. According to the changes of credit risk of financial instruments since the initial recognition, the Target Group calculates the expected credit losses by three stages:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Assessment of significant increase in credit risk

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Target Group's Historical Financial Information. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, e.g. payment being past due by more than 30 days, the weight of which will depend on the type of product and counterparty.

Assessment of credit-impaired

Credit-impaired financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due and/or where the assets are otherwise considered unlikely to pay, such as bankruptcy, fraud or death. This definition is consistent with internal credit risk management and the regulatory definition of default.

Trade receivables for sales of goods of the Target Group are subject to the expected credit losses model. 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 Target Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Target 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 2020, 2021 and 2022 and 30 June 2023, the expected credit loss on individual basis is assessed as immaterial.

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. The Target Group has identified the gross domestic product ("**GDP**"), unemployment rate and inflation rate of the location in which it sells its goods to the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

Measurement of expected credit loss on collective basis

Given (i) the majority of customers of the Target 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 coronavirus disease 2019 ("**COVID-19**"), the directors of the Target Company considered that the default rate of financial assets were immaterial. Management considered that the expected credit loss rates of customers were immaterial for all ageing bands as at 31 December 2020, 2021 and 2022 and 30 June 2023. As a result, no loss allowance for impairment of trade receivables was considered necessary for each of the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023.

Cash at banks

The credit risk on deposits with banks is limited because the counterparties are several reputable and creditworthy banks. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past. Therefore, expected credit loss rate of cash at bank is assessed to be immaterial and no provision was made as at 31 December 2020, 2021 and 2022 and 30 June 2023.

Deposits and other receivables

The Target Group adopted general approach for expected credit losses of deposits and other receivables. The Target Group considered these financial assets have not significantly increased in credit risk from initial recognition. Thus, these financial assets are classified in stage one and only considered 12-month expected credit loss. Considering the history of default and forward-looking factor, the expected credit loss is immaterial.

There is no loss allowance for deposits and other receivables as at 31 December 2020, 2021 and 2022 and 30 June 2023.

(c) Liquidity risk

With prudent liquidity risk management, the Target 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 Target 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. The Target Group's liquidity risk is further mitigated through the availability of financial support from its intermediate holding company, when needed, so as to enable the Target Group to meet its liabilities as and when they fall due and to continue operating for the foreseeable future.

The table below analyses the Target 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	**Less than one year**	**Between one and two years**	**Between two and five years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020					
Trade payables	–	57,836	–	–	57,836
Other payables and accruals	–	2,557	–	–	2,557
Bank borrowings	78,035	–	–	–	78,035
Amount due to a related company	139,525	–	–	–	139,525
Lease liabilities	–	8,410	4,251	3,057	15,718
Total	217,560	68,803	4,251	3,057	293,671

	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	–	259,283	–	–	259,283
Other payables and accruals	–	26,922	–	–	26,922
Bank borrowings	126,416	–	–	–	126,416
Amount due to a related company	58,142	–	–	–	58,142
Lease liabilities	–	5,368	3,458	–	8,826
Total	184,558	291,573	3,458	–	479,589

	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	–	183,070	–	–	183,070
Other payables and accruals	–	41,330	–	–	41,330
Bank borrowings	207,688	–	–	–	207,688
Amount due to a related company	53,070	–	–	–	53,070
Lease liabilities	–	4,486	630	–	5,116
Total	260,758	228,886	630	–	490,274

	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 30 June 2023					
Trade payables	–	178,724	–	–	178,724
Other payables and accruals	–	45,915	–	–	45,915
Bank borrowings	173,448	–	–	–	173,448
Amount due to a related company	60,983	–	–	–	60,983
Lease liabilities	–	2,343	118	–	2,461
Total	234,431	226,982	118	–	461,531

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks' 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.

The table 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 "Repayable on demand" time band in the maturity analysis above. Taking into account the Target 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	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020					
Principal	78,035	–	–	–	78,035
Interest	93	–	–	–	93
Total	78,128	–	–	–	78,128

	Within one year	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2021					
Principal	97,533	5,971	20,636	2,276	126,416
Interest	3,382	1,129	1,062	85	5,658
Total	100,915	7,100	21,698	2,361	132,074

	Within one year	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2022					
Principal	182,015	21,598	2,888	1,187	207,688
Interest	6,613	2,528	607	405	10,153
Total	188,628	24,126	3,495	1,592	217,841

	Within one year	In the second year	In the third to fifth years, inclusive	Beyond five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2023					
Principal	164,214	6,121	2,888	225	173,448
Interest	13,468	1,191	1,508	503	16,670
Total	177,682	7,312	4,396	728	190,118

3.2 Capital management

The Target Group regards its shareholder's equity as capital. The Target Group's objectives when managing capital are to safeguard the Target 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 Target Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Target Group monitors capital using a gearing ratio, which is net debt divided by the total sum of equity attributable to equity holder of the Target Company ("**Capital**") plus net debt. Net debt includes bank borrowings, lease liabilities and amount due to a related company less cash and cash equivalents. Total capital comprises ordinary equity holder's equity as stated in the consolidated statements of financial position. The gearing ratios as at the end of the Track Record Period were as follows:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	78,035	126,416	207,688	173,448
Lease liabilities	14,762	8,519	4,992	2,433
Amount due to a related company	139,525	58,142	53,070	60,983
Less: cash and cash equivalents	(103,762)	(52,900)	(34,313)	(29,065)
Net debt	128,560	140,177	231,437	207,799
Capital	(22,885)	(13,580)	9,644	24,146
Capital and net debt	105,675	126,597	241,081	231,945
Gearing ratio	121.7%	110.7%	96.0%	89.6%

3.3 Fair value estimation

Fair value measurements by level of a fair value measurement hierarchy are not disclosed as no financial assets or financial liabilities are stated at fair value on the three-level hierarchy basis in the consolidated statements of financial position.

The fair values of the trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, other payables and accruals, amount due to a related company, and bank borrowings 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 Target Group. Lease liabilities are initially measured on a present value basis by discounting the lease payments to net present value using the Target Group's incremental borrowing rate.

3.4 Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no offsetting arrangements in place during the year/period.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target 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.

(a) Provision for impairment of financial assets

The Target Group estimated the expected credit losses based on historical credit loss experience and forward-looking information and an assessment of both the current as well as the forecast conditions at the year end, including time value of money where appropriate. At each year end, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The Target Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the debtor's historical repayment history and forward-looking information at the year end. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make loss allowance to the consolidated statements of profit or loss and other comprehensive income.

(b) 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 Target Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

Provision for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the provision amount required involves management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charge/written back in the year in which the estimate has been changed.

(c) Current and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made. Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Segment information

Management has determined the operating segments based on the reports reviewed by chief operation decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors of the Target Company.

The Target Group is principally engaged in e-commerce business and distribution business of healthcare and wellbeing related products in the PRC. The CODM regularly reviews the financial information of the business which is the same as the Historical Financial Information of the Target Group, for the purposes of allocating resources and assessing its performance, only one operating segment of the Target Group and no separate segmental analysis is presented in these consolidated financial statements.

The amounts provided to the CODM with respect to total assets and total liabilities are measured in a manner consistent with that in the consolidated statements of financial position.

Geographical information

All of the Target Group's revenue is derived from customers located in the PRC during the Track Record Period.

The non-current assets information below is based on the location of assets other than deferred income tax assets, financial instruments and investment in an insurance contract.

	31 December 2020	31 December 2021	31 December 2022	30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	9,341	5,420	4,523	3,162
The PRC	9,000	10,601	5,771	3,680
Others	–	–	22	60
	18,341	16,021	10,316	6,902

Information about major customers

The revenue from external parties is derived from numerous external customers and the revenue reported to the CODM is measured in a manner consistent with that in the Historical Financial Information.

Revenue individually generated from the following customer contributed more than 10% of the total revenue of the Target Group:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	101,853	166,983	198,835	82,905	45,835
Customer B	43,871	134,354	204,706	70,575	32,385
Customer C	N/A	87,185	N/A	36,747	37,164

All other customers individually accounted for less than 10% of the Target Group's revenue for the respective years/periods.

6 Revenue, other income and gains, net

Revenue, other income and gains, net recognised during the years/periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue					
Sales of goods	224,053	558,847	751,118	300,909	280,792
Timing of revenue recognition					
At a point in time	224,053	558,847	751,118	300,909	280,792
Other income and gains, net					
Bank interest income	46	8	40	3	97
Gain on disposal of property, plant and equipment	651	200	–	–	–
Gain on lease modification	–	–	4	4	–
Change in value of investment in an insurance contract	–	–	(1,323)	–	148
Government grants *(Note)*	1,207	–	586	187	492
Foreign exchange differences, net	(1,074)	(1,384)	(525)	(62)	123
Management fee income from a related company *(Note 28)*	7,325	7,348	4,192	1,752	4,746
Others	(71)	1,729	883	110	554
	8,084	7,901	3,857	1,994	6,160

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. There were no unfulfilled conditions and other contingencies attaching to these grants.

7 Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Auditor's remuneration	955	1,057	1,082	518	609
Cost of inventories sold (included provision for inventories)	200,041	478,785	630,854	240,043	219,882
Depreciation of property, plant and equipment *(Note 11)*	1,444	2,402	2,559	1,371	1,202
Depreciation of right-of-use assets *(Note 12)*	5,697	8,571	5,206	2,706	2,182
Employee benefit expenses (including directors' emoluments) *(Note 8)*	12,673	27,750	24,397	12,917	10,499
Expenses under short-term lease	2,014	2,488	1,429	631	163
Impairment of intangible assets	–	999	–	–	–
Marketing fee	444	6,988	13,711	9,515	4,595
Website service fee	14,738	20,197	29,743	13,206	19,266
Others	2,725	5,097	7,396	2,983	4,466
Total cost of sales, selling and distribution expenses, and general and administrative expenses	240,731	554,334	716,377	283,890	262,864

8 Employee benefit expense (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Wages, salaries and bonus	12,254	24,424	21,005	11,067	8,787
Pension costs	419	3,326	3,392	1,850	1,712
	12,673	27,750	24,397	12,917	10,499

(a) Directors' emoluments

The remuneration of individual directors of the Business paid or payable by the Target Group for the Track Record Period are set out below:

	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2020	–	360	–	18	378
For the year ended 31 December 2021	–	360	–	18	378
For the year ended 31 December 2022	–	360	–	18	378
For the six months ended 30 June 2023	–	180	–	9	189
(Unaudited) For the six months ended 30 June 2022	–	180	–	9	189

The remuneration shown above represented remuneration received from the Target Group by these directors in connection with the management of the affairs of the Target Group and no directors waived any emolument during each of the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023.

No director fees were paid to the directors in their capacity as directors of the Target Company and no emoluments were paid by the Target Group to the directors as an inducement to join the Target Group, or as compensation for loss of office during each of the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023.

(b) Directors' retirement and termination benefits

None of the directors received any other retirement benefits or termination benefits during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, no consideration was provided to or receivable by third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 28, no significant transactions, arrangements and contracts in relation to the Target Group's business to which the Target Group was a party and in which a director of the Target Group had a material interest, whether directly or indirectly, subsisted at the end of each reporting period or at any time during the Track Record Period.

9 Finance costs

	Year ended 31 December			Six months ended	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on bank borrowings	3,428	2,914	7,293	2,448	7,160
Interest on lease liabilities	385	513	274	149	77
	3,813	3,427	7,567	2,597	7,237

10 Income tax (credit)/expense

Hong Kong profits tax have been provided at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023.

PRC enterprise income tax have been provided at the rate of 25% on the estimated assessable profits for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Target Group operates.

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current income tax					
– Hong Kong	–	–	4,681	1,383	2,507
– PRC	45	222	–	–	–
Total current income tax	45	222	4,681	1,383	2,507
Deferred income tax *(Note 25)*	(2,164)	1,187	(632)	1,109	124
Total tax (credit)/expense for the year/period	(2,119)	1,409	4,049	2,492	2,631

A reconciliation of the tax (credit)/expense applicable to (loss)/profit before income tax at the statutory rates for the jurisdiction in which the Target Company and its subsidiaries are domiciled to the tax (credit)/expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
(Loss)/profit before income tax	(12,407)	8,987	31,031	16,416	16,851
Tax at the statutory tax rate at 16.5%	(2,047)	1,483	5,120	2,709	2,780
Effect of tax rate differences in other jurisdictions	23	148	(612)	(222)	(115)
Income not subject to tax	(206)	(424)	(704)	(139)	(266)
Expenses not deductible for tax	84	173	203	143	3
Tax loss not recognised	27	29	209	1	229
Utilisation of previously unrecognised tax losses	–	–	(167)	–	–
Total tax (credit)/expense for the year/period	(2,119)	1,409	4,049	2,492	2,631

11 Property, plant and equipment

	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2020					
Cost	4,175	1,112	438	1,669	7,394
Accumulated depreciation	(1,160)	(386)	(161)	(1,055)	(2,762)
Net book amount	3,015	726	277	614	4,632
Year ended 31 December 2020					
Opening net book amount	3,015	726	277	614	4,632
Additions	75	305	4	–	384
Disposal	–	–	–	(349)	(349)
Depreciation	(841)	(260)	(78)	(265)	(1,444)
Exchange realignment	–	14	–	–	14
Closing net book amount	2,249	785	203	–	3,237
At 31 December 2020					
Cost	4,250	1,436	442	854	6,982
Accumulated depreciation	(2,001)	(651)	(239)	(854)	(3,745)
Net book amount	2,249	785	203	–	3,237
Year ended 31 December 2021					
Opening net book amount	2,249	785	203	–	3,237
Additions	5,827	946	448	–	7,221
Depreciation	(1,806)	(482)	(114)	–	(2,402)
Exchange realignment	74	16	–	–	90
Closing net book amount	6,344	1,265	537	–	8,146
At 31 December 2021					
Cost	10,167	2,405	890	854	14,316
Accumulated depreciation	(3,823)	(1,140)	(353)	(854)	(6,170)
Net book amount	6,344	1,265	537	–	8,146

	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2022					
Opening net book amount	6,344	1,265	537	–	8,146
Additions	-	556	12	–	568
Depreciation	(1,858)	(545)	(156)	–	(2,559)
Exchange realignment	(316)	(50)	–	–	(366)
Closing net book amount	4,170	1,226	393	–	5,789
At 31 December 2022					
Cost	9,778	2,881	902	854	14,415
Accumulated depreciation	(5,608)	(1,655)	(509)	(854)	(8,626)
Net book amount	4,170	1,226	393	–	5,789
Six months ended 30 June 2023					
Opening net book amount	4,170	1,226	393	–	5,789
Additions	–	75	–	–	75
Depreciation	(845)	(284)	(73)	–	(1,202)
Exchange realignment	(105)	(9)	–	–	(114)
Closing net book amount	3,220	1,008	320	–	4,548
At 30 June 2023					
Cost	9,575	2,913	902	854	14,244
Accumulated depreciation	(6,355)	(1,905)	(582)	(854)	(9,696)
Net book amount	3,220	1,008	320	–	4,548

Depreciation expenses have been charged in general and administrative expenses for each of the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023.

12 Lease

The Target Group as a lessee

The Target Group has lease contracts mainly for buildings. Leases of buildings generally have lease terms between 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(a) Right-of-use assets

The carrying amounts of right-of-use assets by class of underlying assets at the end of the Track Record Period are as follows:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Warehouse leased for own use	5,773	2,126	2,118	1,267
Office premises leased for own use	8,148	5,459	2,392	1,087
Carpark leased for own use	184	290	17	–
	14,105	7,875	4,527	2,354

The carrying amounts of the Target Group's right-of-use assets and the movements during the years/ periods are as follows:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	7,463	14,105	7,875	4,527
Additions	11,903	2,125	2,511	–
Depreciation charge	(5,697)	(8,571)	(5,206)	(2,182)
Lease modification	–	–	(223)	–
Exchange realignment	436	216	(430)	9
At the end of the year/period	14,105	7,875	4,527	2,354

Depreciation expenses by class of underlying assets for the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Warehouse leased for own use	4,882	5,322	2,519	1,278	851
Office premises leased for own use	639	2,905	2,637	1,403	1,314
Carpark leased for own use	176	344	50	25	17
	5,697	8,571	5,206	2,706	2,182

Depreciation expenses have been charged in the following categories in the consolidated statements of profit or loss and other comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Selling and distribution expense	4,882	5,322	2,519	1,278	851
General and administrative expense	815	3,249	2,687	1,428	1,331
	5,697	8,571	5,206	2,706	2,182

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Track Record Period are as follows:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	7,539	14,762	8,519	4,992
Additions	11,903	2,125	2,511	–
Accretion of interest recognised during the year/period	385	513	274	77
Payments	(5,529)	(9,139)	(5,607)	(2,650)
Lease modification	–	–	(227)	–
Exchange realignment	464	258	(478)	14
At the end of the year/period	14,762	8,519	4,992	2,433

The lease liabilities based on their maturities are as follows:

	31 December 2020	31 December 2021	31 December 2022	30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Within one year	7,809	5,121	4,367	2,316
In the second year	3,953	3,398	625	117
In the third to fifth years, inclusive	3,000	–	–	–
	14,762	8,519	4,992	2,433

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Depreciation charge of right-of-use assets	5,697	8,571	5,206	2,706	2,182
Interest on lease liabilities *(Note 9)*	385	513	274	149	77
Expenses under short-term leases *(Note 7)*	2,014	2,488	1,429	631	163
	8,096	11,572	6,909	3,486	2,422

The total cash outflows for leases during each of the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023 were approximately HK$7,543,000, HK$11,627,000, HK$7,036,000, HK$3,675,000 and HK$2,813,000, respectively including the following payments:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Principal elements of lease liabilities	5,144	8,626	5,333	2,895	2,573
Interest elements of lease liabilities	385	513	274	149	77
Expenses under short-term leases	2,014	2,488	1,429	631	163
	7,543	11,627	7,036	3,675	2,813

(d) *Termination options*

Termination options are included in a number of property leases across the Target Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Target Group's operations.

13 Intangible assets

	Operating rights			
	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	999	999	–	–
Impairment during the year/period	–	(999)	–	–
At the end of the year/period	999	–	–	–

The operating rights are the rights for an online store at an e-commerce service portal to the Target Group that enable the Target Group to sell its products through the internet online platform. These operating rights are stated at historical cost. The operating rights are regarded as having an indefinite useful life and are not amortised as there is no foreseeable limit to the years over which the assets are expected to generate economic benefits for the Target Group. The Target Group needs to apply to the e-commerce service providers for the renewal of the operating rights each year.

During the year ended 31 December 2021, an impairment loss of approximately HK$999,000 was recognised to write down the carrying amounts of the operating rights of an e-commerce service portal in relation to the closure of an online store of the Target Group.

14 Other non-current asset

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	–	–	–	6,835
Additions	–	–	8,158	–
Net (decrease)/increase in cash surrender value	–	–	(1,323)	148
At the end of the year/period	–	–	6,835	6,983

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 (Note 24). Decrease in the cash surrender value of approximately HK$1,323,000 and increase in the cash surrender value of approximately HK$148,000 were recognised in the profit or loss for the year ended 31 December 2022 and six months ended 30 June 2023, respectively (Note 6).

15 Inventories

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	70,139	234,493	251,815	292,043

For each of the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023, the cost of inventories recognised as expense and included in "Cost of sales" amounting to approximately HK$200,041,000, HK$478,785,000, HK$630,854,000, HK$240,043,000 and HK$219,882,000, respectively in the consolidated statements of profit or loss and other comprehensive income, which includes provision for inventories of approximately HK$5,561,000, HK$8,311,000, HK$10,232,000, HK$3,619,000 and HK$846,000, respectively.

16 Trade receivables

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	63,807	109,960	123,249	85,814

The Target 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 Target Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An ageing analysis of the trade receivables based on the invoice date is as follows:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables:				
Within 90 days	62,487	95,074	106,169	54,003
91 to 180 days	906	11,850	8,651	6,286
Over 180 days	414	3,036	8,429	25,525
	63,807	109,960	123,249	85,814

The Target Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

The carrying amounts of the Target Group's trade receivables are denominated in the following currencies:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	41,076	44,654	43,432	35,987
RMB	4,542	25,207	20,618	24,199
US$	18,189	40,099	58,697	24,876
EUR	–	–	502	752
	63,807	109,960	123,249	85,814

17 Prepayments, deposits and other receivables

	31 December 2020 HK$'000	31 December 2021 HK$'000	31 December 2022 HK$'000	30 June 2023 HK$'000
Prepayments	1,235	33,875	38,846	15,170
Deposits	10,851	14,390	10,603	10,065
Other receivables	214	19,875	30,316	47,824
Other taxes receivable	27	1,805	1,033	1,986
	12,327	69,945	80,798	75,045
Less: deposits classified as non-current assets	(3,066)	(2,588)	(495)	–
	9,261	67,357	80,303	75,045

The carrying values of deposits and other receivables approximate their fair values as at 31 December 2020, 2021 and 2022 and 30 June 2023 and are denominated in the following currencies:

	31 December 2020 HK$'000	31 December 2021 HK$'000	31 December 2022 HK$'000	30 June 2023 HK$'000
HK$	1,275	4,781	1,395	10,393
RMB	5,856	16,988	21,120	16,069
US$	3,934	12,289	18,046	31,161
Others	–	207	358	266
	11,065	34,265	40,919	57,889

18 Cash and cash equivalents

	31 December 2020 HK$'000	31 December 2021 HK$'000	31 December 2022 HK$'000	30 June 2023 HK$'000
Cash at banks	103,555	52,873	33,869	28,668
Cash on hand	207	27	444	397
	103,762	52,900	34,313	29,065
Maximum exposure to credit risk	103,555	52,873	33,869	28,668

The Target Group's cash and cash equivalents with banks in the PRC as at 31 December 2020, 2021 and 2022 and 30 June 2023 amounted to approximately HK$2,034,000, HK$11,566,000, HK$2,173,000 and HK$2,019,000, respectively where the remittance of funds is subject to foreign exchange control.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	76,376	28,633	19,107	12,798
RMB	2,855	11,783	3,266	3,025
US$	23,365	12,307	11,513	13,104
Japanese Yen	359	142	86	78
Australian Dollar	807	35	132	2
EUR	–	–	209	58
	103,762	52,900	34,313	29,065

19 Share capital

	Number of shares	**Nominal value of ordinary shares**
		HK$'000
Issued and fully paid:		
Upon incorporation	100	1
At 31 December 2021 and 2022 and 30 June 2023	100	1

The Target Company was incorporated on 3 March 2021 with authorised share capital of US$50,000 divided into 50,000 shares of a par value of US$1 each. On the date of incorporation, 100 ordinary shares of US$1 were allocated and issued by the Target Company.

20 Reserve

The Target Company

(a) Accumulated losses

	Accumulated losses *HK$'000*
At date of incorporation	–
Loss and other comprehensive loss for the year	(25)
At 31 December 2021	(25)
At 1 January 2022	(25)
Loss and other comprehensive loss for the year	(32)
At 31 December 2022	(57)
At 1 January 2023	(57)
Loss and other comprehensive loss for the period	(22)
At 30 June 2023	(79)
(Unaudited)	
At 1 January 2022	(25)
Loss and other comprehensive loss for the period	(21)
At 30 June 2022	(46)

(b) Capital reserve

Capital reserve of the Target Company represented the difference between the net assets value of the subsidiaries acquired and the consideration paid pursuant to the Reorganisation.

21 Non-controlling interests

As at 31 December 2022 and 30 June 2023, no individual non-controlling interests were considered material to the Target Group.

22 Trade payables

	31 December 2020 *HK$'000*	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
Trade payables				
– to third parties *(Note (a))*	55,658	68,929	64,391	26,908
– to related companies *(Note (b))*	2,178	190,354	118,679	151,816
	57,836	259,283	183,070	178,724

Notes:

(a) Trade payables to third parties

An ageing analysis of the trade payables to third parties based on the invoice date, is as follows:

	31 December 2020	31 December 2021	31 December 2022	30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	21,744	13,034	29,517	11,207
31 to 60 days	16,506	16,317	9,558	1,163
61 to 120 days	17,094	16,975	8,619	6,489
Over 120 days	314	22,603	16,697	8,049
	55,658	68,929	64,391	26,908

Trade payables to third parties are unsecured, interest-free and with credit terms of 30 to 120 days.

(b) Trade payables to related companies

An ageing analysis of the trade payables to related companies based on the invoice date, is as follows:

	31 December 2020	31 December 2021	31 December 2022	30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	556	16,209	79,901	23,298
31 to 60 days	817	65,474	21,920	7,623
61 to 120 days	805	87,882	7,633	45,888
Over 120 days	–	20,789	9,225	75,007
	2,178	190,354	118,679	151,816

Trade payables to related companies are unsecured, interest-free and with credit term of 120 days.

The carrying amounts of trade payables approximates their fair value as at 31 December 2020, 2021 and 2022 and 30 June 2023 and are denominated in the following currencies:

	31 December 2020	31 December 2021	31 December 2022	30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	57,836	74,369	80,460	46,891
US$	–	184,914	102,610	131,833
	57,836	259,283	183,070	178,724

23 Other payables and accruals

The Target Group

	31 December 2020 *HK$'000*	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
Accruals	3,954	22,007	16,445	21,547
Other payables	14	10,539	30,469	30,574
Receipt in advance *(Note)*	–	14,557	–	–
	3,968	47,103	46,914	52,121

Note:

Revenue recognised during each of the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023 that was included in the receipt in advance balance at the beginning of the year/period amounted to approximately Nil, Nil, HK$14,557,000 and Nil, respectively. The Target Group expects to deliver the goods to satisfy the remaining performance obligations of these receipt in advance within one year or less and elect the practical expedient for not to disclose the remaining performance obligations.

The carrying amounts of other payables and accruals approximate their fair value as at 31 December 2020, 2021 and 2022 and 30 June 2023 and are denominated in the following currencies:

	31 December 2020 *HK$'000*	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
HK$	2,477	24,337	8,135	9,933
RMB	1,491	10,856	15,665	15,572
US$	–	11,910	22,206	24,868
Other	–	–	908	1,748
	3,968	47,103	46,914	52,121

The Target Company

	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
Accruals	10	20	25

The carrying amounts of accruals approximate their fair value as at 31 December 2021 and 2022 and 30 June 2023 and are denominated in HK$.

24 Borrowings

	31 December 2020 *HK$'000*	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
Current				
Bank loans – secured	40,000	71,860	75,296	51,326
Invoice financing loans – secured	37,867	54,556	132,392	122,122
Invoice discounting loans – secured	168	–	–	–
	78,035	126,416	207,688	173,448

As 31 December 2020, 2021 and 2022 and 30 June 2023, the Target Group's banking facilities are subject to annual review and are secured and guaranteed by:

(a) Certain properties in Hong Kong owned by a fellow subsidiary, Great Noble Limited;

(b) Guarantees provided by the Controlling Shareholder of HK$6,000,000, HK$6,000,000 and HK$6,000,000 as at 31 December 2021 and 2022 and 30 June 2023, respectively;

(c) Guarantees provided by the Company and a fellow subsidiary, Tycoon Global Limited of HK$78,035,000, HK$120,416,000, HK$179,044,000 and HK$128,094,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively; and

(d) Investment in an insurance contract of approximately HK$6,835,000 and HK$6,983,000 as at 31 December 2022 and 30 June 2023, respectively (Note 14).

The contractual interest rate on the secured bank loans approximated HIBOR + 1.20 to 3.00, HIBOR + 1.20 to 2.50, HIBOR + 1.20 to 3.00 and HIBOR + 1.20 to 3.00 per annum, secured invoice financing loans approximated Prime - 2.75 to HIBOR + 3.00, Prime - 2.75 to HIBOR + 3.25, Prime - 1.25 to HIBOR + 3.25 and Prime - 1.25 to HIBOR + 3.25 per annum and secured invoice discounting loans approximated HIBOR + 2, Nil, Nil and Nil per annum for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023, respectively.

The contractual maturity dates, irrespective of the repayable on demand clause, of borrowings are as follows:

	31 December 2020 *HK$'000*	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
Within one year	78,035	97,533	182,015	164,214
Between one year to two years	–	5,971	21,598	6,121
Between two to five years	–	20,636	2,888	2,888
Over five years	–	2,276	1,187	225
	78,035	126,416	207,688	173,448

All bank borrowings contain on demand clause and hence are classified as current liabilities.

The carrying amounts of borrowings approximates their fair value as at 31 December 2020, 2021 and 2022 and 30 June 2023 and are denominated in the following currencies.

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	78,035	126,416	201,666	167,426
US$	–	–	6,022	6,022
	78,035	126,416	207,688	173,448

25 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted by the statement of financial position date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

The analysis of deferred income tax assets are as follows:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets	2,913	1,726	2,643	2,371
Deferred income tax liabilities	–	–	(293)	(237)
	2,913	1,726	2,350	2,134

The net movements in the deferred income tax account are as follows:

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	748	2,913	1,726	2,350
Credited/(charged) to consolidated statements of profit or loss and other comprehensive income	2,164	(1,187)	632	(124)
Currency realignment	1	–	(8)	(92)
At the end of the year/period	2,913	1,726	2,350	2,134

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the years/periods are as follows:

Deferred income tax assets

	Tax losses	Decelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2020	1,091	5	1,096
Credited to consolidated statements of profit or loss and other comprehensive income during the year	1,974	28	2,002
Currency realignment	1	–	1
At 31 December 2020 and 1 January 2021	3,066	33	3,099
(Charged)/credited to consolidated statements of profit or loss and other comprehensive income during the year	(1,195)	29	(1,166)
At 31 December 2021 and 1 January 2022	1,871	62	1,933
Credited to consolidated statements of profit or loss and other comprehensive income during the year	717	1	718
Currency realignment	(8)	–	(8)
At 31 December 2022 and 1 January 2023	2,580	63	2,643
(Charged)/credited to consolidated statements of profit or loss and other comprehensive income during the period	(193)	13	(180)
Currency realignment	(92)	–	(92)
At 30 June 2023	2,295	76	2,371

Deferred income tax liabilities

	Accelerated tax depreciation
	HK$'000
At 1 January 2020	(348)
Credited to consolidated statements of profit or loss and other comprehensive income during the year	162
At 31 December 2020 and 1 January 2021	(186)
Charged to consolidated statements of profit or loss and other comprehensive income during the year	(21)
At 31 December 2021 and 1 January 2022	(207)
Charged to consolidated statements of profit or loss and other comprehensive income during the year	(86)
At 31 December 2022 and 1 January 2023	(293)
Credited to consolidated statements of profit or loss and other comprehensive income during the period	56
At 30 June 2023	(237)

Deferred income 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 Target Group had unrecognised tax losses of approximately HK$835,000, HK$1,012,000, HK$7,759,000 and HK$10,422,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively to offset against future taxable profits. Tax losses amounting to approximately HK$835,000 and HK$1,012,000, as at 31 December 2020 and 2021 respectively have no expiry dates while tax losses amounting to approximately HK$7,759,000 and HK$10,422,000 as at 31 December 2022 and 30 June 2023 will expire in 2025-2027 and 2025-2028, respectively.

As at 31 December 2020 and 2021, deferred income tax liabilities have not been provided for in the Historical Financial Information in respect of the withholding tax that would be payable on unremitted earnings of the PRC subsidiary of the Target Group amounting to approximately HK$142,000 and HK$1,962,000, respectively, as the Target 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.

26 Notes to the consolidated statements of cash flows

(a) Reconciliation of (loss)/profit before income tax to cash (used in)/generated from operations

	Notes	Year ended 31 December			Six months ended 30 June	
		2020	**2021**	**2022**	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
(Loss)/profit before income tax		(12,407)	8,987	31,031	16,416	16,851
Adjustments for:						
Finance costs	*9*	3,813	3,427	7,567	2,597	7,237
Interest income	*6*	(46)	(8)	(40)	(3)	(97)
Depreciation of property, plant and equipment	*7*	1,444	2,402	2,559	1,371	1,202
Depreciation of right-of–use assets	*7*	5,697	8,571	5,206	2,706	2,182
Impairment of intangible assets	*7*	–	999	–	–	–
Gain on disposal of property, plant and equipment	*6*	(651)	(200)	–	–	–
Gain on lease modification	*6*	–	–	(4)	(4)	–
Change in value of investment in an insurance contract	*14*	–	–	1,323	–	(148)
Provision for inventories	*15*	5,561	8,311	10,232	3,619	846
		3,411	32,489	57,874	26,702	28,073
Changes in working capital:						
Increase in inventories		(65,310)	(172,564)	(28,029)	(32,002)	(42,063)
Increase/(decrease) in trade receivables		(43,225)	(46,076)	(13,586)	13,534	37,415
Decrease/(increase) in prepayments, deposits and other receivables		4,506	(56,658)	(12,586)	6,739	6,212
Increase/(decrease) in trade payables		57,708	201,447	(76,214)	(51,721)	(4,347)
Increase/(decrease) in other payables and accruals		1,975	43,446	(646)	(20,473)	5,670
Cash flow (used in)/generated from operations		(40,935)	2,084	(73,187)	(57,221)	30,960

(b) Proceeds from sales of property, plant and equipment

In the consolidated statements of cash flows, proceeds from sales of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net book amount	349	–	–	–	–
Gain on disposals of property, plant and equipment	651	200	–	–	–
Proceeds from sales of property, plant and equipment	1,000	200	–	–	–

(c) Changes in liabilities arising from financing activities

	Bank borrowings	**Amount due to a related company**	**Lease liabilities**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2020	51,685	55,662	7,539
Changes from financing cash flows:			
Proceeds from drawdown of bank borrowings	184,142	–	–
Repayment of bank borrowings	(157,792)	–	–
Advance from a related company	–	83,863	–
Principal element of lease payments	–	–	(5,144)
Interest paid	(3,428)	–	(385)
Other changes:			
Interest expenses	3,428	–	385
Additions *(Note 12)*	–	–	11,903
Exchange realignment	–	–	464
At 31 December 2020	78,035	139,525	14,762

	Bank borrowings	**Amount due to a related company**	**Lease liabilities**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2021	78,035	139,525	14,762
Changes from financing cash flows:			
Proceeds from drawdown of bank borrowings	239,131	–	–
Repayment of bank borrowings	(190,750)	–	–
Repayment of advance from a related company	–	(81,383)	–
Principal element of lease payments	–	–	(8,626)
Interest paid	(2,914)	–	(513)
Other changes:			
Interest expenses	2,914	–	513
Additions *(Note 12)*	–	–	2,125
Exchange realignment	–	–	258
At 31 December 2021	126,416	58,142	8,519

	Bank borrowings *HK$'000*	Amount due to a related company *HK$'000*	Lease liabilities *HK$'000*
At 1 January 2022	126,416	58,142	8,519
Changes from financing cash flows:			
Proceeds from drawdown of bank borrowings	417,490	–	–
Repayment of bank borrowings	(336,218)	–	–
Repayment of advance from a related company	–	(5,072)	–
Principal element of lease payments	–	–	(5,333)
Interest paid	(7,293)	–	(274)
Other changes:			
Interest expenses	7,293	–	274
Additions *(Note 12)*	–	–	2,511
Lease modification	–	–	(227)
Exchange realignment	–	–	(478)
At 31 December 2022	207,688	53,070	4,992

	Bank borrowings *HK$'000*	Amount due to a related company *HK$'000*	Lease liabilities *HK$'000*
At 1 January 2023	207,688	53,070	4,992
Changes from financing cash flows:			
Proceeds from drawdown of bank borrowings	208,919	–	–
Repayment of bank borrowings	(243,159)	–	–
Advance from a related company	–	7,913	–
Principal element of lease payments	–	–	(2,573)
Interest paid	(7,160)	–	(77)
Other changes:			
Interest expenses	7,160	–	77
Additions *(Note 12)*	–	–	–
Exchange realignment	–	–	14
At 30 June 2023	173,448	60,983	2,433

	Bank borrowings *HK$'000*	Amount due to a related company *HK$'000*	Lease liabilities *HK$'000*
(Unaudited)			
At 1 January 2022	126,416	58,142	8,519
Changes from financing cash flows:			
Proceeds from drawdown of bank borrowings	158,220	–	–
Repayment of bank borrowings	(106,456)	–	–
Advance from a related company	–	31,763	–
Principal element of lease payments	–	–	(2,895)
Interest paid	(2,448)	–	(149)
Other changes:			
Interest expenses	2,448	–	149
Additions	–	–	1,598
Lease modification	–	–	(227)
Exchange realignment	–	–	(217)
At 30 June 2022	178,180	89,905	6,778

(d) Non-cash transaction

The Target Group had additions to right-of-use assets and lease liabilities as detailed in Note 12.

27 Financial instruments by category

The Target Group

The Target Group's financial instruments include the following:

	31 December 2020	31 December 2021	31 December 2022	30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised cost				
Trade receivables	63,807	109,960	123,249	85,814
Deposits and other receivables	11,065	34,265	40,919	57,889
Cash and cash equivalents	103,762	52,900	34,313	29,065
	178,634	197,125	198,481	172,768
Financial liabilities at amortised cost				
Trade payables	57,836	259,283	183,070	178,724
Other payables and accruals	2,557	26,922	41,330	45,915
Bank borrowings	78,035	126,416	207,688	173,448
Amount due to a related company	139,525	58,142	53,070	60,983
Lease liabilities	14,762	8,519	4,992	2,433
	292,715	479,282	490,150	461,503

The Target Company

The Target Company's financial instruments include the following:

	31 December 2021	31 December 2022	30 June 2023
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities at amortised cost			
Accruals	10	20	25
Amount due to a subsidiary	9	19	19
Amount due to a related company	5	17	34
	24	56	78

28 Related party transactions

Parties are considered to be related to the Target Group if the party has the ability, directly or indirectly, to exercise significant influence over the Target Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Target Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

Name of related parties	Relationship with the Target Company
Mr. Wong Ka Chun, Michael	Controlling Shareholder of the Target Group
Tycoon Group Holdings Limited	An intermediate holding company
Tycoon Global Limited	A fellow subsidiary
Great Noble Limited	A fellow subsidiary
China Resources Pharmaceutical Group Limited ("**CR Pharmaceutical**") and its subsidiaries (together, the "**CR Pharmaceutical Group**")	A shareholder of the Company
Han Lam Tong Medicine Limited	An associate of the Company during June 2020 to April 2023, and a subsidiary of the Company after April 2023

Other than those balances and transactions disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between the Target Group and its related parties in the ordinary course of business during each of the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023, and balances arising from related party transactions as at 31 December 2020, 2021 and 2022 and 30 June 2023.

(a) Transactions with related parties

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Purchase of products *(Note (i))*					
The CR Pharmaceutical Group	–	296,282	266,564	145,176	136,278
Han Lam Tong Medicine Limited	12,247	14,786	15,548	7,594	2,893
Tycoon Global Limited	19,879	16,363	34,788	11,487	23,418
Management fee income from a related company *(Note (ii))*					
Tycoon Global Limited	(7,325)	(7,348)	(4,192)	(1,752)	(4,746)

During the Track Record Period, the Target Group leased properties from Mr. Wong Ka Chun Michael, the Controlling Shareholder. 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 parties. Right-of-use assets approximately of HK$3,149,000 and HK$223,000 and lease liabilities of approximately HK$3,247,000 and HK$227,000 in respect of the leases were recognised in the consolidated statements of financial position as at 31 December 2020 and 2021. During each of the years ended 31 December 2020 and 2021, depreciation of right-of-use assets of approximately HK$3,110,000 and HK$5,665,000, respectively and interest expenses on the lease liabilities of approximately HK$230,000 and HK$170,000, respectively were charged to the consolidated statements of profit or loss and other comprehensive income.

Notes:

(i) The purchase of products from related companies were made at a mutually agreed price.

(ii) Management fee income from a related company were made at mutually agreed price.

(b) Outstanding balances with related parties

The Target Group

	31 December 2020 *HK$'000*	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
Trade payables to related companies *(Note (i))*				
The CR Pharmaceutical Group	–	184,914	102,610	131,833
Han Lam Tong Medicine Limited	2,178	5,440	16,069	19,983
	2,178	190,354	118,679	151,816
Non-trade payable due to a related company *(Note (ii))*				
Tycoon Global Limited	139,525	58,142	53,070	60,983

Notes:

(i) As at 31 December 2020, 2021 and 2022 and 30 June 2023, the trade payable balances to related companies are unsecured, interest-free and with credit term of 120 days. The carrying amounts of these balances approximate their fair value as at 31 December 2020, 2021 and 2022 and 30 June 2023 and are denominated in the following currencies:

	31 December 2020 *HK$'000*	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
HK$	2,178	5,440	16,069	19,983
US$	–	184,914	102,610	131,833
	2,178	190,354	118,679	151,816

(ii) As at 31 December 2020, 2021 and 2022 and 30 June 2023, the non-trade payable balances to a related company are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate their fair value as at 31 December 2020, 2021 and 2022 and 30 June 2023 and are denominated in HK$.

The Target Company

	31 December 2021 *HK$'000*	31 December 2022 *HK$'000*	30 June 2023 *HK$'000*
Amount due to a subsidiary			
Tycoon Asia Pacific Group Limited	9	19	19
Amount due to a related company			
Tycoon Global Limited	5	17	34

Note: As at 31 December 2021 and 2022 and 30 June 2023 these balances are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate their fair value as at 31 December 2021 and 2022 and 30 June 2023 and are denominated in HK$.

(c) Key management compensation

The compensation of key management personnel of the Target Group during the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2022 and 2023 are disclosed in Note 8 to the Historical Financial Information.

(d) Banking facilities

For the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023, bank borrowings were secured by certain properties owned by a fellow subsidiary, personal guarantee given by the Controlling Shareholder and corporate guarantees provided by the Company and a fellow subsidiary (Note 24).

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company or any of the subsidiaries now comprising the Target Group in respect of any period subsequent to 30 June 2023 and up to the date of this report.

(2) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 AND THE SIX MONTHS ENDED 30 JUNE 2022 AND 2023

Set out below is the management discussion and analysis of the Target Group:

(i) Business and financial performance

The Target Group mainly operates two major operating segments, namely e-commerce business and distribution business in Mainland China. The e-commerce business of the Target Group includes wholesale business to e-commerce clients and operation of online stores, focusing on cross-border e-commerce sales to Mainland China.

The Target 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.

Segmental Information

For the three years ended 31 December 2020, 2021 and 2022, the increasing trend of e-commerce revenue were due to the combined effect of (i) in view of the COVID-19 pandemic where people tended to stay home and the travel restrictions in Mainland China, consumers turned to e-commerce platforms, which helped the growth of the Target Group's e-commerce business; and (ii) the increased public health awareness due to the epidemic, which has boosted demand for proprietary chinese medicine ("**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.

During the six months ended 30 June 2023, the Target Group's e-commerce business continued to make steady profit contributions to the Target Group as a result of the rising public health awareness caused by the epidemic as well as the trend of online shopping, which boosted demand for PCM, healthcare products and personal care products.

Set out below is the financial summary extracted from the accountant's report on the Target Group for the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	224,053	558,847	751,118	300,909	280,792
(Loss)/profit before taxation	(12,407)	8,987	31,031	16,416	16,851
(Loss)/profit after taxation	(10,288)	7,578	26,982	13,924	14,220

For the year ended 31 December 2020

For the year ended 31 December 2020, the Target Group recorded a revenue of approximately HK$224.1 million, representing an increase of approximately 1,378.9% as compared to the year ended 31 December 2019. Loss for the year ended 31 December 2020 decreased to approximately HK$10.3 million from the loss of approximately HK$12.4 million in the year ended 31 December 2019. The decrease in the loss for the year was mainly attributable to increase in revenue and gross profit in e-commerce business.

For the year ended 31 December 2021

For the year ended 31 December 2021, the Target Group recorded a revenue of approximately HK$558.8 million, representing an increase of approximately 149.4% as compared to the year ended 31 December 2020. Profit for the year ended 31 December 2021 was approximately HK$7.6 million as compared with a loss for the year of approximately HK$10.3 million in the year ended 31 December 2020. The increase in the profit for the year was mainly attributable to Mainland Chinese consumers turned to e-commerce platforms to purchase reputable products as visiting to Hong Kong through the Individual Visit Scheme was restricted.

For the year ended 31 December 2022

For the year ended 31 December 2022, the Target Group recorded a revenue of approximately HK$751.1 million, representing an increase of approximately 34.4% as compared to the year ended 31 December 2021. Profit for the year ended 31 December 2022 increased to approximately HK$27.0 million from approximately HK$7.6 million in the year ended 31 December 2021. The increase in the profit for the year was mainly attributable to the 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.

For the six months ended 30 June 2023

For the six months ended 30 June 2023, the Target Group recorded a revenue of approximately HK$280.8 million, representing a decrease of approximately 6.7% as compared to the period of six months ended 30 June 2022. Profit for the six months ended 30 June 2023 increased to approximately HK$14.2 million from approximately HK$13.9 million for the six months ended 30 June 2022. The slightly increase in the profit for the period was mainly attributable to the change of sales mix and the price increase.

(ii) Liquidity, financial resources and capital structure

The Target Group generally financed its operations through its internal resources generated from its operating activities and banking facilities. There is no foreign currency net investment hedged by currency borrowings and other hedging instruments.

The primary objectives in the treasury policies of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders and return capital to shareholders.

Set out below is a summary of the audited financial information relating to the assets and liabilities of the Target Group extracted from the accountant's report on the Target Group as at 31 December 2020, 2021, 2022 and at 30 June 2023 respectively:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	271,289	485,883	509,969	498,223
Total cash and bank balance	103,762	52,900	34,313	29,065
Total liabilities	294,174	499,463	500,719	475,145
Net (liabilities)/assets	(22,885)	(13,580)	9,250	23,078
Current ratio *(Note (a))*	86%	94%	98%	102%
Gearing ratio *(Note (b))*	108%	103%	98%	95%

Notes:

(a) The current ratio is calculated as a ratio of the current assets over current liabilities.

(b) The gearing ratio is calculated on the basis of total liabilities to total assets.

As at 31 December 2020

As at 31 December 2020, the Target Group's audited net liabilities and net current liabilities were approximately HK$22.9 million and HK$40.3 million respectively. The Target Group had total cash and bank balances of approximately HK$103.8 million as at 31 December 2020, and the corresponding current ratio and gearing ratio were approximately 86% and 108% respectively.

As at 31 December 2021

As at 31 December 2021, the Target Group's audited net liabilities and net current liabilities were approximately HK$13.6 million and HK$30.5 million respectively. The Target Group had total cash and bank balances of approximately HK$52.9 million as at 31 December 2021, and the corresponding current ratio and gearing ratio were approximately 94% and 103% respectively.

As at 31 December 2022

As at 31 December 2022, the Target Group's audited net assets and net current liabilities were approximately HK$9.3 million and HK$10.1 million respectively. The Target Group had total cash and bank balances of approximately HK$34.3 million as at 31 December 2022, and the corresponding current ratio and gearing ratio were approximately 98% respectively.

As at 30 June 2023

As at 30 June 2023, the Target Group's audited net assets and net current assets were approximately HK$23.1 million and HK$7.2 million respectively. The Target Group had total cash and bank balances of approximately HK$29.1 million as at 30 June 2023, and the corresponding current ratio and gearing ratio was approximately 102% and 95% respectively.

Interest-bearing bank borrowings

	31 December 2020	**31 December 2021**	**31 December 2022**	**30 June 2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	78,035	97,533	182,015	164,214
Between one year to two years	–	5,971	21,598	6,121
Between two to five years	–	20,636	2,888	2,888
Over five years	–	2,276	1,187	225
	78,035	126,416	207,688	173,448

All interest-bearing bank borrowings of the Target Group were denominated in Hong Kong dollars ("**HK$**") with interest rates ranging from HIBOR plus 1.2% to 3.25% per annum.

(iii) Material investments, acquisitions or disposals

There was no material acquisitions and disposals of subsidiaries and associated companies of the Target and no significant investments made during the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023.

(iv) Pledge of assets

As at 31 December 2020, 2021, 2022 and at 30 June 2023, certain of the Target Group's leasehold land and buildings with a net carrying amount of approximately HK$58.4 million, HK$55.9 million, HK$53.3 million and HK$52.0 million were pledged to secure certain bank loans granted to the Target Group.

(v) Exposure to foreign exchange

Most of the trading transactions, assets and liabilities of the Target Group for the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023 were denominated mainly in HK$.

The Target Group has no foreign exchange contracts outstanding as at 31 December 2020, 2021, 2022 and at 30 June 2023.

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's debt obligations with a floating interest rate. The Target Group has not used any financial instruments to hedge its exposure to interest rate risk during the three years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023.

(vi) Contingent liabilities

Save as disclosed above, the Target Group did not have any material contingent liabilities as at 31 December 2020, 2021, 2022 and at 30 June 2023.

(vii) Capital Commitments

As at 31 December 2020, 2021, 2022 and at 30 June 2023, the Target Group did not have any material capital commitment.

(viii) Employee and remuneration policy

There were 72, 93, 85, 80 and 85 staff employed by the Target Group and the total staff costs amounted to approximately HK$12.7 million, HK$27.8 million, HK$24.4 million, HK$12.9 million and HK$10.5 million for the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023 respectively.

The Target Group reviews staff remuneration once a year, or as their management considers appropriate. Changes in remuneration are based on a range of factors including the Target Group's performance, the competitiveness of remuneration with the external market, and individual employee's performance. Target Group's employees were paid at fixed remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Introduction

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group (the "**Unaudited Pro Forma Financial Information**") which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Disposal and the possible exercise of Put Option on the assets and liabilities of the Group (the "**Possible Repurchase**") as if the Disposal and the Possible Repurchase had taken place on 30 June 2023.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the consolidated statement of financial position of the Group as at 30 June 2023 as set out in its published report on interim financial information for the six months ended 30 June 2023; and (ii) the pro forma adjustments prepared to reflect the effects of the Disposal and the Possible Repurchase as explained in the notes set out below that are directly attributable to the Disposal and the Possible Repurchase and not relating to future events or decisions.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Disposal and the Possible Repurchase been completed as at 30 June 2023, where applicable, or any future date.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of The Group

	The Group as at 30 June 2023	Pro forma adjustments			The Remaining Group after the Disposal	Pro forma adjustments		The Group after the Disposal and the Possible Repurchase
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2a)*	*(Note 2b)*	*(Note 3)*		*(Note 4a)*	*(Note 4b)*	
NON-CURRENT ASSETS								
Property, plant and equipment	60,434	(4,548)			55,886	4,548		60,434
Right-of-use assets	14,123	(2,354)			11,769	2,354		14,123
Intangible assets	87,762				87,762		229,396	317,158
Investments accounted for using the equity method	–		100,450		100,450		(100,450)	–
Prepayments and deposits	1,348				1,348			1,348
Financial assets at fair value through profit or loss	70,400				70,400			70,400
Deferred income tax assets	8,310	(2,371)			5,939	2,371		8,310
Other non-current asset	6,983	(6,983)			–	6,983		6,983
Total non-current assets	249,360				333,554			478,756
CURRENT ASSETS								
Inventories	426,204	(292,043)			134,161	292,043		426,204
Prepayments, deposits and other receivables	162,463	(75,045)			87,418	75,045		162,463
Amounts due from related parties	2,035				2,035			2,035
Trade receivables	277,221	(85,814)			191,407	85,814		277,221
Cash and cash equivalents	70,511	(29,065)	130,000	(3,990)	167,456	29,065	(130,000)	66,521
Total current assets	938,434				582,477			934,444
Total assets	1,187,794				916,031			1,413,200
Non-current liabilities								
Lease liabilities	3,857	(117)			3,740	117		3,857
Deferred income tax liabilities	3,638	(237)			3,401	237	22,024	25,662
Other non-current liability	6,084				6,084			6,084
Total non-current liabilities	13,579				13,225			35,603
Current liabilities								
Trade payables	345,968	(178,724)			167,244	178,724		345,968
Other payables and accruals	100,137	(52,121)			48,016	52,121		100,137
Bank borrowings	268,605	(173,448)			95,157	173,448		268,605
Loan from a shareholder	50,000				50,000			50,000
Amounts due to related parties	8	(60,983)			(60,975)	60,983		8
Lease liabilities	10,129	(2,316)			7,813	2,316		10,129
Current tax liabilities	12,591	(7,199)			5,392	7,199		12,591
Total current liabilities	787,438				312,647			787,438
Total liabilities	801,017				325,872			823,041

Notes:

(1) The amounts have been extracted from the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2023 included in the published interim report of the Company for the six months ended 30 June 2023.

(2) The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of assets and liabilities, assuming the Disposal had taken place on 30 June 2023:

(a) The adjustment represents the de-recognition of assets and liabilities of the Target Group as at 30 June 2023. The assets and liabilities of the Target Group are extracted from the consolidated statement of financial position of the Target Group as at 30 June 2023 as set out in Appendix II to this Circular.

(b) The adjustment represents the Consideration for the Disposal of HK$130,000,000 and the effect of the Disposal as if the Disposal had been completed 30 June 2023. Pursuant to the SP Agreement, an amount of HK$15,000,000 will be paid as Deposit, HK$55,000,000 will be paid upon Completion while the Remaining Consideration of HK$60,000,000 will be paid on or before 31 December 2024. For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the Remaining Consideration is received upon Completion.

The estimated gain on the Disposal assuming the Disposal had taken place on 30 June 2023 is calculated as follows:

	HK$'000
Cash consideration	130,000
Carrying amount of net assets of the Target Group as at 30 June 2023	(23,078)
Fair value of the Group's 49% previously held equity interest in the Target Group as at 30 June 2023 *(Note a)*	100,450
Reclassification of exchange reserve	(2,719)
Fair value of the Put Option *(Note b)*	–
Estimated gain on the Disposal	204,653

Note a: For the purpose of this Unaudited Pro Forma Financial Information, the Directors have estimated the fair value of the Group's 49% previously held equity interest in the Target Group as at 30 June 2023 to be HK$100,450,000 based on a valuation report prepared by an independent valuer. The Directors have assumed a discount for lack of control of 20% in the fair value measurement.

Note b: For the purpose of this Unaudited Pro Forma Financial Information, the Directors have assumed the fair value of the Put Option to be minimal because the Directors considered the Put Option will only be exercised at an amount equal to the fair value of the 51% equity interest of the Target Group.

Since the actual carrying amount of net assets of the Target Group, the actual fair value of the Group's 49% previously held equity interest in the Target Group, the actual amount of exchange reserve and the actual fair value of the Put Option at Completion may be different from the amounts used in the Unaudited Pro Forma Financial Information, the actual gain on the Disposal may be different from the amounts presented above.

(3) The adjustment represents the estimated transaction costs of approximately HK$3,990,000 in connection with the Disposal. For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the transaction costs have been paid by cash on 30 June 2023.

(4) Pursuant to the SP Agreement, the Vendor granted a Put Option to the Purchaser to require the Group to purchase or to procure the purchase all of the Sale Shares within two years after Completion at a price of lower of HK$162,000,000 or the fair value of 51% of the Target Group as at a date which is not more than 30 days before the date on which the Put Option is exercised, subject to the occurrence of any of the Put Option Triggering Events. For the purpose of this Unaudited Pro Forma Financial Information:

(i) the Possible Repurchase is assumed to take place immediately after the Disposal on 30 June 2023;

(ii) the Exercise Price is estimated by the Directors to be the fair value of 51% equity interest of the Target Group of approximately HK$130,000,000;

(iii) no trading result or other transaction of the Target Group prior to the Put Option becoming exercisable have been considered;

(iv) the fair value of the Put Option immediately prior to the exercise of the Put Option is assumed to be minimal; and

(v) no transaction costs have been considered.

Upon the completion of the Possible Repurchase, the Target Group will become a wholly-owned subsidiary of the Company and the identifiable assets and liabilities of the Target Group will be accounted for by the Group at their fair value in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination" ("**HKFRS 3**"). The Group has carried out an illustrative purchase price allocation exercise in accordance with HKFRS 3. For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the identifiable assets and liabilities of the Target Group as at 30 June 2023 based on a valuation report prepared by an independent valuer. The following pro forma adjustments have been made to the Unaudited Pro Forma Financial Information, assuming the Possible Repurchase had taken place on 30 June 2023:

(a) The adjustment represents the recognition of assets and liabilities of the Target Group as at 30 June 2023. The assets and liabilities of Group are extracted from the consolidated statement of financial position of the Target Group as at 30 June 2023 as set out in Appendix II to this Circular.

(b) The adjustment represents the payment of Exercise Price, effect of the Possible Repurchase and the recognition of fair value adjustment to the Target Group's net identifiable assets and goodwill arising from the Possible Repurchase. The fair values of the net identifiable assets of the Target Group as at 30 June 2023 and the financial effect of the Possible Repurchase are analysed as follows:

	HK$'000	*HK$'000*
Cash consideration		130,000
Fair value of the Group's 49% previously held equity interest in the Target Group as at 30 June 2023 (i)		100,450
Carrying amount of net assets of the Target Group as at 30 June 2023	(23,078)	
Fair value of intangible assets (customer relationships and supplier contract) recognised on the Possible Repurchase	(133,478)	
Effect on deferred income tax liabilities arising from the fair value of intangible assets (ii)	22,024	
Fair values of net identifiable assets of the Target Group acquired		(134,532)
Estimated goodwill on the Possible Repurchase		95,918

(i): For the purpose of this Unaudited Pro Forma Financial Information, the Directors have estimated the fair value of the Group's 49% previously held equity interest in the Target Group as at 30 June 2023 to be HK$100,450,000 based on a valuation report prepared by an independent valuer. The Directors have assumed a discount for lack of control of 20% in its fair value measurement.

(ii): The corresponding deferred income tax liabilities is measured at the tax rate that is expected to apply when the related taxable temporary difference is settled, which is 16.5%.

Since the actual Exercise Price of Possible Repurchase, the fair value of the Group's 49% previously held equity interest in the Target Group and the fair values of the net identifiable assets of the Target Group acquired at the actual completion date of the Possible Repurchase may be different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Group, the final amount of goodwill to be recognised arising from the Possible Repurchase may be different from the amounts presented here and the differences may be significant.

For the purpose of Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from the Possible Repurchase following the principles set out in Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the Directors' assessment, the Directors consider that there is no impairment on the goodwill. The Company will adopt consistent accounting policies and principal assumptions and valuation method (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of the goodwill in the future, and communicate such basis with its auditor.

(5) Apart from notes above, no other adjustment has been made to reflect any result or other transactions of the Group entered into subsequent to 30 June 2023 for the purpose of preparation of the Unaudited Pro Forma Financial Information.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report on the unaudited pro forma financial information of the Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Tycoon Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tycoon Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2023, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-5 of the Company's circular dated 26 October 2023, in connection with the proposed disposal of 51% interest in Combo Win Asia Limited (the "**Target Company**") (the "**Disposal**") and the possible exercise of the put option to acquire 51% interest in the Target Company (the "**Possible Repurchase**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-5 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal and the Possible Repurchase on the Group's financial position as at 30 June 2023 as if the Disposal and the Possible Repurchase had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2023, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal and the Possible Repurchase at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 October 2023

savills 第一太平戴維斯

The Directors
Tycoon Group Holdings Limited
Room 14, 8/F
Wah Wai Centre
38-40 Au Pui Wan Street
Shatin, New Territories
Hong Kong

26 October 2023

Dear Sirs,

VALUATION OF 51% EQUITY INTEREST IN COMBO WIN ASIA LIMITED

In accordance with your instructions, we have undertaken a valuation on behalf of Tycoon Group Holdings Limited (the "**Company**") to determine the Market Value (as defined below) of 51% equity interest (the "**Equity**") in Combo Win Asia Limited (the "**Target**") as at 31 December 2022 (the "**Valuation Date**").

1. BRIEF DESCRIPTION OF THE TARGET

The Target is a company incorporated in British Virgin Islands with limited liability in March 2021 as an investment holding company. The Target and its subsidiaries are principally engaged in cross-border e-commerce business which mainly includes the wholesale business to e-commerce clients, with a focus on cross-border e-commerce sales from Hong Kong to China.

2. PURPOSE OF VALUATION AND STANDARD OF VALUE

The purpose of this valuation is to express an independent opinion of the Market Value of 51% equity interest in the Target as at the Valuation Date stated above for reference purpose by the management of the Company (the "**Management**") in determining the value of 51% equity interest in the Target for a contemplated disposal (the "**Transaction**") by the Company.

Our valuation is prepared in accordance with the International Valuation Standards ("**IVS**") published by International Valuation Standards Council.

According to International Valuation Standards ("**IVS**"), Market Value is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We acknowledge that this report may be made available to the Company for public circulation purpose. We however assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

3. SOURCES OF INFORMATION

For the purpose of our valuation, we have relied on the following major documents and information in the valuation analysis. Certain documents and information have been provided by the Company. Other information is extracted from public sources. We have discussed with the Management to assess the reasonableness and fairness of the documents and information adopted by us. While we have satisfied ourselves with the reasonableness and fairness of the documents and information adopted, we expressly disclaim any responsibility or liability for the accuracy of the said documents and information. The major documents and information include but not limited to:

– Background information of the Target's business operations and relevant corporate information;

– Historical financial information of the Target;

– Financial forecast of the Target;

– Bloomberg Database;

– Hong Kong government bonds statistics prepared by Hong Kong Monetary Authority;

– Size premium databased published by Kroll Cost of Capital Navigator in 2022; and

– Equity risk premium database published by Professor Aswath Damodaran of New York University in July 2022.

4. SCOPE OF WORK PERFORMED

Our work included analysis of the Target's background, historical and projected financial information, and other relevant information of the Target, as well as discussions with the Management regarding the Target's business operations and other material information. We have also discussed with the Company on the bases and assumptions underlying the Target's financial forecast.

Based on our enquires, investigation and analysis, we are of the view that the Company's basis of preparation of the Target's financial forecast is reasonable and have relied to a considerable extent on the projections by the Company in arriving at our opinion of value.

5. INDUSTRY OVERVIEW

According to the Statista ("**Statista Report**"), mainland China has the world's biggest beauty, health, personal & household care market with projected revenue of US$162.2 billion by 2027, representing about 10.1% compounded annual growth rate (CAGR) from 2023 onwards. At the same time, number of e-commerce users will grow from 1,169.4 million to 1,618.9 million from 2023 to 2027, indicating 8% CAGR.

According to Ministry of Commerce of the People's Republic of China, China's cross-border e-commerce import and export volume (including business-to-business) reaches RMB2.11 trillion in 2022, showing a year-on-year growth of 9.8%. Goods exported from China in 2022 is RMB1.55 trillion, with a growth rate of 11.7% and goods imported to China in 2022 is RMB0.56 trillion, with a growth rate of 4.9%.

In terms of country of origin of the imported goods, goods originating from Japan, the United States and South Korea are the top three contributors to cross-border imports to China, accounting for 29.3% of the total cross-border e-commerce imports to China.

The top three categories of cross-border imported goods to the China in 2022 are cosmetics, grain and oil food products, clothing, shoes, hats, knitwear, and textiles comprising 72.9% of the total cross-border e-commerce imports to China in 2022.

According to the report from China Chamber of Commerce for Import and Export of Medicines and Health Products ("**CCCIEMHP Report**"), for nutritional and healthcare products, the import and export volume in 2021 in China are USD5.18 billion (annual growth rate of 7.8%) and USD2.62 billion (annual growth rate of 19.9%) respectively. Comparing with 2008, the total import and export volume in 2021 is nearly 8 times higher, with a compound annual growth rate of 16.5%. The top five source countries for nutritional and healthcare products imported to China in 2021 are the United States, Australia, Germany, Indonesia, and Japan, with import amounts of USD1.03 billion, USD0.75 billion, USD0.47 billion, USD0.40 billion, and USD0.32 billion respectively.

6. VALUATION METHODOLOGY AND BASIS

In conducting the valuation, we have considered three generally accepted approaches, including income approach, market approach and cost approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation and the commonly adopted practice.

6.1 Market approach

According to the IVS, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

In the business valuation context, the market approach valuation shall analyse recent transaction(s) in the equity interest of the valuation subject and/or comparable companies and benchmark the valuation subject with the selected comparable(s).

According to the confirmation from the Company, there is no recent equity transaction in the equity interest of the Target. The market approach using comparable companies is not adopted in this valuation as the major revenue of the Target comes from cross-border wholesale of health and well-being related products from Hong Kong to large internet platforms in China and no suitable comparable listed companies can be identified for the use of market approach as the primary valuation approach.

6.2 Cost approach or Asset approach

According to the IVS, the cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

In the business valuation context, cost approach is often presented as summation method, in which Market Value of the business entity is derived from the sum of Market Value of its existing assets less the Market Value of its liabilities.

The asset approach is not adopted to value the Target because it cannot capture the future earning potential of the Target from operation.

6.3 Income approach

According to the IVS, the income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

In the business valuation context, under income approach, value of the business entity is derived primarily from the present value ("**PV**") of its future cash flow, typically through the use of discounted cash flow ("**DCF**") method.

Given the close relationship between cash flow and value of a company, and the availability of a cash flow forecast of the Target confirmed by the Management, we have adopted the income approach as the primary approach to estimate the Market Value of the Target.

7. IMPLEMENTATION OF DCF METHOD FOR VALUATION OF THE TARGET

7.1 Basis of cash flow

Under DCF method, it is possible to use free cash flow to firm ("**FCFF**") or free cash flow to equity ("**FCFE**") to value a company. The differences between FCFF and FCFE is that FCFF reflects the value of debt (if any) as at the Valuation Date in the net debt adjustment in arriving at the equity value, whereas FCFE considers debt financing and repayment explicitly over the projection period in the cash flow projection in arriving at the equity value. Also, FCFF is discounted to PV using weighted average cost of capital ("**WACC**"), while FCFE is discounted to PV using cost of equity.

Based on our discussion with the Management, we have selected FCFF as the basis of cash flow as we understand that while the Company may consider financing the Target's business from a mix of short term bank borrowing and internally available resource, the basis of Market Value would require the consideration of a long term optimal capital structure for the Target in the adoption of FCFF and WACC.

The FCFF for each year is calculated as follows where each component is discussed in the next section:

FCFF = Earnings Before Interest and Tax ("**EBIT**") – Tax + Depreciation and Amortisation – Capital Expenditure ("**Capex**") – Change in Net Working Capital

7.2 Financial Projections

We have used the forecast financial projections of the Target prepared by the Company from 1 January 2023 to 31 December 2027 to determine FCFF to estimate the enterprise value of the Target, and then adjust for net debt, non-operating assets, non-operating liabilities and non-controlling interest ("**NCI**") to arrive at equity value of the Target. The financial projections of the Target are principally based on the following components with the forecast shown in Appendix I.

7.3 Revenue

The major revenue of the Target comes from cross-border wholesale from the Target in Hong Kong to large internet platforms in China. The following annual revenue growth rates adopted in the financial projection of the Target are estimated by the Company after considering the expected change in product mix of the Target, growth trends from industry research, and inflation.

Year	2023	2024	2025	2026	2027
Revenue growth rates	5%	8%	8%	5%	2%

In recent years, the regulation of nutritional and healthcare products in China is strengthened, which is conducive to market regulation and consumer education. Given the increase in awareness of health especially after COVID-19 and China's aging society (the population of people over 60 years old in China is expected to increase due to longer life expectancy and declining fertility rates), the demand of nutritional and healthcare products in China is expected to increase.

According to the Management, the business of the Target will maintain stable and no material change in business size is expected in forecastable future. Thus, no substantial growth is expected during the forecast period for the Target based on the estimation by the Management. In addition to sales mix, the financial projection of the Target also takes into account the anticipated price increase, reflecting the expected increase in demand of nutritional and healthcare products in China, as well as historical expected increase in e-commerce business of personal care and health care in China (CAGR of 8.5% from 2023 to 2027 according to Statista Report). Although lower than market forecast, we consider that the annual revenue growth rates (2%-8%) adopted in the financial projection of the Target estimated by the Company are prudent and within reasonable range.

7.4 Cost of revenue

Cost of revenue comprises the cost of inventories. Currently, the major products of the Target are proprietary Chinese medicine products (the "**PCM Products**"). According to discussion with the Company, the market of PCM Products in China and Hong Kong is highly competitive. Thus, the Target intends to source health supplement and skincare products with higher gross profit margin through the Target's Asia Pacific regional offices and the proportion of products with higher gross profit margin are expected to increase in future.

Based on the best estimate of the Management, gross profit margin will rise from historical 16.5% in 2022 to 18% in 2025 and will be maintained afterwards due to the active inventory management and the expected selling price increase. From our analyses, upward movement of gross margin is in line with the historical performance of Group 1 market comparable companies (see in Appendix II) from 2021 to 2022, and it is the Management's view that 18% is prudent and able to be maintained in the long term.

Year	2023	2024	2025	2026	2027
Gross Margin	16.5%	17.0%	18.0%	18.0%	18.0%

7.5 Selling and marketing expenses

Selling and marketing expenses principally consist of outbound transportation, local traveling expense, insurance fees, exhibitions, platform service fee and salaries (including wages, bonus and social insurance) for sales and marketing. It is projected with reference to the historical financial information of the Target and past experience of the Company. While outbound transportation is assumed to be fixed due to tourist effect, local traveling expense, insurance and exhibition fees are closely linked to the sales growth from past experience. Platform service fee is the cost related to selling through the Target's clients online retail shop platform, which mainly consists of promotion fee and freight fee and other variable cost. Additionally, the financial projection does not include any net-off items of marketing support to a supplier, as such expenses are not expected to be incurred during the projection period.

Breakdown of the forecast for selling and marketing expense sets out in the following table.

Breakdown of selling and marketing expenses	Basis of the financial forecast
Outbound transportation	Fixed due to tourist effect
Local travelling expense	Linked to the projected sales growth
Insurance	
Exhibition	
Platform service fee	
Rent	Based on the rental agreement
Salaries (wage, bonus and social insurance)	Linked to the expected inflation change

7.6 Administrative expenses

Administrative expenses principally consist of other administrative expense (including salaries, office utilities, local travel expense, insurance, office cleaning, sundry expense, bank charges and business registration), depreciation of office equipment and leasehold improvement, and rental expense. It is projected with reference to the historical financial information of the Target and past experience of the Company.

Breakdown of the forecast for administrative expense sets out in the following table.

Breakdown of administrative expenses	Basis of the financial forecast
Other administrative expense	Linked to the expected inflation change
Depreciation of office equipment and leasehold improvement	Based on the depreciation schedule in accordance with the Target's existing accounting policy: • straight-line depreciation method; • depreciation of 3-year period with residual value of 0%.
Rent expense	Based on the rental agreement

7.7 Other income

Other income comprises management income, interest income, subsidy income, exchange difference and fair value change for insurance, and it is non-recurring in nature.

7.8 Tax expenses

Advised by the Management, although the Target has business operation and sales channel in mainland China, the Target is a Hong Kong based business entity and hence subject to local taxation. Therefore, the effective income tax rate adopted is 16.5% which is the statutory profits tax rate in Hong Kong as at the Valuation Date.

7.9 Capex

The management estimated the following maintenance capex per year during the forecast period is estimated by the Company for regular replacement of office equipment, furniture and fixtures and leasehold improvements according to the historical record and future plan prepared by operation team by assuming HKD120,000 sufficient to maintain the use of existing office equipment, furniture and fixtures, while additional Capex is required to replace current leasehold improvement in 2025 and 2026, respectively, as well as in line with historical record.

Year	2023	2024	2025	2026	2027
Capex (HKD)	120,000	120,000	450,000	820,000	120,000

7.10 Change in net working capital

The Company estimated the time of receipt / payment of trade related / operating receivables and payables based on the following turnover days assumption. Except for trade payables, the turnover days during the forecast period are estimated based on 2022 historical financial information as the Management believes that such historical turnover days are able to last for the projection period.

The trade payables turnover days based on 2022 historical financial information is 106 days. According to the Company, the credit period of the major suppliers is 120 days and longer trade payables turnover days could be expected. The Management estimated 120 days' trade payables turnover based on Company's historical financial information and major suppliers' credit term mentioned above.

Receivables/Payables	**Turnover days**
Inventories	146 days
Trade receivables	60 days
Prepayments, deposits and other receivables	41 days
Trade payables	120 days
Other payables and accruals	166 days
Receipt in advance, sales return and rebate and promotion discount	3 days

7.11 Discount rate

In estimating an appropriate discount rate for the Target, we have used the Capital Assets Pricing Model (the "**CAPM**") to estimate the cost of equity and then to estimate the WACC for the discounting of FCFF to PV taking into consideration of pertinent factors which primarily include the following:

– the market and the business risks of the Target;

– the general economic outlook as well as specific investment environment for the business;

– the nature and current financial status of the Target;

– the historical performance of the Target;

– the market expectation and required rate of return for similar business; and

– the assumptions as stated in the Specific and General Assumptions of this report.

Under CAPM, cost of equity is the sum of the risk-free rate and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the cost of equity of the Target may be subject to other firm specific risk factors (e.g. size premium) that are independent of the general market. The discount rate is determined by the then prevailing risk-free rate, required market return, estimated beta of the Target and firm specific risk factors prevailing as at the Valuation Date and is tabulated below. Two sets of discount rate are calculated based on different sets of comparable companies (Group 1 and Group 2) as defined below.

Item	Group 1	Group 2	Note
Unlevered beta	0.58	0.58	Median of comparable companies' 2-year weekly beta from Bloomberg
Debt-to-equity ratio	9.4%	8.5%	Median of comparable companies' debt-equity ratio
Tax rate	16.5%	16.5%	Statutory profits tax rate in Hong Kong as at the Valuation Date
Levered beta	0.62	0.62	Based on re-leveraging formula
Risk free rate	3.6%	3.6%	Hong Kong long term (approximately 10 years) government bond yield as at the Valuation Date
Equity risk premium	6.9%	6.9%	Equity risk premium of Hong Kong in July 2022 sourced from Aswath Damodaran
Size premium	4.8%	4.8%	2022 data published by Kroll Cost of Capital Navigator
Specific risk premium	1.0%	1.0%	Valuer's professional judgement based on risk of the financial forecast
Cost of equity	13.7%	13.7%	CAPM formula
Cost of debt (pre-tax)	9.3%	9.3%	Target's long-term borrowing rate by taking reference to comparable bond yield.
Cost of debt (post-tax)	7.8%	7.8%	Cost of debt (pre-tax) adjusted with tax
Percentage of debt	8.6%	7.8%	Based on median of comparable companies' debt-to-equity ratio as a proxy for long-term optimal capital structure
Percentage of equity	91.4%	92.2%	Ditto
WACC	13.2%	13.2%	
WACC adopted	13.0%	13.0%	

$$Ke = R_f + \beta \times ERP + \alpha$$

Where:

R_f = risk free rate

ERP = equity risk premium

β = the beta factor

α = firm specific risk factors (alpha)

As discussed in section 6.1 and according to the discussion with the Company, we could not identify publicly listed companies with business model, stage of development and products closely comparable to the Target for the use of market approach as primary valuation approach. For discount rate calculation purpose, we have considered less restrictive comparable companies selection criteria to include listed companies with revenue mainly derived from China or Hong Kong, with either comparable business model (i.e. cross-border e-commerce) or comparable product (i.e. health and well-being related products) in deriving the beta and capital structure for the Target. For comparable business model, as there are many listed e-commerce companies, we narrow the selection criteria of comparable companies to cross-border e-commerce business. Based on the above discount rate calculation, same discount rate is calculated under both selection criteria despite the different companies chosen.

Group of comparable companies	Selection criteria
Group 1	Selecting listed companies (revenue mainly derived from China or Hong Kong) with significant revenue from cross-border e-commerce sales based on comparable business model to the Target
Group 2	Selecting listed companies (revenue mainly derived from China or Hong Kong) with significant revenue from selling of health and well-being related products based on comparable underlying product being traded of the Target

Details of the comparable companies and parameters adopted are shown in Appendix II.

7.12 NCI

According to the Company, the financial result attributed to NCI is not included in the financial forecast of the Target and revenue and profit related to NCI are immaterial. Thus, book value of NCI is adopted in arriving at the Market Value of the Equity based on the instruction from the Company.

7.13 Terminal value

We have calculated a terminal value in order to capture the value attributed to cash flow after the explicit forecast period for the Valuation Date based on terminal year FCFF, WACC and terminal growth using Gordon Growth Model. Therefore, the terminal value is calculated using the following formula:

$$TV = \frac{FCFF_{TY}}{(WACC - g)}$$

Where:

TV = terminal value

$FCFF_{TY}$ = FCFF in terminal year

g = terminal growth rate

Based on the above, it is assumed that the Target has reached a steady growth stage after the explicit forecast period with an estimated long-term growth rate of 2%, based on the long-term inflation rate in Hong Kong provided by International Monetary Fund (IMF) to indicate the steady growth rate beyond financial projection period.

7.14 Discounted Cash Flow

Based on the above financial projections and discount rate, we have adopted mid-period discounting to discount the FCFF to PV on the assumption that the revenue is collected throughout the year and therefore the cash flow is on average to be discounted in mid-period as opposed to end of period.

The net present value ("**NPV**") of the FCFF for each period is added to arrive at the enterprise value ("**EV**") of the Target from the DCF. Further adjustment for non-operating items such as cash and cash equivalents, borrowings, surplus assets, surplus liabilities and NCI as at the Valuation Date are made to the EV to arrive at the Market Value of the 100% equity interest of the Target. We then adjusted that by the corresponding equity stake to be valued in arriving at our opinion.

7.15 Put Option

According to the terms of the Transaction provided by the Management and confirmation from the Management, a put option (the "**Put Option**") is granted to the purchaser of the Transaction. The exercise price (the "**Exercise Price**") of the Put Option shall be equal to the amount of lower of (i) HKD162,000,000 or (ii) 51% of the valuation of the Target and its subsidiaries reported on by an independent valuer, as the fair value of the Target as at a date which is closed to the date on which the Put Option is exercised.

When the fair value of the Target is lower than HKD162,000,000, the Exercise Price is the fair value of 51% equity interest of the Target. Thus, no protection for the purchaser when the fair value of the Target decreases below HKD162,000,000. On the other hand, if fair value of the Target is higher than HKD162,000,000, value of the Put Option will still be zero as the purchaser would not exercise the Put Option in a normal circumstance as the fair value of the Target is already above HKD162,000,000.

In either way, the calculated value of the Put Option should be zero as at the Valuation Date.

8. SENSITIVITY ANALYSES

We have performed a sensitivity analysis on the Market value of the Target to change in discount rate and the terminal growth rate tabulated below:

Sensitivity analysis of Market Value of 51% equity interest in the Target to terminal growth rate and discount rate

		WACC				
In HKD'000		11.0%	12.0%	13.0%	14.0%	15.0%
Terminal growth rate	1.0%	169,906	143,825	122,143	103,842	88,196
	2.0%	183,795	154,169	129,968	109,834	92,828
	3.0%	201,157	166,811	139,358	116,916	98,232

The equity value is sensitive to discount rate and terminal growth rate due to Target's relative high level of borrowing and current stage of business which is still new.

9. ANALYSIS OF MARKET CAPITALIZATION OF THE COMPANY AND VALUATION OF THE TARGET

Based on the Company's audited financial statements for the year ended as at the Valuation Date ("**2022 AFS**"), financial data and valuation as at the Valuation Date, below is an analysis of the Target and the Company.

Metric	**The Target** *(HKD million)*	**The Company** *(HKD million)*	**Target's metric as % of the Company's metric**
Revenue	751	1,186	63.3%
Gross Profit	120	262	46.0%
EBIT	39	62	62.6%
Net Income	27	44	61.7%
Equity Value	255	1,720	14.8%

Source: the Company, Savills analysis

As at the date of this report, the market capitalization of the Company is HKD3,984 million, which has increased 131.6% further from that of HKD1,720 million at the Valuation Date. As discussed with Management, while the share price is affected by many different factors which cannot be easily quantified or corelated with the financial performance of the business, they attribute the increase to the confirmed reopening of the Hong Kong-Mainland border and removal of most of the COVID prevention measures and arrangements in Hong Kong which marks a significant relaxation from the previous pandemic management policy. We observed that the stock price increased significantly since February, the month which policy change was announced, from HKD2.39 per share to HKD6.19 (market capitalization of HKD4,952 million) on 6 March 2023 before declining back to HKD4.98 on 25 October 2023.

Given the volatility observed within this brief period and the low trading volume relative to total outstanding shares, we agree with the Management that the increase in market capitalisation may not be easily explainable or supportable by underlying financial performance from valuation perspective, especially the income approach which ties value to the financial performance of the business.

While the Target appears to represent a large proportion of revenue, gross profit, EBIT and net income in the Company in 2022 from the table above, Management considered that it should not represent as significant a proportion in the future financial performance of the Company for the following reasons:

1. The historical growth for the Target was very fast from 2020 to 2022, and at the same time the remaining business for the Company after carving out the Target (the "**Remaining Group**") saw a decline due to the significant reduction of the visitors from Mainland China, the main customers of the Remaining Group, due to COVID-19 pandemic;

2. The gross profit margin of the Target is less than the Remaining Group, and;

3. The Company's financial performance for 2020-2022 were significantly affected by COVID-19 pandemic. Therefore, the high proportion of the Target observed in 2022 may not last into the years ahead when the business for the Remaining Group recovered from the pandemic.

Based on the above, and the fact that valuation should be forward-looking measurement, we consider it is not unreasonable that the relatively low equity value of the Target compared to the market capitalisation of the Company in spite of its large proportion in certain metrics within the Company.

10. REMARKS

Unless otherwise stated, all monetary amounts are stated in Hong Kong Dollar ("**HKD**").

Figures may not sum due to rounding.

This report is issued subject to our Assumptions and Limiting Conditions as attached.

11. SPECIFIC ASSUMPTIONS

A number of specific assumptions have been made in the preparation of the reported figures. The major specific assumptions are set out below:

- The projected business according to the forecast of the Target can be achieved for the whole forecast period with the effort of the management of the Target at the required rate of return;

- The business of the Target will maintain stable and no material change in business size is expected in forecastable future;
- Discount for lack of marketability to the equity value of the Target as at the Valuation Date is considered in the specific risk premium of discount rate in contemplating the Transaction;
- Financial and operational information provided and confirmed by you are accurate and we have relied to a considerable extent on such information in arriving at our opinion of value;
- There are no hidden or unexpected conditions associated with the assets of the Target that might adversely affect the reported value; and
- The Target will reach stable operation after 2027 with a long-term growth rate 2% which is the expected China long-term inflation rate into perpetuity.

12. GENERAL ASSUMPTIONS

A number of general assumptions have been made in the preparation of the reported figures. The assumptions are:

- There will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation;
- The long-term inflation rate, interest rate and currency exchange rate will not differ materially from those presently prevailing;
- The Target will retain sufficient management and technical personnel to maintain its ongoing operations;
- There will be no major business disruptions through diseases, riots, international crisis, industrial disputes, industrial accidents or severe weather conditions that will significantly affect the existing business;
- The Target's businesses are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements. All applicable laws and regulations have been and will be complied with;
- The business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render the Target's default against its outstanding commitment or obligations; and
- Any potential bad debt of the Target will not materially or significantly affect the value of the Target.

13. LIMITING CONDITIONS

We understand that you will perform additional separate due diligence before making any transaction decision related to the Target. You will not solely rely on our opinion regarding any transaction related to the Target. Our report will be used for internal reference purpose only and cannot replace any managerial decision or judgment of the Management. Our work does not constitute any buy or sell recommendation.

No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is beyond what is customarily expected on valuers' capacity or expertise. We are not in a position to, nor have been instructed to, comment on the lawfulness of the businesses and the Target's possession of the assets. In the course of our valuation, we have assumed that the assets have obtained all required registration and are freely transferable in the market without any significant obstacles.

We have been provided with extracts of copies of relevant documents and financial information relating to the Target. We have relied upon the aforesaid information and certain data from various databases in forming our opinion of the Market Value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. Our work has relied to a considerable extent on the information provided by the Company and does not constitute an audit and no assurance is given by us to the information supplied to us. Details of our principal information sources are set out in the report and we have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work. We have made relevant inquiries and obtained further information as we considered necessary for the purpose of this valuation, we however cannot guarantee the reliability or accuracy of the information sources. We have no responsibility to doubt the truthfulness and accuracy of the said information which is material to the valuation. We have also been confirmed by the Company that no material facts related to this valuation have been omitted from the information provided.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Furthermore, the assumptions adopted are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Target and us. While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors. We must emphasise that the realisation of any prospective financial information set out within our report is dependent on the continuing validity of the assumptions on which it is based. We accept no responsibility for the realisation of any prospective financial information. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.

In accordance with our standard practice, we must state that this report and valuation is for the purpose of incorporation into the public announcement and circular of the Company in connection with the Transaction and the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

We shall be under no obligation to update our report in respect of events or information which come to our attention subsequent to the date of this report. Notwithstanding this, we reserve the right, should we consider it necessary, to revise our valuation in light of any information which existed at the Valuation Date but which becomes known to us subsequent to the date of this report.

We shall not testify or attend in court due to this exercise, with reference to the valuation described herein. Should there be any further services required, the corresponding expenses and provision of services will be reimbursed from the Company and such additional work may incur without prior notification.

14. MANAGEMENT CONFIRMATION OF FACTS

A draft of this report and our calculation has been sent to the Management. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

15. CONFIRMATION OF INDEPENDENCE

We hereby confirm that we have neither present nor prospective interests in the Company, the Target and their respective holding companies, subsidiaries and associated companies, or the value reported herein.

16. OPINION OF VALUE

Based on the method employed and analysis stated above and in the appendixes, we are of the opinion that the Market Value of 51% equity interest in the Target as at Valuation Date is **HKD130,000,000 (HONG KONG DOLLAR ONE HUNDRED AND THIRTY MILLION ONLY)**.

Our valuation conclusion of the Equity in the Target depends significantly on the achievement of the financial forecast as prepared by the Management. We noted that the historical revenue growth rate of the Target was higher than the forecast and Management confirmed their expectation for lower growth of the Target going forward. Overachievement (or under-achievement) of the financial performance of the Target may lead to a higher (or lower) equity value of the Target than current level as at the Valuation Date.

Just as the Company's stock price reacted very positively to the policy change in Hong Kong since February 2023, the Company's stock price may also react positively or negatively to the announcement of this Transaction of the Equity in the Target, and such reaction may exceed the magnitude of valuation by us.

Our opinion of value is made as at the Valuation Date only. Any value changes subsequent to the Valuation Date could be material depending on facts and circumstances.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services (China) Limited

Sofia J.S. LUO	**Benjamin Y. XU**
CFC, CFA ESG Investing, CESGA	**CFA, MRICS, FRM, CMA**
Senior Associate Director	*Associate Director*

Appendix I – DCF calculation of the Target

Discounted cash flow model (FCFF) In HKD'000	Actual 2022/12/31	Forecast 2023/12/31	Forecast 2024/12/31	Forecast 2025/12/31	Forecast 2026/12/31	Forecast 2027/12/31	Terminal year
Sales	751,118	788,674	851,768	919,910	965,905	985,223	1,004,928
Cost of revenue	(630,854)	(658,543)	(706,968)	(754,326)	(792,042)	(807,883)	(824,041)
Gross profit	**120,264**	**130,131**	**144,801**	**165,584**	**173,863**	**177,340**	**180,887**
Selling and marketing expenses	(60,308)	(56,986)	(61,610)	(66,876)	(70,992)	(73,191)	(74,655)
Administrative expense	(25,215)	(25,760)	(26,990)	(28,170)	(28,956)	(30,196)	(30,799)
Other income	3,857	6,160	–	–	–	–	–
EBIT	**38,598**	**53,545**	**56,200**	**70,537**	**73,915**	**73,954**	**75,433**
Less: Tax paid		(8,835)	(9,273)	(11,639)	(12,196)	(12,202)	(12,446)
Add: Depreciation and amortisation		965	877	974	649	464	473
Less: Capital expenditure		(120)	(120)	(450)	(820)	(120)	(473)
Less: Change in working capital		11,028	(17,286)	(17,127)	(12,428)	(4,747)	(5,335)
Free cash flow to firm (FCFF)		**56,583**	**30,398**	**42,295**	**49,121**	**57,348**	**57,651**
Terminal value							**524,104**
Partial period		1.00	1.00	1.00	1.00	1.00	
Discount period		0.50	1.50	2.50	3.50	4.50	
Discount factor		0.9407	0.8325	0.7367	0.6520	0.5770	0.5770
Present value		**53,229**	**25,307**	**31,160**	**32,025**	**33,088**	**302,388**

DCF valuation summary	*HKD'000*
Present value from DCF	477,196
EV	**477,196**
Add: Cash	34,313
Less: Borrowing	(207,688)
Add: Surplus assets	9,478
Less: Surplus liabilities	(58,859)
Add: Non-controlling interest (debit balance)	398
Indicative equity value	**254,839**
ownership	51.00%
Market value of 51% equity interest in the Target	**129,968**

Note: figures may not sum due to rounding.

Appendix II – Comparable companies and parameters adopted in discount rate calculation

Group 1 comparable companies – Cross-border e-commerce:

Company Name	Ticker	Description	Unlevered Beta	Debt-to-equity ratio
Tycoon Group Holdings Limited	3390 HK EQUITY	Tycoon Group Holdings Limited provides nutritional products. The company offers boost, soffell, oxylent, and other related items for fitness. Tycoon Group Holdings Limited serves customers in Hong Kong.	0.32	17.6%
Global Top E-Commerce Co., Ltd.	002640 CH EQUITY	Global Top E-Commerce Co., Ltd. is in the businesses of cross-border e-commerce and the design, production and marketing of trousers for men and women.	0.55	0.6%
Xiamen Jihong Package Technology Ltd.	002803 CH EQUITY	Xiamen Jihong Package Technology Ltd. provides packaging and printing services for fast moving consumer goods. The company markets throughout China.	0.63	9.7%
Huakai Yibai Technology Co., Ltd	300592 CH EQUITY	Huakai Yibai Technology Co., Ltd provides environmental design services for cultural themed pavilions and exhibition shows. The company offers solutions for projects via animation, multimedia integration, model building and decorations. Huakai Yibai Technology Co., Ltd conducts its business in China.	0.62	3.1%
Yiwu Huading Nylon Co Ltd	601113 CH EQUITY	Yiwu Huading Nylon Co Ltd develops, produces and sells nylon filament. The company manufactures nylon filaments, moisture absorbing Coolnylon filaments, and antibacterial Cleannylon filaments.	0.60	9.0%
Guangdong SACA Precision Manufacturing Co., Ltd.	300464 CH EQUITY	Guangdong SACA Precision Manufacturing Co., Ltd. designs and manufacturers hinges, drawer sliding extensions, wire baskets, and cabinet knobs for household and industrial use.	0.47	51.9%

Company Name	Ticker	Description	Unlevered Beta	Debt-to-equity ratio
Youkeshu Technology Co., Ltd	300209 CH EQUITY	Youkeshu Technology Co., Ltd operates e-commerce businesses. The company provides cross border e-commerce, warehousing, and logistics businesses. Youkeshu Technology Co., Ltd also conducts vehicle IT and supporting software businesses.	0.45	16.1%
Focus Technology Co Ltd.	002315 CH EQUITY	Focus Technology Co Ltd. provides business-to-business (B2B) e-commerce solutions. The company provides the supply and the demand sides for the release, search and management services of the transaction information.	0.83	0.8%

Source: Bloomberg

Note: According to the recent annual reports of Group 1 comparable companies, the revenue from cross-border e-commerce is larger than 50% for Group 1 comparable companies.

Group 2 comparable companies – Health and well-being related products:

Company Name	Ticker	Description	Unlevered Beta	Debt-to-equity ratio
Tycoon Group Holdings Limited	3390 HK EQUITY	Tycoon Group Holdings Limited provides nutritional products. The company offers boost, soffell, oxylent, and other related items for fitness. Tycoon Group Holdings Limited serves customers in Hong Kong.	0.32	17.6%
JBM (Healthcare) Limited	2161 HK EQUITY	JBM (Healthcare) Limited produces and sells health care products. The company manufactures and sells branded health care products, proprietary Chinese medicines, and other products. JBM (Healthcare) Limited markets its products worldwide.	0.62	25.1%
Zhejiang Zhenyuan Co., Ltd.	000705 CH EQUITY	Zhejiang Zhenyuan Co., Ltd. wholesales and retails traditional Chinese medicines, Chinese medicine materials, chemical preparations, and healthcare products. Through its subsidiaries, the company also manufactures pharmaceuticals.	0.73	8.5%
By-Health Co., Ltd	300146 CH EQUITY	By-Health Co., Ltd researches, develops, produces and sells dietary supplements. The company's main products include protein powders, vitamins, minerals, natural herbal extracts and other functional nutritional supplements.	0.58	0.1%
Nanjing Sinolife United Company Limited	3332 HK EQUITY	Nanjing Sinolife United Company Limited is a nutritional supplements retailer. The company offers products including vitamins, supplements, enzyme tablets and nutritional supplements. Nanjing Sinolife United Company Limited serves client throughout China.	0.19	6.8%

Company Name	Ticker	Description	Unlevered Beta	Debt-to-equity ratio
Shunten International (Holdings) Limited	932 HK EQUITY	Shunten International (Holdings) Limited operates as a health care products distribution company. The company sales health products, beauty supplements products, and other products. Shunten International (Holdings) Limited also provides online advertising agency and online payment services.	0.33	34.6%
Beijing Tong Ren Tang Chinese Medicine Co. Ltd.	3613 HK EQUITY	Beijing Tong Ren Tang Chinese Medicine Co. Ltd. is a Chinese medicine manufacturer. The company mainly develops and produces health products, including patent medicines and health-care products.	0.59	1.1%

Source: Bloomberg

Note: According to the recent annual reports of Group 2 comparable companies, the revenue from health and well-being related products is larger than 50% for Group 2 comparable companies.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF COMBO WIN ASIA LIMITED AND ITS SUBSIDIARIES

TO THE BOARD OF DIRECTORS OF TYCOON GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") dated 26 October 2023 prepared by Savills Valuation and Professional Services (China) Limited in respect of the appraisal of the fair value of the 51% equity interests in Combo Win Asia Limited (the "**Target Company**") and its subsidiaries (the "**Target Group**") is based. The Valuation is set out in Appendix IV of the circular of Tycoon Group Holdings Limited (the "**Company**") dated 26 October 2023 (the "**Circular**") in connection with the proposed disposal of 51% interest in the Target Company (the "**Disposal**") and the possible exercise of the put option to acquire 51% interest in the Target Company (the "**Possible Repurchase**"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions set on pages 6 to 7 of the Circular on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 (HKSQM), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility, pursuant to paragraph 29(2) of Appendix 1B of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to 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.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out on pages *6* to *7* of the Circular. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Group.

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

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out on pages 6 to 7 of the Circular.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 October 2023

The following is the text of a letter, prepared for the purpose of inclusion in this Circular, received from Akron Corporate Finance Limited.

Akron Corporate Finance Limited
亚贝隆资本有限公司

26 October 2023

Tycoon Group Holdings Limited
Room 14, 8/F Wah Wai Centre
38 - 40 Au Pui Wan Street
Shatin, New Territories
Hong Kong

Attention: The Board of Directors

Dear Sirs,

We refer to the valuation report ("**Report**") prepared by Savills Valuation and Professional Services (China) Ltd. ("**Valuer**") dated 26 October 2023 on the valuation as at 31 December 2022 in relation to the proposed disposal of 51% interest in Combo Win Asia Limited to Eyolution Capital Fund for cash consideration ("**Valuation**"). The Report has been included in the circular of the Company dated 26 October 2023 ("**Circular**"). Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Valuation was determined on the basis of the income approach typically through the use of discounted cash flow method ("**Projection**"). As such, the Projection is regarded as a profit forecast ("**Profit Forecast**") under Rule 14.61 of the Listing Rules.

We have reviewed the Profit Forecast upon which the Valuation has been made, for which you as the Directors are responsible, and we have attended discussions with the management of the Company and the Valuer regarding the work conducted by the Valuer. We have also discussed with the management of the Company and the Valuer regarding the bases and assumptions upon which the Profit Forecast has been prepared. We have also considered the report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong dated 26 October 2023 as set out in the Circular addressed to you regarding the calculations of the discounted cash flows on which the Valuation has been made. We noted that in the opinion of PricewaterhouseCoopers, so far as the calculations are concerned, the discounted cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions made by the Directors as set out under the section headed "Letter from the Board" in the Circular. We also noted that the discounted cash flows do not involve the adoption of accounting policies.

As the relevant bases and assumptions are about future events which may or may not occur, the actual business and financial performance of the business of the Target Group may or may not achieve as expected and the variation may be material. We express no opinion on whether the actual cash flows would eventually be achieved in correspondence with the Profit Forecast. For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Company. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Target Group. Save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair value or market value of the Target as determined by the Valuer and set out in the Report issued by the Valuer or otherwise.

On the basis of the foregoing and in the absence of unforeseeable circumstances, and without giving any opinion on the reasonableness of the valuation method and the bases and assumptions adopted by the Valuer on the Valuation, for which you as the Directors and the Valuer are solely responsible, we are of the opinion that the Profit Forecast upon which the Valuation has been made, for which you as the Directors are responsible, has been made after due and careful enquiry by you.

The work undertaken by us in giving the above opinion has been undertaken for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose. We do not accept any responsibility to any person(s) in respect of, arising out of, or in connection with the Valuation.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Yau Wai
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information regarding the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTEREST

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 622 of the Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in the shares or underlying shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares(1)	Approximate percentage of interest in the Company
Wong Ka Chun Michael(2)(3)	Interest in controlled corporation	448,096,326(L) 200,000,000(S)	56.01% 25.00%

Note:

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 Investment Limited ("**Tycoon Empire**"), a company wholly owned by Mr. Wong Ka Chun Michael, executive Director and chief executive officer of the Company. 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.

3. The 200,000,000 Shares are charged ("**Share Charge**") by Tycoon Empire in favour of China Resources Pharmaceutical Retail Group Limited ("**CR Pharma Retail**"). For details, please refer to the prospectus of the Company dated 30 March 2020 ("**Prospectus**") and the announcement of the Company dated 18 June 2021.

(b) Interests in the shares of associated corporations

Name of Director	Name of association corporation	Capacity/ Nature of interest	Number and class of shares in the associated corporation[1]	Approximate Percentage of interest in the associated corporation
Wong Ka Chun Michael[2]	Tycoon Empire	Beneficial owner	1(L)	100%

Note:

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 in this circular, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the following parties, other than the Directors or chief executives of the Company, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or was 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 interest in the Company
Tycoon Empire[2]	Beneficial owner	448,096,326(L) 200,000,000(S)	56.01% 25.00%
Ngai Sze Kei[2][3]	Interest of spouse	448,096,326(L) 200,000,000(S)	56.01% 25.00%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares [1]	Approximate percentage of interest in the Company
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%
China Resources Pharmaceutical Group Limited ("**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%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares (1)	Approximate percentage of interest in the Company
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%

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. CR Pharma Retail is a company wholly owned by CR Pharma (stock code: 3320.hk). Based on the notices of disclosure of interests of CR Pharma Retail, CR Pharma, 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) each filed with the Stock Exchange on 22 April 2020, 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, a 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 Kwong Yip, Derek 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 in this circular, as at the Latest Practicable Date, so far as is known to the Directors, there was no other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any business which competes or may compete with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. INTERESTS IN CONTRACT OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which was significant in relation to the business of the Group, nor had any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

(1) the sale and purchase agreement dated 1 April 2022 entered into between Key Zone Investment Inc., an indirect wholly-owned subsidiary of the Company and Mr. Kan Chi Kit in relation to the acquisition by Key Zone Investment Inc. from Mr. Kan Chi Kit of one quota of MOP5,000 of Jefferine Macau Limited at a total consideration of HK$9,360,000, further details of which are set out in the announcement of the Company dated 1 April 2022;

(2) (a) the master sale and purchase agreement dated 1 July 2022 entered into by and between Dynasty Garden Limited ("**Dynasty Garden**"), an indirect wholly-owned subsidiary of the Company, and Talent Smart Holdings Limited ("**Talent Smart**") in relation to the sale and purchase of certain products sold by the Group and certain products sold or to be sold by Talent Smart and its subsidiaries for the period from 1 July 2022 to 31 December 2024 under a proposed annual cap of goods sold for the three years ending 31 December 2024 of HK$7,000,000, HK$15,000,000 and HK$20,000,000 respectively and proposed annual cap of goods to be sold for the three years ending 31 December 2024 of HK$10,000,000, HK$26,000,000 and HK$30,000,000 respectively; (b) the exclusive distribution agreement dated 1 July 2022 entered into between Tycoon Asia Pacific (Malaysia) Sdn. Bhd. ("**Tycoon Malaysia**"), an indirect wholly-owned subsidiary of the Company, and TJ-TYT Pharmaceuticals (M) Sdn. Bhd. ("**TJ-TYT**") in relation to the exclusive distribution of certain products manufactured and sold by TJ-TYT in Malaysia for a term commencing on 1 July 2022 and ending on 31 December 2024 under a proposed annual cap for the three years ending 31 December 2024 of HK$4,000,000, HK$6,000,000 and HK$7,000,000 respectively; and (c) the exclusive distribution agreement dated 1 July 2022 entered into between Fu Qing Chinese Medical Trading Pte. Limited ("**Fu Qing**"), an indirect wholly-owned subsidiary of the Company, and TJ-TYT in relation to the exclusive distribution of certain products manufactured and sold by TJ-TYT in Singapore for a term commencing on 1 July 2022 and ending on 31 December 2024 under a proposed annual cap for the three years ending 31 December 2024 of HK$nil, HK$6,000,000 and HK$7,000,000 respectively, further details of each of which are set out in the announcements of the Company dated 4 July 2022 and 21 July 2022;

(3) (a) the sale and purchase agreement dated 28 April 2023 entered into between Million Effort Investment Limited ("**Million Effort**"), an indirect wholly-owned subsidiary of the Company, as purchaser and Coming Wealth Inc. ("**Seller**") in relation to the acquisition by Million Effort from the Seller of the shares representing 12% of the existing issued share capital of Hong Ning Hong Limited for an aggregate consideration of HK$9,120,000; (b) the deed dated 28 April 2023 entered into between the Seller and Million Effort in respect of the grant of a put option by Million Effort in favour of the Seller; and (c) the deed dated 28 April 2023 entered into between the Seller and Million Effort in respect of the grant of a call option by the Seller in favour of Million Effort, further details of each of which are set out in the announcement of the Company dated 28 April 2023; and

(4) the SP Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose statements have been included in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Linksfield CPA Limited	Certified Public Accountants, being the reporting accountant for the financial information of the Target Group
Akron Corporate Finance Limited	A corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Savills Valuation and Professional Services (China) Limited	Professional valuer

Each of the above named experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above named experts had not had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above named experts had not had any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

10. CORPORATE INFORMATION OF THE COMPANY

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 in Hong Kong of the Company is situated at Room 14, 8/F, Wah Wai Centre, 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong.

The share registrar of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The company secretary of the Company is Mr. Cheung Yuk Chuen, who is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange website (www.hkexnews.hk) and the Company's website (www.tycoongroup.com.hk) for a period of 14 days commencing from the date of this circular:

(1) (a) the SP Agreement and (b) the shareholders agreement relating to the Target dated 30 September 2023 entered into between the Purchaser, the Vendor and the Target;

(2) the accountant's report on the Target Group issued by Linksfield CPA Limited as set out in Appendix II to this circular;

(3) the report on the unaudited pro forma financial information of the Group from PricewaterhouseCoopers as set out in Appendix III to this circular;

(4) the valuation report of 51% equity interest in the Target from Savills Valuation and Professional Services (China) Limited as set set out in Appendix IV to this circular;

(5) the report from PricewaterhouseCoopers on the discounted cash flows which is regarded as profit forecast from PricewaterhouseCoopers as set out in Appendix VA to this circular;

(6) the letter on forecast underlying the valuation on the Target Group from Akron Corporate Finance Limited as set out in Appendix VB to this circular; and

(7) the written consents as referred to in the paragraph headed "Experts and consents" in this appendix.