TYCOON

滿貫集團控股有限公司

Tycoon Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3390

ANNUAL REPORT 2023

Table of Contents

Corporate Information

BOARD OF DIRECTORS

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

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)

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

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

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

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

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

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

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

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

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

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

HONG KONG LEGAL ADVISER
LCH Lawyers LLP

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

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

COMPANY WEBSITE
www.tycoongroup.com.hk

STOCK CODE
3390

	Year ended 31 December		
	2023 HK$'000	2022 HK$'000	Change
Revenue			
– Distribution	684,284	447,512	52.9%
– E-commerce	406,397	738,673	(45.0%)
– Retail store	107,968	–	100.0%
Total	1,198,649	1,186,185	1.1%
Gross profit	321,102	261,538	22.8%
Gross profit margin (%)	26.8%	22.0%	
Profit attributable to equity holders of the Company	297,319	43,750	579.6%
Profit margin attributable to equity holders of the Company (%)	24.8%	3.7%	
EBITDA *(Note)*	360,762	79,661	352.9
EBITDA margin (%)	30.1%	6.7%	
Return on equity (%)	54.7%	14.9%	

	As at 31 December		
	2023 HK$'000	2022 HK$'000	Change
Total assets	988,951	1,012,117	(2.3%)
Total liabilities	445,405	718,957	(38.0%)
Total equity	543,546	293,160	85.4%

Note:

EBITDA is a non-HKFRS measure used by the management for monitoring the core business performance of the Group. EBITDA is calculated based on profit for the year (FY2023: HK$297,323,000; FY2022: HK$43,631,000) before interest (FY2023: HK$23,209,000; FY2022: HK$11,281,000), tax expense (FY2023: HK$20,373,000; FY2022: HK$6,736,000), depreciation and amortisation (FY2023: HK$19,857,000; FY2022: HK$18,013,000), where "interest" is regarded as including finance income and finance costs.

Non-GAAP measures

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

Chairman's Statement

Dear Honourable Shareholders:

On behalf of the board ("**Board**") of directors ("**Directors**") of Tycoon Group Holdings Limited ("**Company**" or "**Tycoon**"), I am pleased to present to you the annual report ("**Annual Report**") of the Company and its subsidiaries (collectively, the "**Group**" or "**Tycoon Group**") for the year ended 31 December 2023 ("**Financial Year**" or "**FY2023**").

EMBRACING REVIVAL IN THE BRAND NEW YEAR

2023 was the year of recovery. In the first quarter of the Financial Year, the HKSAR Government lifted all the anti-epidemic policies implemented in response to the epidemic, fully reopened its borders and intensified efforts to revitalise the economy by promoting night-time activities and mega event economy. As a result, Hong Kong's economy, the daily lives of residents, and the tourism industry have orderly returned to normal, and the overall atmosphere in the city has gradually regained its liveliness.

For Tycoon Group, 2023 was a year of robust growth and bountiful rewards. In the Financial Year, the Group recorded revenue of approximately HK$1,198.6 million, representing a 1.1% year-on-year increase. Net profit soared to HK$297.3 million, marking a remarkable growth of over 581.4%. With a keen understanding of the ever-changing trends in the healthcare product industry, the Group remained agile and closely attuned to market dynamics, enabling it to proactively introduce top-selling products. During the year, the Group's sales in Hong Kong reached HK$623.7 million, reflecting a 94.0% increase year-on-year, while sales in Macau surged by an impressive 19.1%.

The Group's overall revenue and gross profit have been steadily increasing year after year, resulting in consistent profitability. This achievement can be attributed to the astute foresight of the Group's management, who diversified the business and ventured into new markets in Southeast Asia several years ago. The Group has also enhanced its own brands, developed a range of new products, and continuously optimised its product portfolio during the epidemic. Given the Group's profitable performance and promising outlook, the Board has decided to declare a final dividend of HK3.5 cents per share for the Financial Year (FY2022: HK 3 cents per share) as a gesture of gratitude to the shareholders of the Company ("**Shareholder**") for their unwavering support.

THE NEXT GROWTH DRIVER: SOUTHEAST ASIA

The Group had the foresight to strategically set up companies in Singapore and Malaysia years ago, effectively positioning itself in the Southeast Asian market. In the previous financial year, the Group acquired the exclusive distribution rights of TJ-TYT Pharmaceuticals (M) Sdn. Bhd., which is principally engaged in, among other matters, manufacturing and wholesale of Proprietary Chinese Medicine ("**PCM**"), health supplements and healthcare products in Malaysia, to strengthen its sales network and increase its customer base, which will help expand the sales business in Singapore and Malaysia.

In the past year, there has been notable economic growth in Southeast Asia, and the Group's market presence in the region is beginning to take shape. During the Financial Year, sales in the Singapore market reached HK$41.8 million, while the overall distribution sales in Southeast Asia (including Singapore and Malaysia) recorded a strong increase of 151.6% year-on-year. Looking ahead, the Group plans to put more resources into the Southeast Asian market, with a particular focus on developing the distribution business in Singapore and Malaysia. Drawing inspiration from the successful distribution model in Hong Kong, the Group aims to establish collaborative partnerships with prominent personal care product chains in the region. It is anticipated that the Southeast Asian market, encompassing countries such as Singapore, Malaysia, and Thailand, will serve as another significant revenue growth driver for the Group.

In the past few years, amidst the challenges of the epidemic and economic downturn, the Group has persevered in a demanding environment. Finally, after the harvesting period in 2023, the Group is now fully committed to pushing for performance, revenue, and development in 2024. Drawing on the experience and resources accumulated in the past, the Group aims to expand its business advantage. With a forward-thinking vision, it will accurately seize new opportunities and uncover untapped potential, sowing the seeds of future growth. This not only anticipates the next fruitful season but also lays a solid foundation for the Group's long-term development, as a gesture of appreciation for the trust and support of all shareholders, employees, business partners, and customers.

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

Hong Kong, 27 March 2024

Management Discussion and Analysis

Tycoon Group is a reputable omnichannel marketing and management service integrator of healthcare and wellbeing-related products in Hong Kong. The Group specialises in providing one-stop services for PCM and health supplement products, including brand agent, marketing, management, distribution, and sales. Through years of efforts, the Group has established a strong online and offline sales network in Hong Kong, Macau, the People's Republic of China (the "**PRC**") and Southeast Asia. The Group has provided over 200 local and overseas brands and over 1,500 products to consumers, and has developed several popular and quality self-owned brands. As one of the market leaders, the Group has diversified its businesses to maintain competitive advantages in the market, and strives to bring reputable and quality products to consumers through its online and offline dual-channel business model.

MARKET REVIEW

Over the past few years, Hong Kong's economy has been severely affected by the COVID-19 epidemic. However, in 2023, it began its journey towards recovery as normal travel between Hong Kong and Mainland China fully resumed. Although the market performance has been weakened by external factors, Hong Kong has determined to revitalise its economy by promoting night-time activities, enhancing foot traffic, attracting consumers, and gradually restoring vitality to the retail sector.

As the number of visitors returning to Hong Kong continues to rise, the Hong Kong Tourism Board has reported preliminary figures for 2023. The total number of visitor arrivals for the year reached approximately 34 million, with nearly 4 million visitors in December 2023 alone. Mainland China remained the largest source market for visitor arrivals throughout the year. Among the Southeast Asian markets, visitor arrivals from the Philippines and Thailand showed the fastest recovery, surpassing pre-epidemic levels (average from 2017 to 2018) in December, with a recovery rate of 116% and 106%, respectively. Analysing travel purpose and visitor types, the segment of visitors for MICE (Meetings, Incentives, Conferences, and Exhibitions) has recovered to around 70% of pre-epidemic levels, making it the fastest-growing group compared to leisure travellers. Furthermore, during the first four days of Chinese New Year holiday (10 to 13 February 2024), about 750,000 visitors arrived in Hong Kong, about 650,000 of whom were from the Mainland China, exceeding the Mainland China arrivals of 640,000 in the same period in 2018.

On the other hand, by mid-2023, there has been a significant outflow of local spending power. During the summer vacation in July 2023, the number of Hong Kong residents departing through the airport reached 966,000, with an average of over 30,000 people leaving Hong Kong daily. Furthermore, due to the strong Hong Kong currency and the introduction of attractive incentives for Hong Kong residents by several Mainland China shopping malls, including discounts on dining and beauty services, many Hong Kong residents have been enticed to travel to the Mainland China for weekend shopping and consumption. In response to this shift, the HKSAR Government has implemented a series of measures, such as the "Night Vibes Hong Kong" campaign, to enhance the overall tourist experience while encouraging local consumption to stay within the region.

In recent times, Hong Kong residents travelling north has become a popular trend, but their consumption there mainly focuses on dining and entertainment, with minimal impact on local sales of daily necessities, particularly medicines and health supplement products. According to data from the Census and Statistics Department, the retail sales figures for full year 2023 showed a 38.9% year-on-year increase in the categories of medicines and cosmetics. The Group primarily sells healthcare products and PCM, which fall under the category of daily necessities. The sales in Hong Kong in 2023 surpassed those of 2022, and the Group's products continue to maintain a leading position among the top 10 must-buy pharmaceutical items for Mainland China visitors to Hong Kong.

BUSINESS REVIEW

The Group mainly operates three major operating segments, namely distribution business, e-commerce business and retail store business. The distribution business of the Group mainly includes the distribution of consumer products to sizable chain retailers, non-chain retailers (mainly pharmacies) and traders in Hong Kong, Macau, Mainland China and Southeast Asia. The e-commerce business of the Group includes wholesale business to e-commerce clients and operation of online stores, focusing on cross-border e-commerce sales to Mainland China. The retail store business of the Group includes sales of products through its brick-and-mortar retail store. In addition, the Group provides omnichannel brand marketing and management services for the brands it represents.

In FY2023, the Group recorded revenue of approximately HK$1,198.6 million, an increase of 1.1% from FY2022 of HK$1,186.2 million. The Group's net profit surged to HK$297.3 million (FY2022: HK$43.6 million), representing an increase of 581.4% year-on-year. The Group has achieved steady growth in revenue and continues to generate profit, mainly due to the Group's continuous efforts in optimising its product portfolio, exploring new markets in Southeast Asia, enhancing its own brands, as well as introducing new own products. These initiatives have led to an increase in overall revenue and gross profit. Additionally, the disposal of 51% interests of the then subsidiary during the Financial Year has resulted in a gain of HK$186.7 million (FY2022: Nil). Detailed information regarding this disposal has been included in the Company's announcements published on 7 July 2023, 27 July 2023, and 3 October 2023, as well as in the circular of the Company published on 26 October 2023.

Distribution business

During the Financial Year, the Group continued to proactively introduce more overseas healthcare brands to further improve its product portfolio and solidify its market advantage in the distribution business. With the full reopening of Hong Kong's borders at the beginning of the year and the HKSAR Government's distribution of the second round consumer vouchers in the first half of 2023, along with the promotion of the night economy to stimulate consumer spending among tourists and residents, these favourable factors have bolstered the performance of its distribution business, maintaining its upward trajectory. In the Financial Year, the Group's Hong Kong distribution sales amounted to HK$623.7 million, reflecting a significant 94.0% year-on-year increase. Similarly, the Group's Macau distribution sales experienced a notable growth rate of 19.1%, attributed to the combined effects of the resumption of cross-border travel between Hong Kong, Macau and Mainland China, and the expansion of the tourism industry in Macau. In addition to its continuous efforts to strengthen its business in Hong Kong, the Group has focused on penetrating the Southeast Asian market in recent years, resulting in a 152.3% year-on-year growth in its Southeast Asia distribution sales.

E-commerce business

In FY2023, the segment result of the e-commerce business amounted to HK$48.4 million (FY2022: HK$40.7 million).

In July 2023, the Group announced the sale of a 51% stake in Combo Win Asia Limited ("**CWA**"), which is principally engaged in the e-commerce business and distribution business of healthcare and wellbeing related products in the PRC, to an independent third party, Eyolution Capital Fund, for a consideration of HK$130 million. The sale was completed on 30 September 2023, and the Group currently holds a 49% equity interest in CWA. Consequently, CWA ceased to be the Group's subsidiary, and its financial performance from 1 October 2023 onwards were no longer consolidated into the Group's financial statements.

Considering the rapid growth of the Group's distribution business and the gradual recovery of revenue, which is expected to surpass pre-epidemic levels, the Group will prioritise allocating resources to drive the distribution business forward. The additional proceeds from the sale of the CWA stake will provide the Group with more resources to strengthen its distribution business in Hong Kong, Macau and Southeast Asia, as well as develop its own brands. These initiatives will propel the long-term development of the Group, enrich the Group's product portfolio, enhance gross profit margins, and achieve even better performance.

Retail store business

The Group is keen to widen its sales channels to offline retail shops. In May 2023, the Group acquired an additional 12% equity interest in Hong Ning Hong Limited ("**HNH**") at a cost of HK$9.12 million. Together with the 49% equity interest already owned by the Group, the Group now owns a total of 61% equity interest in HNH. Upon completion of the acquisition in May 2023, HNH became a subsidiary of the Group, and its performance is consolidated into the financial results of the Group. The operating subsidiary company of HNH is principally engaged in the retail and wholesale of pharmaceutical products and proprietary medicines in Hong Kong.

Omnichannel brand marketing and management services for brands

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

Overseas brands distributed by the Group include one of the global best-selling probiotic brands, Culturelle®; Japanese anti-hair loss and hair protection brand, Kaminowa; and leading French baby washing care brand, Biolane, and more. For Biolane, the Group also has exclusive distribution rights in Singapore and Malaysia. In order to align with marketing and sales strategies, the Group has partnered with well-known artistes Mr. Wong Tak Bun, Kenny and Ms. Tse On Kay, Kay. They have successively become the brand ambassadors for the Japanese anti-hair loss and hair protection brand, Kaminowa, in Hong Kong. Their endorsements have generated positive publicity for the brand, serving as a testament to the Group's successful efforts in omnichannel marketing and management services. With increased consumer awareness of hair care and an ageing population, the Group is optimistic about the future sales prospects of anti-hair loss and hair growth products.

In addition, the Group has also secured exclusive distribution rights in Hong Kong and Macau for Nu-Prep, one of the best-selling star products of the Malaysian herbal health product brand from Biotropics Malaysia Berhad.

Active own-brand development

In addition to its brand agency business, the Group is also actively developing its own brands. The Group has established and developed its own well-received brands of healthcare products, including "Boost & Guard Pro (BG Pro 博健專研)", "Craft by Wakan (和漢匠心)", and "Kinmen Qiangxiao (金門強效)". Among them, "Boost & Guard Pro" and "Craft by Wakan" have quickly responded to market trends by introducing a diverse range of new products, allowing the Group to tap into a broader market of blue ocean.

The Group also effectively utilises its marketing prowess to promote its own brands. This includes enlisting the support of renowned artiste Ms. Lin Min Chen as the spokesperson for its flagship product "Craft by Wakan Japanese Probiotics", and inviting popular artiste Mr. Cheung Kai Chung, Louis, to endorse its best-selling brand "Kinmen Qiangxiao".

In addition, to align with the Group's strategy of strengthening the development of its own brands, Mr. Wong Ka Chun Michael, the Chairman, Executive Director, and Chief Executive Officer of the Group, personally acquired the well-established Hong Kong brand Po Wo Tong, which boasts a history of over 100 years. This acquisition positions Mr. Wong as a major shareholder, enabling collaboration with the Group to launch and sell a wider range of new products. The objective is to reinforce the Group's portfolio of own brand offerings. Using the proceeds from the previous sale of partial stake in its e-commerce business, the Group is investing more resources in its own brands with higher gross profit margins, and developing and launching more of its own brands and different products to cater for the needs of Mainland China visitors travelling under the Individual Visit Scheme ("**IVS**") after the reopening of the border, as well as the new trend of the PCM and healthcare products market as a whole.

Expanding international presence and tapping into the Southeast Asian market

In order to build a diversified sourcing network and enrich its product portfolio, the Group has been strengthening its overseas presence, and has established sourcing centres in Japan, South Korea, Singapore, Malaysia, Thailand, Vietnam, Macau, Australia and France, diversifying and internationalising the product portfolio of the Group.

Regarding business development in Southeast Asia, the Group, leveraging its rich experience and insightful strategies, believes that establishing a presence in this region will be advantageous. Consequently, the Group set up companies in Singapore and Malaysia before going public. In FY2022, the Group acquired the exclusive distribution rights of TJ-TYT Pharmaceuticals (M) Sdn. Bhd., which is principally engaged in, among other matters, manufacturing and wholesale of PCM, health supplements and healthcare products in Malaysia, to strengthen the Group's sales network and increase its customer base, and will actively expand the sales business in Singapore and Malaysia.

As the epidemic subsides, Southeast Asia has seen noticeable economic growth. In response, the Group will put more resources into the Southeast Asian market and apply the successful distribution model in Hong Kong to its distribution operations in Singapore and Malaysia. The Group aims to partner with prominent personal care product chains in Malaysia and Singapore. Among them is the chain store Guardian, known as Mannings in Hong Kong, which has its headquarters in Hong Kong and has maintained a friendly, cooperative relationship with the Group. This partnership benefits the Group by expanding its sales channels into Southeast Asia, which is expected to become another major profit-contributing region for the Group in the future.

In FY2023, the sales revenue from distribution in Singapore reached HK$41.8 million, representing an increase of 121.3% compared to HK$18.9 million in FY2022. It is anticipated that sales will continue to experience rapid growth in 2024.

On the other hand, capitalising on its wealth of experience, well-established distribution channels, and logistical advantages, the Group plans to promote its own brands in the Southeast Asian region, seizing new business opportunities while considering market conditions.

FUTURE OUTLOOK

The HKSAR Government expects that as the overall number of visitors to Hong Kong continues to recover in 2024, the consumption and service industries will play a significant role in driving the city's economic revival. The Government anticipates a full recovery in IVS travellers, and Hong Kong will actively promote mega event economy, striving to stimulate economic growth and development for the benefit of the society.

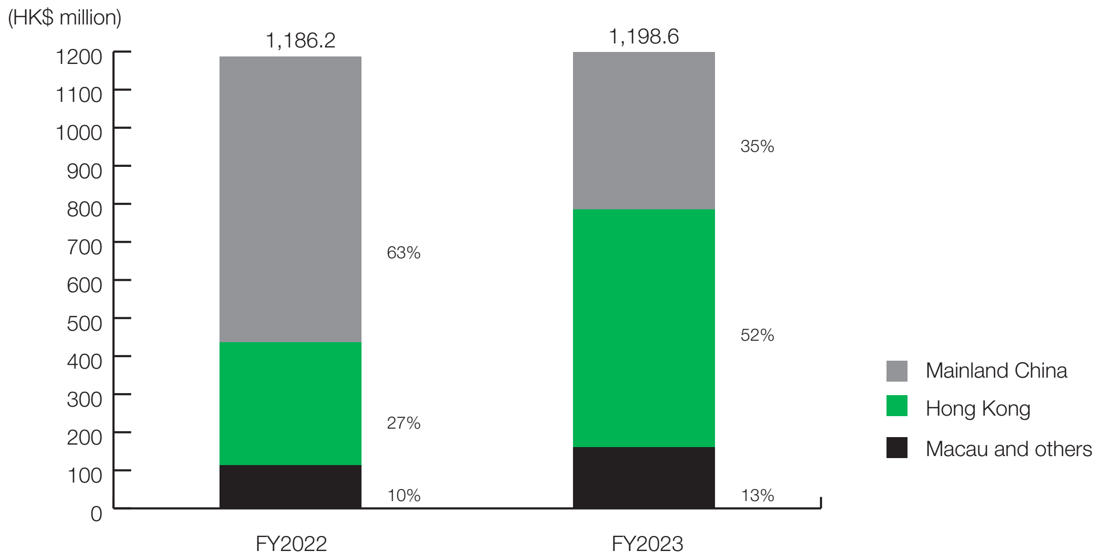
2024 is a year of striving for performance, revenue, and growth for the Group. Leveraging the experience and resources accumulated over the past three years of the epidemic, the Group can be anticipated to shine brightly. In addition to its continued focus on development in Hong Kong, Macau, and Mainland China, the Group will strengthen its presence in the Southeast Asian market, particularly in Singapore and Malaysia and expand its international presence. With a multi-faceted approach, the Group is confident that its revenue will further increase in the future.

The Southeast Asian market is vast, with a significant population of both indigenous residents and ethnic Chinese; therefore, there is a strong demand for reputable healthcare products and PCM in this region. With its accumulated experience and extensive sales network, both locally and internationally, as well as its long-standing partnerships with major chain stores, the Group will be able to optimise resource allocation and leverage its extensive network. Several brand owners have already expressed interest in collaborating with the Group to introduce their brands to Southeast Asia. In conjunction with its own brand products targeting the traditional Chinese medicine market, the Group believes that the development in Southeast Asia in 2024 will be highly promising, serving as a potential area for significant profit growth.

In the local market, the Group anticipates an increase in revenue from its popular products targeting IVS travellers. The Group's offline distribution business is expected to gradually recover to pre-epidemic levels. Furthermore, leveraging its expertise and extensive experience in the healthcare product and PCM industry, the Group has a positive outlook on the market for prepared Chinese herbal medicine and dry supplement products. The epidemic has heightened consumers' health consciousness, and there has been consistent advocacy for the benefits of traditional Chinese medicine domestically. This has resulted in a significant boost in PCM sales after the reopening of the border. The Group anticipates an even greater demand for prepared Chinese herbal medicine and dry supplement products than that before the epidemic. As a result, the Group has been actively expanding its range of supplement products and strengthening its PCM offerings, aiming to provide consumers with a healthy and vibrant lifestyle while laying a solid foundation for the Group's long-term development.

FINANCIAL REVIEW

Revenue



Geographical markets	Revenue FY2023 HK$ million	FY2022 HK$ million	Change
Hong Kong	**623.7**	321.6	▲94.0%
Mainland China	**413.9**	750.9	▼44.9%
Macau	**112.7**	94.5	▲19.1%
Others	**48.3**	19.2	▲152.3%
Total	**1,198.6**	1,186.2	▲1.1%

- The Group's total revenue for the Financial Year was up by 1.1% to HK$1,198.6 million (FY2022: HK$1,186.2 million).

- In Hong Kong, revenue for FY2023 jumped by 94.0% to HK$623.7 million (FY2022: HK$321.6 million) as we optimised our product portfolio. In Macau, revenue for FY2023 increased by 19.1% to HK$112.7 million (FY2022: HK$94.5 million). It was due to the full resumption of normal traveller clearance between Mainland China and Hong Kong and relaxation of the pandemic restrictive measures bringing more visitors under the IVS since early 2023, resulting in the increase in revenue of the Group derived from Hong Kong and Macau markets.

- During FY2023, revenue from Mainland China decreased by 44.9% to HK$413.9 million (FY2022: HK$750.9 million), the decrease was mainly due to the disposal of 51% stake in CWA which was completed on 30 September 2023 so that the revenue of Mainland China market derived from CWA was not consolidated into the Group since October 2023.

- In other markets including Singapore, revenue for FY2023 increased by 152.3% to HK$48.3 million (FY2022: HK$19.2 million) as a result of continuous efforts in the development and expansion of sales in Singapore.

Profitability

The gross profit of the Group increased by 22.8% to HK$321.1 million for the Financial Year as compared to that of HK$261.5 million for FY2022, and the gross profit margin increased by 4.8 percentage points to 26.8%. Increase in gross profit and gross profit margin was primarily due to (i) the expansion of the Group's revenue in distribution segment; (ii) the change in product mix; and (iii) the improvement in the gross profit margin of certain products.

Selling and distribution expenses of the Group for the Financial Year decreased by 10.6% to HK$108.5 million, as compared to HK$121.4 million for FY2022 due to the disposal of 51% stake in CWA that the relevant expenses were not consolidated into the Group since October 2023.

General and administrative expenses of the Group for the Financial Year increased by 16.0% to HK$84.5 million, as compared to HK$72.9 million for FY2022 which was mainly due to the increase in staff costs, depreciation and amortisation and professional fees.

Finance costs of the Group for the Financial Year increased by 106.8% to HK$23.4 million as compared to HK$11.3 million for FY2022 due to the increase in bank borrowings, increase in factoring and the general increase in interest rate.

Other income and other gains/(losses), net

Other income and other gains/(losses), net, of the Group for the Financial Year was HK$209.0 million (FY2022: other income and other losses of HK$2.4 million) which was mainly composed of (i) the gain of HK$186.7 million on disposal of 51% interests of the then subsidiary of the Company (i.e. CWA); (ii) the gain of HK$10.0 million on disposal of its entire 50% interests in Five Ocean Inc., the then joint venture of the Company to JBM (BVI) Limited, a wholly-owned subsidiary of JBM (Healthcare) Limited ("**JBM**", HKEX Stock Code: 2161.HK); and (iii) the fair value gain of HK$6.5 million on the investment in JBM as at the end of the Financial Year due to its fluctuation in share price.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the Financial Year was HK$297.3 million as compared to HK$43.8 million for FY2022. The increase is primarily due to (i) the increase in revenue and gross profit which is partly offset with the increase in overall general and administrative expenses and finance costs as discussed above; (ii) the gain on disposal of 51% interests of the then subsidiary; (iii) the gain on disposal of a joint venture; and (iv) the fair value gain on financial assets at fair value through profit or loss.

LIQUIDITY AND FINANCIAL RESOURCES

During the Financial Year, the Group has funded the liquidity and capital requirements primarily through bank borrowings, loan from a shareholder and cash generated from the operating activities.

As at 31 December 2023, the Group had cash and cash equivalents of approximately HK$39.1 million (31 December 2022: HK$74.6 million), which were mainly denominated in Hong Kong dollars and Chinese Renminbi. The gearing ratio (defined as net debt divided by total equity plus net debt, where net debt includes interest-bearing bank borrowings, loan from a shareholder, lease liabilities less cash and cash equivalents) of the Group as at 31 December 2023 was 23.8% (31 December 2022: 47.6%). The decrease was mainly due to the percentage of increment of total equity being higher than the percentage of increment of net debt during the Financial Year.

CAPITAL STRUCTURE

As at 31 December 2023, the borrowings included secured interest-bearing bank borrowings of approximately HK$100.0 million (31 December 2022: HK$239.4 million), unsecured interest-bearing bank borrowings of approximately HK$39.0 million (31 December 2022: HK$39.0 million) and loan from a shareholder with maturity date on 29 March 2024 of approximately HK$50 million (31 December 2022: HK$50 million). Except for the Group's interest-bearing bank borrowings of HK$8.4 million (31 December 2022: HK$9.2 million) which was denominated in MOP, the Group's interest-bearing bank borrowings are all denominated in Hong Kong dollars. All borrowings are at floating rates.

Maturity analysis of bank borrowings of the Group as at 31 December 2023 and 2022 is as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000
Within one year	**131,083**	242,012
In the second year	**469**	24,088
In the third to fifth years, inclusive	**1,506**	4,049
Beyond five years	**5,970**	8,219
	139,028	278,368

As at 31 December 2023, the Company's issued share capital was HK$8.0 million and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

PLEDGE OF ASSETS

As at 31 December 2023, (i) certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK$33.4 million (31 December 2022: HK$53.3 million) were pledged to secure certain bank loans granted to the Group; and (ii) all the Group's equity interests in HNH were pledged to secure a loan from a shareholder granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 30 March 2020 ("**Prospectus**") and Annual Report 2022, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Acquisition of 12% Equity Interest in HNH

On 28 April 2023, an indirect wholly-owned subsidiary of the Company as purchaser ("**Purchaser**"), entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of Jacobson Pharma Corporation Limited (HKEX Stock Code: 2633.HK) as seller ("**Seller**"), pursuant to which the Purchaser has agreed to purchase, and the Seller has agreed to sell 12% of the issued shares of HNH, a company then owned as to 49% by the Purchaser, for an aggregate consideration of HK$9,120,000. Completion of such acquisition took place on 31 May 2023, whereby HNH and its operating subsidiary became partially (61%) owned subsidiaries of the Company. For details, please refer to the announcement of the Company dated 28 April 2023.

In connection with the abovementioned acquisition, the parties also entered into a put option deed and a call option deed. Pursuant to the call option deed, the Seller has granted to the Purchaser a call option, the exercise of which shall require the Seller to sell all or any of the option shares to the Purchaser at the option price. The maximum number of the option shares is 90,000 issued shares of HNH, which represents 9% of its issued share capital.

Pursuant to the put option deed, the Purchaser has granted to the Seller a put option, the exercise of which shall require the Purchaser to purchase all or any of the option shares from the Seller at the option price. The maximum number of the option shares is 90,000 issued shares of HNH, which represents 9% of the issued share capital of HNH.

Disposal of 51% interest in CWA

On 7 July 2023, Dynasty Garden Limited ("**Vendor**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the purchaser ("**SP Agreement**"), Eyolution Capital Fund ("**Purchaser**"), to dispose of 51% of the issued shares of CWA ("**Sale Shares**") at an aggregate consideration of HK$130,000,000 ("**Disposal**"). The completion of the Disposal took place on 30 September 2023. Upon completion, each of CWA and its subsidiaries ("**Target Group**") ceased to be a subsidiary of the Company and their financial results were not consolidated into the Group's financial statements but the Vendor would continue to hold 49% equity interest in the Target Group.

Pursuant to the SP Agreement, the Vendor has granted the Purchaser a put option, pursuant to which the Purchaser is entitled to, subject to completion of the Disposal, sell at its discretion all (and not part) of the Sale Shares held by it to the Vendor and/or other party(ies) procured by the Vendor upon the occurrence of the put option triggering events, among others, the Target Group failing to meet any of the performance targets.

In order to avoid unnecessary disruption to the operations of CWA, certain transitional financial assistances are expected to continue to exist for a certain period after the completion of the Disposal and such arrangement therefore, constituted provision of financial assistance by the Group to the Target Group ("**Provision of Financial Assistance**") under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). 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 was more than 25% but less than 75%, each of the Disposal and the Provision of Financial Assistance constituted a major transaction of the Company under the Listing Rules and was subject to the notification, announcement and shareholders' approval requirements under the Listing Rules. Each of the Disposal and the Provision of Financial Assistance was approved by way of a written Shareholder's approval by Tycoon Empire Investment Limited, which as at the date of such approval held approximately 56.01% of the issued shares of the Company, pursuant to Rule 14.44 of the Listing Rules.

For details, please refer to the announcements of the Company dated 7 July 2023, 27 July 2023 and 3 October 2023 and the circular of the Company dated 26 October 2023.

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

As disclosed above, the Group is required to meet certain performance targets for CWA. Such performance targets include the total consolidated profit after tax attributable to the owners of CWA for FY2023 and the financial year ending 31 December 2024 ("**FY2024**") being no less than HK$74,000,000; and the total consolidated turnover of CWA for FY2023 and FY2024 being no less than HK$1,640,000,000.

The following information are provided to the investors and Shareholders to keep them informed of the relevant progress.

Based on the information currently available, the total consolidated turnover of CWA for FY2023 was approximately HK$767.7 million, the total consolidated profit after tax attributable to the owners of CWA for FY2023 was approximately HK$39.5 million and the net cash generated from operating activities of the Group for the Financial Year amounted to HK$77.8 million, if also including the net cash generated from operating activities of the CWA for the fourth quarter.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Reference is made to the circular of the Company dated 26 October 2023 in relation to the disposal of 51% interest in CWA ("**Major Disposal Circular**"). As disclosed in the Major Disposal Circular, the Provision of Financial Assistance (as defined in the Major Disposal Circular) to the Target Group would continue for a period of time as a transitional arrangement after completion of the Disposal. Such arrangement, apart from amounting to a major transaction of the Company, would also constitute advance to an entity under Rule 13.13 of the Listing Rules and provision of guarantee to affiliated companies of the Company under Rule 13.16 of the Listing Rules.

The completion of the Disposal took place on 30 September 2023.

As disclosed in the Major Disposal Circular, as at 30 June 2023, the total amount of the Relevant Banking Facilities (as defined in the Major Disposal Circular) available for draw down was approximately HK$308.5 million and the total amount of the Relevant Inter-Company Balance (as defined in the Major Disposal Circular) was approximately HK$81.0 million. As such, the maximum amount of the Provision of Financial Assistance amounted to HK$389.5 million as at 30 June 2023.

As at 31 December 2023, the total amount of the Relevant Banking Facilities which could be drawn down by the Target Group and guaranteed by the Company was HK$293.5 million and the Relevant Inter-Company Balance of non-trade nature was approximately HK$88.2 million. As such, the maximum amount of the Provision of Financial Assistance amounted to HK$381.7 million as at 31 December 2023.

As at 31 December 2023, approximately HK$61.3 million of the Relevant Banking Facilities were utilised by the Target Group and secured by guarantees of the Company. Certain of the Group's property, plant and equipment were pledged to secure bank loans of HK$69.8 million granted to the Target Group. The interest rate of the Relevant Banking Facilities is ranging from Prime-1.25% to HIBOR+3.25% and the repayment term is ranging from 90 days to 1 year after utilisation. Such Relevant Banking Facilities were provided by licensed banks in Hong Kong and were secured by corporate guarantees provided by the Company, charges over three properties held by a member of the Group, and other non-current asset held by a member of the Target Group.

The Relevant Inter-Company Balance was interest free and repayable on demand.

SIGNIFICANT INVESTMENT HELD

As of 31 December 2023, the Group's investment in JBM was regarded as a significant investment of the Group as the value of the Group's investment in JBM amounted to 5% or more of the Group's total assets. Details of the Group's investment in JBM are as follows:

(i)	Details of the investment in JBM	55,000,000 ordinary shares in JBM, representing 6.35% equity interests in JBM. The cost of the Group's investment in JBM in HK$51.3 million.
(ii)	Fair value of the investment in JBM as at 31 December 2023:	HK$57.8 million
(iii)	The investment's size relative to the Group's total assets as at 31 December 2023:	5.8%
(iv)	The performance of the investment in JBM:	Fair value gain on financial assets at fair value through profit or loss of HK$6.5 million for the year ended 31 December 2023. A final dividend of HK$2.5 cents per share for the year ended 31 March 2023 and an interim dividend of HK$3.45 cents per share for six months ended 30 September 2023 was declared and approved by JBM.
(v)	Principal activity of JBM and its subsidiaries:	The principal activity of JBM is investment holding. The subsidiaries of JBM are principally engaged in manufacturing and trading of branded medicines, health and wellness products and PCM.
(vi)	Future prospects of JBM:	JBM has a compelling product portfolio consisting of leading brands and science-based technology. COVID-19 intensified health awareness and consumer urgency to proactively manage well-being, along with aging populations, sedentary lifestyles and growing health consciousness amid rising living standards, fueling the growth momentum of the consumer healthcare market. Meanwhile, with the favourable policy support of the development of PCM in the Greater Bay Area, as a prominent player in the PCM and concentrated Chinese medicine Granules market in Hong Kong, JBM is well-positioned to capitalise on the potential of the thriving market, which boasts a substantial population of over 70 million in the Greater Bay Area.
(vii)	The Group's investment strategy:	Long term and strategic investment on business partner.

Save for those disclosed above, the Group did not hold any significant investments during the Financial Year (31 December 2022: Nil).

CAPITAL COMMITMENT

As at 31 December 2023, the Group had no material capital commitment (31 December 2022: Nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

UPDATE ON THE PRE-IPO SHAREHOLDERS AGREEMENT

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

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

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

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

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

Based on the latest available information, the aggregate sum of the audited net profit of the Company for the five financial years ended 31 December 2023 exceeds the Target Profit and thus the profit guarantee under the Amended Pre-IPO Shareholders Agreement undertaken by the Controlling Shareholder in favour of CR Pharma Retail has been met and the Company is given to understand that the Controlling Shareholder will take appropriate action to liaise with CR Pharma Retail for the release of the Share Charge (as more particularly described in the paragraph headed "Pledge of Shares by Controlling Shareholder" below).

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

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

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

As disclosed above, the Company is given to understand that the Controlling Shareholder will take appropriate action to liaise with CR Pharma Retail for the release of the Share Charge in view of the meeting of the Target Profit over a period of five years ended 31 December 2023 under the Amended Pre-IPO Shareholders Agreement as described above.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed a total of 130 employees (31 December 2022: 179). During the Financial Year, the total staff costs incurred were approximately HK$65.9 million (FY2022: HK$53.7 million). The Group's remuneration policy is based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and subsidies. The performance appraisal cycle varies according to the positions of employees. In order to provide incentives to and to recognise the contributions of employees of the Group, the Group has also adopted a Share Award Scheme and Share Option Scheme.

DIVIDENDS

An interim dividend of HK3.5 cents per ordinary share was paid on 30 October 2023. The Directors have resolved to recommend a final dividend of HK3.5 cents (2022: HK3 cents) per ordinary share for the year ended 31 December 2023 to the Shareholders, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company. If so approved by the Shareholders, it is expected that the final dividend will be paid in cash on or about 12 July 2024 to Shareholders whose names appear on the register of members of the Company on 14 June 2024.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

(i) Risks with regards to consumers

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

(ii) Currency risks

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

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

Biographical Details of Directors

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

DIRECTORS

Executive Director

Mr. Wong Ka Chun Michael (王嘉俊) ("Mr. Wong"), aged 48, was appointed as a Director on 14 June 2017 and became the chairman of the Board and executive Director on 8 October 2018. Mr. Wong is also the chief executive officer of the Group and the chairman of the Corporate Governance Committee. Mr. Wong is the founder of the Group and has been in charge of the overall business strategies, planning, management and operational development of the Group. Mr. Wong is also a director of various subsidiaries of the Company. Mr. Wong is a director of Tycoon Empire which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

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

Mr. Wong obtained a Bachelor of Science degree in Business Administration from the University of Southern California, the United States, in December 1998. In September 2018, Mr. Wong was appointed as an honourary president and vice chief supervisor of the Hong Kong Medicine Dealers' Guild. Since January 2023, Mr. Wong has been appointed as a member of the 13th Committee of the Chinese People's Political Consultative Conference of Guizhou Province.

Non-executive Directors

Mr. Cao Weiyong (曹偉勇) ("Mr. Cao"), aged 53, was appointed as a non-executive Director on 18 July 2022. He is primarily responsible for participating in formulating the corporate and business strategies of the Company.

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

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

Ms. Chong Yah Lien (張雅蓮) ("Ms. Chong"), aged 52, was appointed as a Director on 19 February 2019 and designated as a non-executive Director on 19 July 2019. She is primarily responsible for participating in formulating the corporate and business strategies of the Company.

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

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

Ms. Li Ka Wa Helen (李家華) ("Ms. Li"), aged 63, was appointed as a non-executive Director on 19 July 2019. She is primarily responsible for participating in formulating the corporate and business strategies of the Company.

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

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

Mr. Lau Ka On David (劉家安) ("Mr. Lau"), aged 49, was appointed as a non-executive Director on 1 September 2021. He is primarily responsible for participating in formulating the corporate and business strategies of the Company.

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

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

Independent non-executive Directors

Mr. Chung Siu Wah (鍾兆華) ("Mr. Chung"), aged 46, was appointed as an independent non-executive Director on 20 January 2020. He is also the chairman of the Nomination Committee and a member of the Audit Committee, the Remuneration Committee and the Corporate Governance Committee. He is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of the Company.

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

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

Ms. Chan Ka Lai Vanessa (陳嘉麗) ("Ms. Chan"), aged 50, was appointed as an independent non-executive Director on 20 January 2020. She is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. She is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of the Company.

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

Ms. Chan obtained a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in October 1995. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms. Chan is also a member of the Hong Kong Chartered Governance Institute and the Hong Kong Institute of Directors, and a management board member and honorary treasurer of Hong Kong Guide Dogs Association Limited and Hong Kong Guide Dogs Academy Limited.

Mr. Mak Chung Hong, also known as Mak Tommy Chung Hong (麥仲康) ("Mr. Mak"), aged 48, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Corporate Governance Committee and the Nomination Committee on 17 December 2021. He is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of the Company.

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

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

Directors' Report

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

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

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

FINANCIAL SUMMARY

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

RESULTS AND DIVIDEND

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

The Directors has resolved to declare a final dividend of HK3.5 cents (2022: HK3 cents) per ordinary share for the year ended 31 December 2023 to the Shareholders, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company. If so approved by Shareholders, it is expected that the final dividend will be paid in cash on or about 12 July 2024 to Shareholders whose names appear on the register of members of the Company on 14 June 2024. Combining with the interim dividend of HK3.5 cents per share, the full year dividend is HK 7.0 cents per share.

DIVIDEND POLICY

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

(i) the financial condition of the Group;

(ii) the prevailing economic climate;

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

(iv) the Group's expected capital requirements;

(v) the statutory fund reserve requirements;

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

RESERVE

Details of movements in the reserves of the Company and the Group during the Financial Year are set out in note 37 to the consolidated financial statements and the consolidated statement of changes in equity of this Annual Report, respectively.

DISTRIBUTABLE RESERVE

As at 31 December 2023, the Company's distributable reserves were HK$703.2 million (2022: HK$727.3 million).

CHARITABLE DONATIONS

The Group made charitable donations totalling approximately HK$0.06 million during the Financial Year (FY2022: HK$1.3 million).

DIRECTORS

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

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

Non-executive Directors
Mr. Cao Weiyong
Ms. Chong Yah Lien
Ms. Li Ka Wa Helen
Mr. Lau Ka On David

DIRECTORS (continued)

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

In accordance with articles 84(1) and 84(2) of the Company's articles of association, each of Mr. Chung Siu Wah, Ms. Chan Ka Lai Vanessa and Mr. Mak Chung Hong shall retire by rotation at the forthcoming annual general meeting and each of them being eligible, will offer himself/herself for re-election.

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

CONFIRMATION OF INDEPENDENCE

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' REMUNERATION

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

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

Details of the remuneration of the Directors are set out in note 36 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

The Board confirms that save as disclosed in the "Non-exempt Continuing Connected Transactions" and "Connected Transactions" in this report, none of the related party transactions as disclosed in note 35 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules and which are subject to annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master Sale and Purchase Agreement with CR Pharma

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

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Master Sale and Purchase Agreement with CR Pharma (continued)

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

The annual caps for the year ended 31 December 2023 for CCT Purchases and CCT Sales were HK$1,300 million and HK$432 million, respectively, while the actual transaction amount for the year ended 31 December 2023 was approximately HK$145.2 million and HK$29.8 million, respectively.

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

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

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

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

The annual caps for the year ended 31 December 2023 for Purchase of Talent Smart Products and Sale of the Tycoon Products were HK$26 million and HK$15 million, respectively, while the actual transaction amount for the year ended 31 December 2023 was approximately HK$0.5 million and HK$0.1 million, respectively.

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

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

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

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

The annual cap for the year ended 31 December 2023 for Purchase of Malaysia Products was HK$6 million, while the actual transaction amount for the year ended 31 December 2023 was approximately HK$1.9 million.

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

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

The annual cap for the year ended 31 December 2023 for Purchase of Malaysia Products contemplated under the Singapore Exclusive Distribution Agreement was HK$6 million, while the actual transaction amount for the year ended 31 December 2023 was nil.

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Master Sale and Purchase Agreement with CR Care

On 15 December 2023, the Company entered into a master sale and purchase agreement ("**Master Sale and Purchase Agreement with CR Care**") with CR Care, an associate of CR Pharma Retail and a wholly-owned subsidiary of CR Pharma, pursuant to which, with effect from 1 January 2024, (i) the Company, for itself and on behalf of its subsidiaries, conditionally agreed to purchase and CR Care conditionally agreed to sell certain PCM, health supplement and other healthcare products sold or to be sold by CR Care ("**CR Care Products**"); and (ii) the Company, for itself and on behalf of its subsidiaries, conditionally agreed to sell and CR Care conditionally agreed to purchase certain PCM, health supplement and other healthcare products sold by the Group ("**Tycoon Products**").

As CR Care is an associate of CR Pharma Retail, a substantial shareholder of the Company, CR Care is considered as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. The transactions contemplated under the Master Sale and Purchase Agreement with CR Care thus constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) calculated based on the proposed largest annual cap for the continuing connected transactions contemplated under the Master Sales and Purchase Agreement with CR Care exceeded 0.1% but was less than 5%, the continuing connected transactions thereunder were subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

For details, please refer to the announcement of the Company dated 15 December 2023.

Save as disclosed above and in note 35 to the consolidated financial statements, the Group has not engaged in any other connected transactions and/or related party transactions during the Financial Year.

Confirmation by independent non-executive Directors

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Confirmation by independent non-executive Directors (continued)

(b) on normal commercial terms or better; and

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

Confirmation by auditor

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

CONNECTED TRANSACTIONS

(1) Tenancy Agreement with connected person

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

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

CONNECTED TRANSACTIONS (continued)

(2) Leasing of Properties from connected person

On 15 December 2023, TGL, entered into a renewed tenancy agreement ("**Renewed Tenancy Agreement**") with Mr. Wong Ka Chun Michael, an executive Director, the Chairman of the Board and a controlling shareholder of the Company, as landlord of the Premises (as defined below), in relation to the leasing of the (i) Workshops 12, 13, 14 and 15 on 6/F, Workshops 12 and 16 on 8/F, Workshop 5 on 9/F; and (ii) Car Parking Spaces Nos. L7, L8, P19, L20, L22 and P27 on 3/F, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories (collectively "**Renewed Premises**") for a term of three years commencing retrospectively on 1 January 2024 and ending on 31 December 2026. TGL shall pay the monthly rent of HK$297,000 and other fees payable including but not limited to charges for utilities at the Renewed Premises. The Renewed Premises have been used by the Group as warehouse premises and car parking purposes. The continued leasing of the Renewed Premises under the Tenancy Agreement not only help the Group maintain stability in operations but also minimise the administrative time and cost for finding and relocating to a new premises. The landlord of the Renewed Premises is Mr. Wong (an executive Director, the chairman of the Board, chief executive officer and one of the Controlling Shareholders), hence the landlord is a connected person of the Company. Accordingly, the Tenancy Agreement and the transactions contemplated thereunder constituted connected transactions of the Company under the Listing Rules.

For details, please refer to the announcement of the Company dated 15 December 2023.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed above and in the related party transactions in note 35 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, its holding company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether direct or indirect, subsisted at the end of the year or at any time during the Financial Year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the "Non-exempt Continuing Connected Transactions", "Connected Transactions" in this report and in the related party transactions in Note 35 to the consolidated financial statements, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the Financial Year.

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

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("**SFO**"), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules ("**Model Code**"), were as follows:

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

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

Notes:

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

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

(3) The 200,000,000 Shares are charged by Tycoon Empire in favour of CR Pharma Retail.

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

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

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

Notes:

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

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

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 31 December 2023, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) and entities had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

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

Notes:

(1) The letter "L" denotes the person's long position in such Shares and the letter "S" denotes the person's short position in such Shares. The total number of 800,000,000 Shares of the Company in issue as at 31 December 2023 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.

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

(4) These interests in Shares comprise the 151,895,000 Shares held by CR Pharma Retail and the 200,000,000 Shares under the Share Charge in favour of CR Pharma Retail (see Note 2 above). CR Pharma Retail is a company wholly-owned by CR Pharma. Based on the notices of disclosure of interests dated 21 November 2016 of CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Inc. (formerly known as China Resources Co., Limited) and China Resources Company Limited (formerly known as China Resources National Corporation) filed with the Stock Exchange in relation to CR Pharma, CR Pharma is owned as to approximately 53.05% by CRH (Pharmaceutical) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited, which is wholly-owned by CRC Bluesky Limited, which in turn is wholly-owned by China Resources Inc., which in turn is wholly-owned by China Resources Company Limited. By virtue of the provisions of Part XV of the SFO, each of CR Pharma, CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Inc. and China Resources Company Limited is deemed to be interested in all the Shares held by CR Pharma Retail.

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

Save as disclosed above, as at 31 December 2023, so far as the Directors were aware, no other persons (other than the Directors or chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

(1) Purpose of the Share Option Scheme

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

(2) Participants

Participants refer to:

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

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

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

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

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

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

SHARE OPTION SCHEME (continued)

(2) Participants (continued)

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

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

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

(3) Total number of shares available for issue

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

SHARE OPTION SCHEME (continued)

(4) Maximum entitlement of each participant

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

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

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

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

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

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

SHARE OPTION SCHEME (continued)

(7) Vesting period

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

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

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

(9) Remaining life of the Share Option Scheme

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

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

Since the adoption of the Share Option Scheme and up to the end of the Financial Year, no option has been granted or agreed to be granted under the Share Option Scheme. Therefore, no options were exercised or cancelled or lapsed during FY2023 and there were no outstanding options under the Share Option Scheme as at 31 December 2023. As at the date of this Annual Report, the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme is 80,000,000 Shares, represents 10% of the issued Shares.

SHARE AWARD SCHEME

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

(1) Purpose of the Share Award Scheme

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

(2) Participants and operation of the Share Award Scheme

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

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

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

(3) Total number of shares available for awards

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

SHARE AWARD SCHEME (continued)

(4) Maximum entitlement of each participant

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

(5) Vesting of awards and vesting period

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

(6) Remaining life of the Share Award Scheme

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

During the Financial Year, no awarded shares (FY2022: Nil) had been granted, pending vesting, under the Share Award Scheme to the employees of the Group (none of them are Directors or connected persons of the Company), 974,000 awarded shares have been vested and 1,160,000 awarded shares have been forfeited. The vesting period of such awarded shares ranges from 1 April 2022 to 1 April 2026.

SHARE AWARD SCHEME (continued)

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

				Number of awarded shares					
Category of participants	Date of grant	Vesting period	Closing price of shares immediately before the date of grant	Outstanding as at 1 January 2023	Granted during the Financial Year	Vested during the Financial Year	Lapsed/expired during the Financial Year	Cancelled/ forfeited during the Financial Year	Outstanding as at 31 December 2023
Directors (Note 1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Five highest paid individuals in aggregate	1 Apr 2021	1 Apr 2024 – 1 April 2026	HK$1.58	4,110,000	–	–	–	750,000 (Note 3)	3,360,000
Other Grantees in aggregate	1 Apr 2021	1 Apr 2022 – 1 April 2026	HK$1.58	3,634,000	–	974,000 (Note 2)	–	410,000 (Note 3)	2,250,000
Total				7,744,000	–	974,000	–	1,160,000	5,610,000

Notes:

1. Pursuant to the rules of the Share Award Scheme, an Eligible Person shall mean any employee or consultant of any Group company other than any person being a connected person of the Company or an associate of any such connected person. As such, no Director is/will be eligible for participation in the Share Award Scheme.

2. The weighted average closing price of the shares immediately before the dates on which the awards to Other Grantees in aggregate were vested was HK$5.27.

3. The purchase price of the cancelled/forfeited awards was nil.

The number of options and awards available for grant under the scheme mandate at the beginning and the end of the financial period was as follows:

	As of 1 January 2023	As of 31 December 2023
Total number of options and awards available for grant under the scheme mandate	80,000,000	80,000,000

Note: There was no service provider sublimit set under the Share Option Scheme and Share Award Scheme.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of shares of the relevant class in issue for the year ended 31 December 2023 is nil.

Information on the accounting policy for share awards granted and the fair value of awards at the date of grant are provided in Note 30(b) to the consolidated financial statements respectively. The fair value of awards at the date of grant are provided in Note 30(b) to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

MAJOR SUPPLIERS AND CUSTOMERS

For the Financial Year, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 43.0% (2022: 26.3%) and 80.3% (2022: 52.6%) of the Group's total purchases, respectively.

For the Financial Year, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 36.0% (2022: 21.3%) and 55.5% (2022: 66.8%) of the Group's total revenue, respectively.

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

Employees

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

Customers

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

RELATIONSHIPS WITH KEY STAKEHOLDERS (continued)

Suppliers

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

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

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

CORPORATE GOVERNANCE

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

The Company has applied the principles and adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix C1 (formerly known as Appendix 14) to the Listing Rules. To the best knowledge of the Board, the Company has fully complied with the requirements under the CG Code during the Financial Year, except for the deviation from code provision C.2.1 of the CG Code. For details, please refer to the section headed "Corporate Governance Report" of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

REVIEW OF FINANCIAL INFORMATION

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

EVENTS AFTER THE REPORTING PERIOD

There has been no significant event affecting the Group after the Financial Year and up to the date of this report.

CHANGE IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Changes in the information of Directors since the publication of the annual report of the Company for the year ended 31 December 2022 which are required to be disclosed under Rule 13.51(B)(1) of the Listing Rules are set out below:

The director's fee of Mr. Wong Ka Chung Michael (Executive Director), Mr. Cao Weiyong, Ms. Chong Yah Lien, Ms. Li Ka Wa Helen and Mr. Lau Ka On David (Non-executive Directors) and Mr. Chung Siu Wah, Ms. Chan Ka Lai Vanessa and Mr. Mak Chung Hong (also known as Mak Tommy Chung Hong) (Independent non-executive Directors) has been increased to HK$15,000 per month with effective 1 April 2023. The annual director fee for the year 2024 will be HK$180,000 per annum. Meanwhile, Mr. Cao Weiyong has waived his entitlement to the director fee for the Financial Year.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining eligibility of the Shareholders to attend and vote at the forthcoming annual general meeting to be held on Friday, 31 May 2024, the register of members of the Company will be closed from Monday, 27 May 2024 to Friday, 31 May 2024 (both days inclusive). During such period, no transfer of the Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong not later than 4:30 p.m. on Friday, 24 May 2024.

The record date for the proposed final dividend is on 14 June 2024. For the purpose of determining the eligibility of the Shareholders to the proposed final dividend, the register of members of the Company will be closed from Thursday, 13 June 2024 to Friday, 14 June 2024 (both days inclusive). During such period, no transfer of the shares of the Company will be registered. In order to be eligible to qualify for the proposed final dividend, unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong not later than 4:30 p.m. on Wednesday, 12 June 2024.

AUDITOR

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

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

On behalf of the Board

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

Hong Kong, 27 March 2024

Corporate Governance Report

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

CORPORATE GOVERNANCE CULTURE, PURPOSE, VALUES AND STRATEGY

With the mission of bringing health and vitality to consumers, the Group aims to become a reputable and leading provider of a suite of health and well-being products through diversified online and offline sales channels.

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

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

– satisfactory and sustainable returns to Shareholders;

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

– that overall business risk is understood and managed appropriately;

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

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE CODE

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

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

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

BOARD OF DIRECTORS

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

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

Board composition

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

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

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

Non-executive Directors
Mr. 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)

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

BOARD MEETINGS

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

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

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

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

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

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

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

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

DIRECTORS' ATTENDANCE RECORDS AT MEETINGS

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

	Attendance/Number of meetings					
Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	General Meeting
Executive Director						
Mr. Wong Ka Chun Michael	6/6	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Cao Weiyong	6/6	N/A	N/A	N/A	N/A	0/1
Ms. Chong Yah Lien	6/6	N/A	N/A	N/A	N/A	1/1
Ms. Li Ka Wa Helen	4/6	N/A	N/A	N/A	N/A	1/1
Mr. Lau Ka On David	6/6	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors						
Mr. Chung Siu Wah	6/6	2/2	2/2	1/1	1/1	0/1
Ms. Chan Ka Lai Vanessa	6/6	2/2	2/2	1/1	N/A	1/1
Mr. Mak Chung Hong	6/6	2/2	2/2	1/1	1/1	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year ended 31 December 2023.

Responsibilities

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

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

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

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

Independent non-executive Directors

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

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

Board Independence Evaluation

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

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

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

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Continuous Professional Development

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

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

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

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

Name of Director	Areas: Legal, regulatory and corporate governance	Businesses of the Group	Directors' roles, functions and duties
Executive Director			
Mr. Wong Ka Chun Michael	✓	✓	✓
Non-executive Directors			
Mr. 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	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

Audit Committee

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

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

- reviewing and discussing the annual results for the year ended 31 December 2022, the interim results for the six months ended 30 June 2023 and the related accounting principles and practices adopted by the Group;
- reviewing and discussing the risk management and internal control systems of the Group; and
- making a recommendation to the Board on the re-appointment of external auditor, approving the remuneration and terms of engagement of the external auditor.

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

Remuneration Committee

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

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

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

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

Remuneration Band	Number of Individuals
Nil to HK$1,000,000	10
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2
Over HK$2,000,000	1

Further particulars regarding the remuneration of each Director and the five individuals with the highest emoluments in the Group for the Financial Year are set out in notes 9 and 36 to the consolidated financial statements, respectively.

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

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

Nomination Committee

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

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

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

During the Financial Year, the Nomination Committee held one meeting to review the structure, size and composition of the Board and review the independence of the independent non-executive Directors.

Corporate Governance Committee

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

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

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

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

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

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

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

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

PROCEDURES FOR NOMINATION OF DIRECTORS

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

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

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

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

COMPANY SECRETARY

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

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

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

DIRECTORS' SECURITIES TRANSACTION

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

Internal Controls

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

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

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

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

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

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

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

Risk Management

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

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

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

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

The Board together with senior management monitor and assess risk regularly, boost related management standards and evaluate investment projects. The Board, through the Audit Committee, conducted an annual review on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to (i) the Group's ability to respond to changes in its business and external environment in terms of significant risks; (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control system and the extent and frequency of communication of monitoring results to the Board; (iii) significant control failing or weakness having been identified and their related implications; and (iv) status of compliance with the Listing Rules. Based on the risk assessments conducted for the year under review, no significant risk was identified and the Board is of the opinion that the Group's risk management and internal control systems were adequate and effective during the year ended 31 December 2023.

Handling and Dissemination of Inside Information

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

AUDITOR'S REMUNERATION

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

Service Category	Fees (HK$'000)
Audit Service	2,500
Non-audit Services	
– Professional services in connection with the disposal and deemed acquisition for granting the put option to acquire Combo Win Asia Limited	1,500
Total	4,000

BOARD DIVERSITY

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

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

The Board currently consists of five male members and three female members, with one executive Director, four non-executive Directors and three independent non-executive Directors, of ages ranging from 46 to 63. Furthermore, the Directors have a balanced mix of knowledge, skills and experience, including business management, financial management, marketing, brand management, audit, finance and investment. The Directors obtained degrees in various fields, including business management, accounting and economics. The Board consists of three independent non-executive Directors, representing over one-third of the Board members, who have different industry backgrounds.

Taking into account the Group's existing business model and specific needs as well as the different background of the Directors, the Directors consider that the composition of the Board satisfies the Board Diversity Policy and has a balanced mix of skill set, experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. The Nomination Committee and the Board will review the Board Diversity Policy annually to ensure its continued effectiveness. During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Diversity Policy and the results were satisfactory.

Gender Diversity

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 71 to 101 of this Annual Report. As opposed to a single-gender board, the Board currently has three female members out of eight Directors and as such gender diversity has been achieved in respect of the Board. While the Board recognises that gender diversity at the Board level can be further enhanced, the Company will continue to apply the principles of employment with reference to the Board Diversity Policy. The Company has also taken and continues to take steps to promote diversity at all levels of its workforce.

SHAREHOLDERS' RIGHTS

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

Procedure for Shareholders to Convene an Extraordinary General Meeting

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

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

Procedures for Making Proposals at Shareholder's Meeting

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

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

Putting Forward Enquiries to the Board

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

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

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

OTHER RELATED MATTERS

The Company has adopted the following policies to align with the changes to the CG Code:

(1) Anti-corruption policy

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

(2) Whistleblowing policy

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

3) Shareholders' communication policy

The Board has adopted the shareholders' communication policy ("**Shareholders Communication Policy**"). With the objective of ensuring that the Shareholders and potential investors are provided with timely access to information about the Company, the Company has established several channels to communicate with the Shareholders and solicit and understand the views of Shareholders. The Company reviewed the implementation and effectiveness of the Shareholders Communication Policy and considered the policy to be effective for the year ended 31 December 2023 after reviewing the Shareholder and investor communication activities conducted in the reporting period.

CONSTITUTIONAL DOCUMENTS

During the Financial Year, there had been no change in the constitutional documents of the Company.

An up-to-date version of the memorandum and articles of association of the Company is available on both the websites of the Stock Exchange and the Company.

DIRECTOR MESSAGE

To improve the sustainability performance of Tycoon Group Holdings Limited (hereafter referred as "**the Group**"), the Board of Directors (hereafter referred as "**the Board**") takes responsibility for overseeing the relevant environmental, social, and governance (ESG) aspects within the existing business strategies. While ensuring ongoing compliance with local laws and regulations in the regions where the Group operates, the interests of stakeholders are also prioritized in the corporate strategies. This includes addressing stakeholders' expectations regarding ESG aspects and making concerted efforts to mitigate operational risks to the best of the Group's abilities.

The Group collects data pertaining to environmental, social, and governance aspects through the ESG committee comprising employees across departments including finance, human resources, marketing, procurement and sourcing on a regular basis. This information is consolidated, analyzed, and presented in the form of an ESG report. During the annual meeting, the Board examines the disclosed ESG performance outlined in the report. They assess its alignment with the Company's business strategy, evaluate its compliance, and identify sustainability topics that are pertinent to both the Company and stakeholders. This thorough review enables the board members to make informed decisions and make any necessary adjustments to the strategies as required. External experts are invited to provide professional guidance and enhance the compliance level of our reporting.

During the reporting year, concerns to corporate social responsibility from the society are still raising. As a Hong Kong's leading omnichannel brand marketing and management service integrator of health and well-being related products, we always strive our best to manage our environmental and social performance. Due to business nature, the environmental impact induced by our operation is small. Incremental adjustment to our environmental performance such as procuring energy efficient equipment and waste reduction strategies are upheld by our employees. Besides, as the pandemic has eased, we began to devote in community service again by organizing volunteer services to the elderly centers. Internal trainings including safety and product knowledge are resumed and facilitated employee development.

In 2023, regular travel has been fully reinstated between Hong Kong and Mainland China, driven by robust local consumer sentiment and a resurgence in visitor arrivals. The retail sales of Chinese medicines and healthcare products have shown positive growth, reflecting a pleasing performance. There has also been a consistent enhancement in the overall business environment of the retail market. We have recorded an increase in overall revenue and gross profit as a result of the anti-epidemic restriction relaxation and the Group's continuous optimization of its product portfolio.

The Group's management has made diligent efforts to diversify its businesses over the past years. In addition to strengthening the business chain, the Group has been refining its dual-channel distribution model, encompassing both online and offline channels. This strategy has contributed to the Group's growth and has set the stage for a fruitful period ahead. Moving forward, the Group aims to maintain its reputation and build consumer confidence by showcasing strong sustainability performance in the competitive digital commerce sector. Despite the complexity of global geopolitical situations, the Group will focus on its omnichannel brand marketing business, supported by a diversified sales network. We strive to provide consumers with a range of options that promote health and vitality, ultimately enhancing their overall quality of life. The management will maintain a vigilant approach to monitor and adjust to the market conditions, with the aim of maximizing shareholder returns and achieving future success.

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

On behalf of the Board

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

Hong Kong, 27 March 2024

ABOUT THIS REPORT

The Board of Tycoon Group Holdings Limited ("**Company**", together with its subsidiaries, the "**Group**") is pleased to present this Environmental, Social and Governance ("**ESG**") Report ("**this ESG report**") for the financial year ended 31 December 2023 ("**Reporting Year**" or "**Reporting Period**"). This report is the Company's fourth ESG report since 2020. It is published annually to keep the stakeholders updated on the latest development of ESG performances.

This ESG report is developed in accordance with "Environmental, Social and Governance Reporting Guide" ("**the Guide**") in Appendix C2 (formerly known as Appendix 27) of the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). It fulfills the "mandatory" and "comply or explain" provisions of the Guide. Both the English and Chinese versions of this ESG report are available on our website (https://www.tycoongroup.com.hk) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk).

Note: For the purpose of this report, the data included herein also included the data relating to our 49% owned associated companies as at 31 December 2023.

Overview of the Group

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

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

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

As a reputable provider of health and well-being related products, Tycoon has distributed over 200 brands and is one of the major distributors for PCM in Hong Kong. We have established a diversified sales network through its distribution and retail store business, bringing reputable and high-quality products to consumers through its online and offline dual-channel commerce strategy. The products distributed by us include products bearing the brands of third-party brand owners, which are sourced from the brand owners and/or distributors and traders, and private label products ("**Private Label Products**"), i.e. products developed and marketed under the brands of our Group and produced by external manufacturers engaged by us on an ODM (original design manufacturing) basis.

Reporting boundary

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

Reporting principles

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

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

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

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

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

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

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

STAKEHOLDER ENGAGEMENT

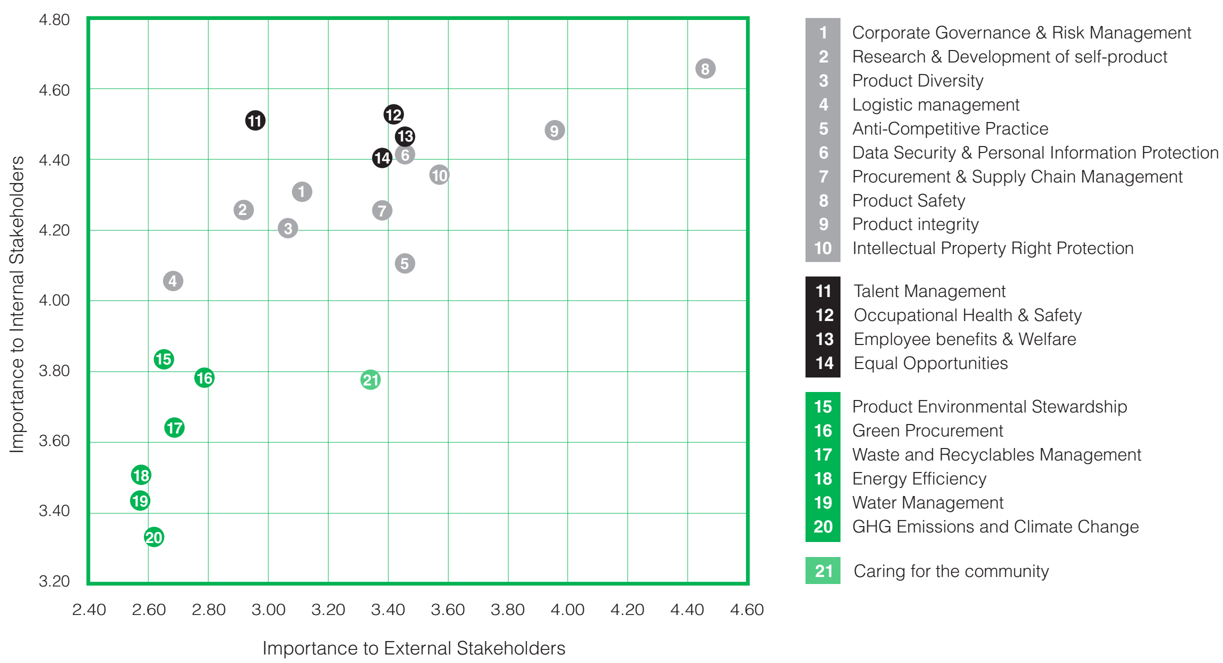
It is important to understand our stakeholders' needs and expectations. Better yet, their opinions help the Group to identify as well as prioritise development strategies. The communication channels we use to engage with different stakeholders regularly are as follows:

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

MATERIALITY ASSESSMENT

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

Materiality Matrix



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

13 material ESG topics identified

Product responsibility

- Product safety
- Product integrity
- Intellectual property rights protection
- Product diversity
- Information security and personal data protection
- Research & development of self-product

Employment and labour practices

- Occupational health & safety
- Employee benefits and welfare
- Equal opportunities
- Talent management

Supply Chain Management

- Procurement and supply chain management

Corporate governance

- Corporate governance and risk management

Community Engagement

- Caring for the community

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

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

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

SUSTAINABILITY GOVERNANCE

Board Statement

The Board's ESG Oversight

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

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

UNGC Principle	Tycoon ESG topics	Description
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	13. Employee benefits and welfare	The Group adheres strictly to the national laws and relevant legal regulations of the countries where we conduct our business. We advocate for human rights in both the workplace and the community. Our commitment lies in strengthening and respecting the global recognized human right, while also safeguarding the legal rights of our employees.
Principle 2: Make sure that they are not complicit in human rights abuses	12. Occupational health & safety 13. Employee benefits and welfare	The Group pledges to assure the business is not involving in events that exploiting human rights.
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	13. Employee benefits and welfare	The Group recognizes the significance of realizing workforce opinion. Employees are afforded the complete freedom to associate and possess the authority to engage in collective bargaining.
Principle 4: The elimination of all forms of forced and compulsory labour	13. Employee benefits and welfare	The Group respects workplace labour rights, we do not tolerate any forms of forced or compulsory labour.
Principle 5: The effective abolition of child labour	13. Employee benefits and welfare	The Group strictly prohibits any forms of child labour. We proactively check the identification and qualification documents of our new joiners to avoid child labour.

UNGC Principle	Tycoon ESG topics	Description
Principle 6: The elimination of discrimination in respect of employment and occupation	11. Talent management 14. Equal opportunities	The Group upholds the values of diversity and anti-discrimination, prohibit all forms of discrimination including racial, nationality, religion, disability, sexual, education, qualification with attitude of "respect, adaptation, acceptance, integration". We offer equal opportunities to all staff, prohibiting any tangible and intangible acts of sexual harassment, bullying and discrimination in our workplace.
Principle 7: Businesses should support a precautionary approach to environmental challenges	20. Greenhouse gas (GHG) emissions and climate change	The Group is ready to tackle the challenges posed by climate change and the environment. We have integrated climate change related issue into the risk management system, with the aim of mitigating environmental risks and capitalizing on opportunities. Regular review are done by the management for continuous improvement.
Principle 8: Undertake initiatives to promote greater environmental responsibility	17. Waste and recyclables management 18. Energy efficiency 19. Water management	The Group targets to upgrade the business operation to a more environmentally sustainable practice. We are taking steps ahead to meliorate our process impact to the environment.
Principle 9: Encourage the development and diffusion of environmentally friendly technologies	15. Product environmental stewardship 16. Green procurement	The Group is seeking opportunities to integrate the environmentally friendly technologies into our business operations.
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	1. Corporate governance and risk management	The Group recognise the significance of combating corruption throughout the supply chain. Our Group is dedicated to adhering to relevant competition laws, anti-corruption laws, and personal information protection laws. Additionally, we prioritize enhancing the legal compliance awareness of our employees through education and training initiatives.

MATERIAL DISCLOSURE

PRIORITY TOPICS

Product Safety

The Group places great emphasis on the quality of goods and services, with the goal of minimizing any health and safety risks that may arise from their use. We strive for continual improvement in its products by meeting customer demands and prioritizing the health and safety of consumers. A comprehensive monitoring procedure has equipped to assess the quality of our product. This includes an internal control process as well as continuous communication with our customers and suppliers to ensure quality standards are met. The Group has attained a wholesaler licence in proprietary Chinese medicines according to the Chinese Medicine Ordinance in Hong Kong and Licence for Import, Export and Wholesale of Pharmaceutical Products in Macau. Moreover, the Group's products, such as California Baby, Nordic Naturals and AZO Cranberry, have attained various international awards and recognition. Please visit the corresponding websites for information.

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

Product Integrity

Quality Assurance

To ensure product safety, the sourcing, sales, and marketing departments are dedicated for this important process. A comprehensive system for managing product quality has been implemented, and a rigorous quality assurance process is followed throughout the entire product life cycle, from innovation to after-sales service. All procured products must possess valid product safety certifications and proof of their country of origin. Our products undergo random inspections conducted by a third-party testing and inspection quality assurance company to assess levels of heavy metals, microorganisms, pesticide residues, and nutritional values. Suppliers and brand owners are required to provide testing reports, ISO 9001, and ISO 22000 certificates, as well as any necessary permits, to validate the legality, quality, benefits, and associated risks of the products.

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

Product Commitment

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

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

Product recall and complaint handling

The Group provides comprehensive care for the health of consumers. We value customer feedback and utilize it to enhance and promote our future products. To facilitate effective communication, the Group has established channels for customers to provide feedback or lodge complaints, both verbally and in writing. Upon receiving a complaint, we promptly follow up with the customer and initiate a thorough investigation for a comprehensive review and evaluation. Key focus areas of our group on the complaints are: drug efficacy, adverse reactions, and all safety and health issues.

In the Reporting Period, the Group did not receive any significant complaint. However, there were 4.7% of total products sold subject to recalls for safety and health reasons. All cases were investigated immediately, and clients were well-informed by the cases.

Occupational Health and Safety

The Group prioritizes the health and safety of its employees above all else. Our goal is to create a working environment that is healthy, safe, and comfortable for our employee. We are committed to identifying and removing any potential hazards by implementing comprehensive safety management measures to ensure the enhancement of employees' health and safety throughout their work. A cross-branch safety committee consisting of the human resources department and the sales and marketing department has been formed. The committee maintains Tycoon Group's occupational health and safety issues to identify potential risks in the workplace and establish safety measures as per the operation regions' recommendations and requirements. Routine occupational health and safety training such as cardiopulmonary resuscitation (CPR) training, Automated External Defibrillator (AED) instruction training, potential hazards in the workplace etc. are scheduled for all newcomers and existing employees. During the reporting period, several occupational safety trainings and fire drills have been held in order to heighten employees' safety awareness.

Even as the pandemic has come to an end, the Group continues to closely monitor relevant government policies and market practices to stay informed about the latest best practices in labor protection and employee health and safety management. This demonstrates our ongoing commitment to prioritizing the well-being of our workforce. The Group and the cross-brands safety committee continue to implement hygienic and safety measures in office and operation sites. Regular cleaning and disinfection services were scheduled in place. The

Group pays extra attention to the disinfectant's active ingredient, concentration levels and contact time with cleaning surfaces to ensure the disinfectant's efficacy and also closely communicate with the cleaning crew/ property management on the cleaning and disinfection services. The Group and employees will continue to pay attention to the office's hygiene conditions.

No work-related fatalities were accrued in the past three years. There was also no lost day due to work injury recorded in the Reporting Period. This demonstrates our ongoing dedication to maintaining health and safety measures. The Group remains attentive to the occupational safety and health of our employees. Given the nature of our business, we regularly communicate through emails and posters to ensure all employees are aware of health and safety protocols. We consistently provide reminders to our employees through leaflets from the Occupational Safety and Health Council, such as "General safety instruction for manual handling" and "Exercises for a Healthy Back." In our warehouses, safety policies, including limits on stockpile height, are implemented to safeguard our employees. In the event of accidents, the Group promptly assists the injured and initiates a thorough investigation to identify the root cause. External consultants or professionals may be engaged to participate in the investigation and develop an improvement plan, if necessary.

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

Intellectual Property Rights Protection

The Group establishes relevant policies for managing product patents, intellectual property rights, and privacy. We have our own research and development team and owns self-owned brands. We take intellectual property rights seriously, and as of 2023, owns 53 registered trademarks for our Private Label Products.

Our sales and marketing department has been assigned to oversee the use, collection, and disclosure of trademarks and intellectual property rights. All usage of logos and certification marks are as per the brand owner's instructions. Similarly, the Group requires third parties to uphold the same approach when they use the Group's logo. We also ensure that all software applications and other patented goods used by the Group are obtained legally. We strictly forbid the use of unauthorized copies. Each department has its own designated folder on the computer server, with access permissions set to prevent data leakage. We guarantee our respect and safeguard on the intellectual property rights. The Group has a dedicated legal team responsible for managing and offering comprehensive protection for intellectual property rights. In our dedication to protecting the intellectual property rights of others, our supplier contracts include warranty provisions to ensure that the Group and its partners do not infringe upon any intellectual property rights.

Employee Benefits and Welfare

Benefits and Welfare

Since our establishment, the Group has consistently prioritized equality among all employees. Our employees' compensation packages are primarily based on their performance and experience, considering industry standards and practices. The remuneration policy and packages undergo regular evaluations to ensure their appropriateness. The Group shows its care for the employees by organising a wide range of activities such as free Chinese soup, birthday celebrations, festival gatherings, happy hour meets/afternoon teas, monthly gatherings, quarterly leisure travels, and team building activities. We hope those activities can assist employees to reduce stress and maintain work-life balance.

The Group respects and upholds the employees' rights by offering "Five Social Insurances and One Housing Fund" in Greater China and the Mandatory Provident Fund (MPF) scheme in Hong Kong. On top of that, all employees are entitled to have paid leaves such as annual leave, maternity leave and marriage leave. Employees in Hong Kong are enrolled in medical plans that include dental check-ups and body checks. During the Reporting Period, the Group has not identified any non-compliance against the relevant regulations of employment in the reporting scope.

CORPORATE GOVERNANCE

Corporate Governance and Risk Management

Anti-corruption

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

In order to eliminate corruption, fraud, and similar incidents, the Group has established a policy for whistleblowing. This policy allows employees and other stakeholders to confidentially report any suspicious, improper, or illegal activities to the Group through channels such as email, hotline, and telephone. We actively investigate and address internal reports of corruption. Whistleblowing is carried out in a confidential manner to ensure that the person reporting is protected from retaliation or harassment. The Group implements practical preventive measures through employee handbooks and announcements. We may provide rewards and recognition, such as commendations and incentives, to employees who report unlawful or non-compliant behavior, thus safeguarding the Group's interests. Upon receiving reports, the respective team takes immediate action and thoroughly address any actions that violate the principles of the Group or pose harm to its interests.

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

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

Anti-corruption training

Category	Percentage of Trained Employees in 2023 (%)	Average Number of Hours of Training Completed by Each Employee in 2023 (Hour)
By Employee Category		
Director	3%	0.25
Manager	9%	0.19
General Staff	88%	0.41

EMPLOYMENT AND LABOUR PRACTICES

Labour Practices

Employment laws and regulations specify the minimum age for employment and define the associated rights and protections for workers. The Group demonstrates complete respect for and adherence to these applicable employment laws and regulations. To verify compliance, we conduct identity checks to ensure that candidates are of legal employment age and eligible to work lawfully. In cases where child labor or illegal workers are identified, the employment contract will be terminated immediately. If necessary, the Group will seek assistance from relevant institutions to provide appropriate care for both the child and the worker involved.

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

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

Compensation and promotion

In order to retain talented individuals and maintain a consistent and excellent product quality within our Group, we provide employees with a competitive compensation package. This package serves to acknowledge their contributions and motivate them to continue supporting the Group. Employees have their key performance indicators and must complete annual appraisal as subjective proofs for promotion and salary review. All employees share an equal opportunity to enjoy rewards and appreciation. Only employees' capability, educational attainment, performance, and business needs are being considered. Priority will be given to the well-equipped employees by internal transfer. Every candidate shares an equal opportunity to be chosen, and no one will be discriminated against by any means. Seats are always reserved for the capable.

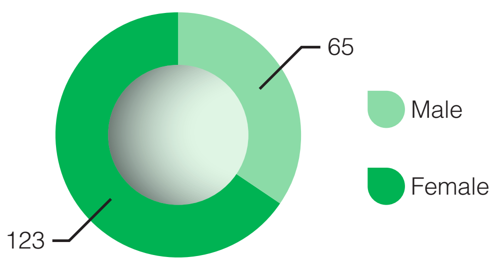
All employees receive regular training sessions that cover company product knowledge, technical expertise, and information security. In addition to job-specific training, soft skills training is provided to foster the development of employees and promote growth within the Group. The human resources department conducts regular reviews of training programs to get update with market trends and the global macroenvironment. By integrating training into the promotion process, employees are encouraged to refresh with changes and enhance their understanding of job requirements and safety regulations. This ensures that employees are well-equipped to meet their daily responsibilities and address any safety concerns.

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

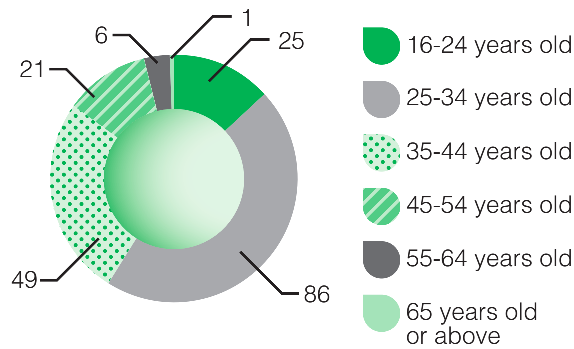
Team Structure

On 31 December 2023, the Group had 188 employees of which general staff accounted for around 79% (149). The remaining 21% (39) employees were the directors and managers. Detailed team structure by gender, age group, geographical region, employee category and employment type are shown below.

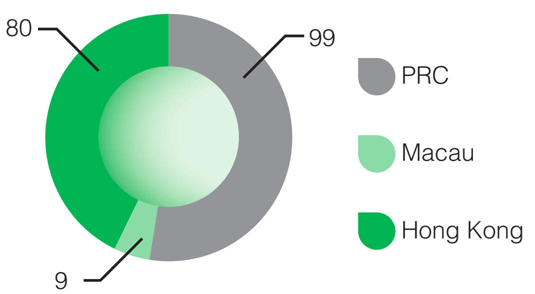
Total workforce by gender



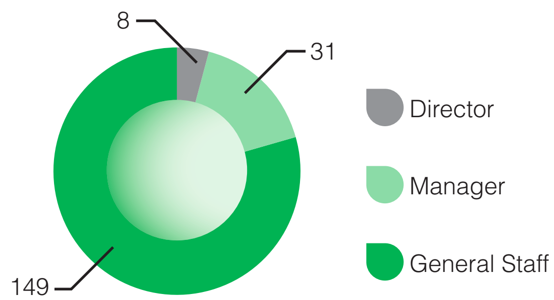
Total workforce by age group



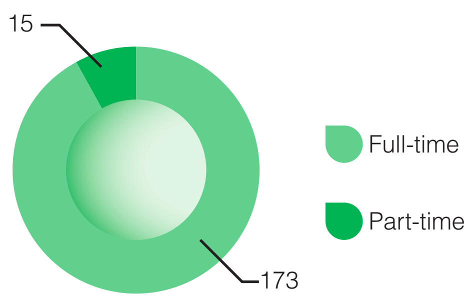
Total workforce by geographical region



Total workforce by employee category



Total workforce by employee type

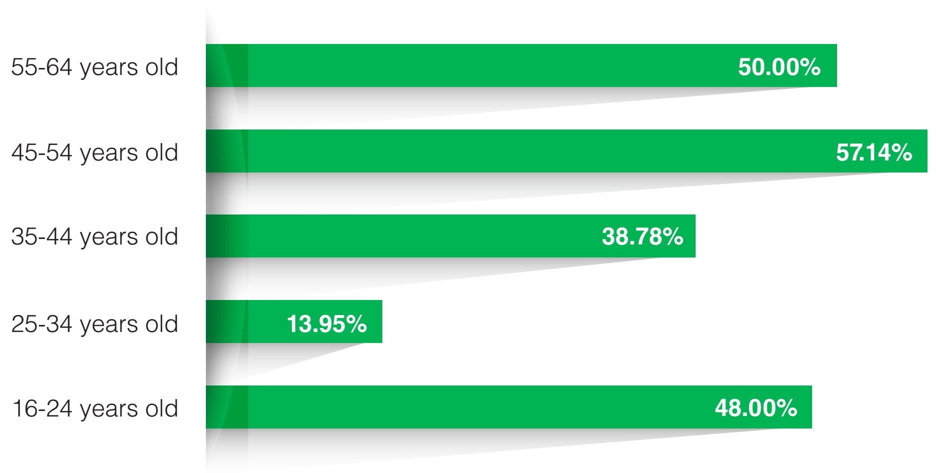


Workforce Composition

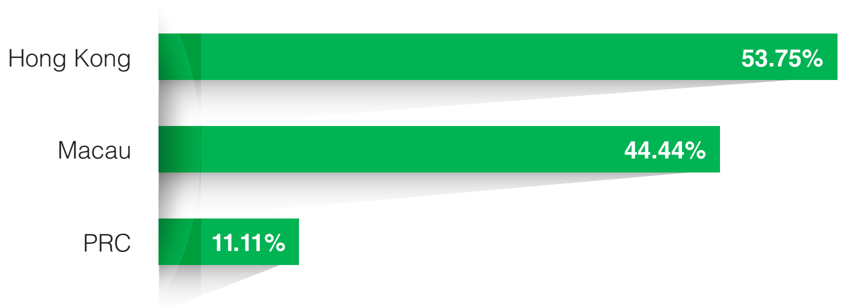
In the Reporting Period, the overall turnover rate was around 31%. For the turnover rate by gender, age group and geographical region[1], please refer to the bar charts below.

Employee turnover rate by gender

Employee turnover rate by age group



Employee turnover rate by geographical region



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

Recruitment, Dismissal, Equal Opportunity and Anti-discrimination

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

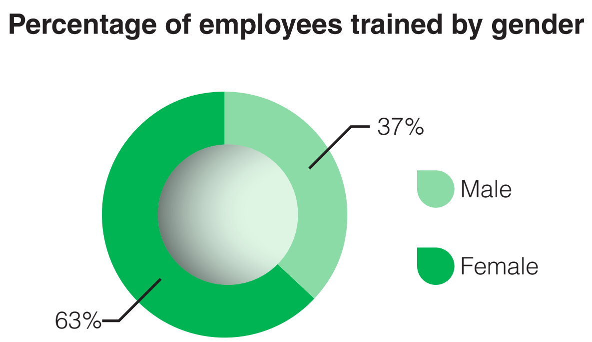
During the Reporting Period, the Group adheres to relevant legislation in each operational region when recruiting and employing candidates. By implementing a standardized and systematic recruitment process, we ensure that employees operate within the legal framework. The criteria for shortlisting candidates are based on their experience, abilities, and business needs, without any consideration of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion, or nationality. Interviews, aptitude tests, written tests, or other assessment formats are utilized to provide subjective evidence that assists management in making fair and justifiable decisions. The Group respects the rights and protections associated with employee dismissals as outlined in the operational regions. Upon leaving the company, each employee participates in an exit interview conducted by the human resources department, which allows for valuable insights and feedback. The Group strives to make improvements and implement changes whenever applicable based on this feedback.

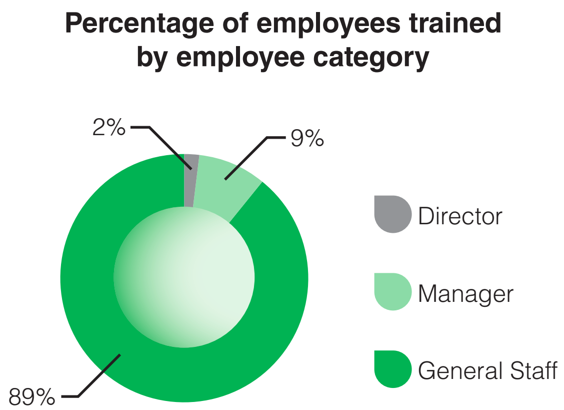
Any employee who is intimidated, humiliated, bullied or harassed (including sexual harassment) may report to the employee's representative or file complaints directly to the management representative or the general manager, and the Group will take a serious approach to resolve these issues upon receiving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

Talent Management

To address the dynamic market landscape and ensure that our employees are well-equipped with the latest technologies and technical knowledge, the human resources department has introduced a training program focused on product knowledge for promoters and marketing teams. This program aims to provide our employees with the necessary skills and expertise to navigate in the dynamic market environment effectively. During the Reporting Period, there were 273 training hours offered to 44% (83) employees. The percentage of trained employees and the average training hours by gender and employee category are shown below. The average training hours were 3.29 per person in the Reporting Period.

Training hours completed





	Average training hours completed (hours)[2]
Per employee by gender	
Male	2.09
Female	1.11
Per employee category	
Director	0.25
Manager	0.45
General staff	2.25

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

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

PRODUCT RESPONSIBILITY

Product Diversity

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

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

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

Data Security and Personal Information Protection

As internet technology continues to improve, it brings both convenience and efficiency to our information systems, but it also introduces new security threats to the Group. In order to safeguard the data of our business partners, we have implemented relevant risk management and information technology policies. These policies serve to protect the confidentiality and integrity of data. The Group has established a protocol that guides employees in handling personal data, ensuring compliance with the requirements specific to each operational area. The collection of information is conducted lawfully and directly for a pre-defined purpose only. All storage and transmission of personal data undergo encryption and are equipped with up-to-date antivirus protection. The Group takes practical measures to safeguard personal data against unauthorized or accidental access, processing, erasure, loss, or use by third parties. When disclosing personal data, the Group strictly follows a need-to-know basis approach, ensuring that only relevant individuals have access to the information.

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

Research and development of own-brand products

Our Private Labels have a team of technical professionals, including registered pharmacists and nutritionists, supporting product design, market values, labelling and scientific analysis. The Group has established and developed its own well-received brands of healthcare products, including "Boost & Guard Pro (BG Pro 博健專研)", "Craft by Wakan (和漢匠心)", and "Kinmen Qiangxiao (金門強效)". We are bound by regional laws and international standards.

OPERATING PRACTICES

Procurement and supply chain management

The Group places significant importance on corporate social responsibility (CSR) and strives to uphold environmental protection, health and safety, and other related initiatives. We hold our suppliers to the same high standards and expect them to align with our CSR goals. To ensure proper supplier management and alignment with the Group's stakeholders, we have established a supplier code of conduct. This code serves as a foundation for effectively managing our vendors. We conduct annual reviews of our key suppliers to monitor their progress in meeting social responsibility requirements. Our aim is to foster ethical practices and promote sustainability throughout our supply chain.

Supplier assessment

The Group has established a holistic supplier assessment process, including the design of protocol to guide employees to select, assess and approve suppliers systematically, with criteria including price, market potential and product. For the assurance of key ingredients, test reports, as well as certifications, are requested when applicable. The Group also requires suppliers to complete an annual performance review. This is to monitor their performance and safeguard the product quality of the Group. Suppliers who do not meet the specified requirements are expected to take immediate corrective measures. In cases where successive reviews found a consistent failure to meet the required conditions, the Group reserves the right to terminate the business agreement with the respective party.

As the society is having higher environmental concerns, we are devoting resources in exploring the enhancement of green procurement along our supply chain. The Group is expected to start to assess suppliers' environmental and social responsibility and engage suppliers who incorporate the consideration of environmental and social risks into their supply chain management. The Group will also consider and try to engage suppliers with relevant environmental and social practices and responsible acts for society. In 2023, none of our new and existing suppliers possess environmental certifications.

To avoid supply chain breakdown, we actively communicate with our suppliers and provide forecast orders and demands by one year in advance. Nevertheless, suppliers and the Group also liaise from time to time and adjust the demands accordingly whenever necessary. The long-term relationship between suppliers and the Group makes the responses efficiently and promptly.

Suppliers by geographic region

Geographic region	Number of suppliers
Canada	1
Hong Kong, China	247
Australia	20
United States	7
Japan	32
Mainland China	14
India	4
Macau, China	1
Singapore	6
Italy	1
Taiwan	5
Korea	12
France	4
Germany	4
Malaysia	5
Thailand	5
United Kingdom	1

COMMUNITY

Caring for the Community

The Group embraces the idea of making a positive impact on society and actively supports community initiatives in the areas of education, social security, and healthcare. We are dedicated to fulfilling our social responsibilities and encourage employees to participate in volunteer service activities, offering them opportunities to engage with matters beyond their workplaces. The Group supports and empowers employees to make meaningful contributions to the local community, integrating these efforts into their daily lives. During the reporting year, our Group has contributed HKD63,581 as donation to the community and needy. Besides, as the pandemic has eased in 2023, the Group has participated in more local events and engage with the community. Our volunteer team engaged in the Snowy Mooncake Workshop organised by SAGE Chai Wan District Elderly Community Centre and make snowy mooncakes with the elderly. The Group will continue to seek opportunities in enhancing community engagement in the coming report year.

STANDARD ESG DISCLOSURES

OPERATING PRACTICES

Logistics management

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

Green Procurement

The Group strives to acquire environmentally friendly products at the largest extend, such as paper made from recycled materials, pens with replaceable parts, and laser printer cartridges that can be recycled. We also adhere to The Energy Efficiency (Labelling of Products) Ordinance (Chapter 598 of the Laws of Hong Kong), ensuring that electrical devices meet strict energy efficiency standards. Furniture made by environmentally friendly materials is preferred.

Product Environmental Stewardship

Environmentally preferable products

Case Study: Biolane

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

Case Study: California Baby

California Baby, the global leading producer of organic skincare products, is dedicated to crafting safe, pure, and top-notch items for consumers while minimizing its ecological footprint. To achieve this, California Baby has implemented solar panels that supply up to 80% of the energy required for its manufacturing facility in California, USA. Recognizing the environmental concerns associated with packaging, California Baby recycles post-consumer plastic to replace conventional HDPE plastic bottles in its products. This approach helps conserve energy and natural resources while reducing greenhouse gas emissions. The full implementation of post-consumer recycled packaging began in 2019, and the company is currently in the process of transitioning to recycling post-consumer packaging for all its products.

Case Study: Nordic Naturals

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

ENVIRONMENTAL PROTECTION

Overview

The continuity of our Group hinges on the sustainable progress of our society and requires a focus on environmental preservation. As the Group is primarily an office-based business, our annual environmental impact and footprint is insignificant compared to our social involvement and contribution. In order to fulfill our corporate social responsibility, the Group actively incorporates environmental protection principles into its daily business activities. This includes conducting operations in an environmentally responsible manner, preventing pollution, and minimizing resource usage. The Group's efforts in environmental protection have been recognized from the community.

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

Waste and Recyclables Management

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

Non-hazardous Waste

The Group adheres to the principles of Reduce, Recycle, and Reuse for waste management. The majority of the waste generated is household waste, which is collected, managed, and disposed of by registered waste collectors. The remaining portion consists of non-hazardous waste, primarily recyclable materials such as paper packaging, office paper, and plastic beverage bottles. To reduce office paper consumption, the Group utilizes office automation systems and Systems Applications and Products in Data Processing (SAP) systems to transition towards a more electronic office environment. Duplex printing and the use of eco-friendly paper are also implemented when printing is necessary. In the year 2023, the Group's generation of non-hazardous waste is not significant.

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

Environmental targets	Directional statements	Measures taken during the year
Waste reduction	Reduce paper waste generated from the office operation	• Increased email consumption to minimize paper consumption in office; arranged to recycle scrap papers as much as possible; • Encouraged reuse of materials such as used envelopes and folders.

Hazardous Waste

Part of the office-oriented waste are categorized as hazardous waste and require special handling. This includes items like compact fluorescent lamps, spent cartridges, and toners. The Group ensures that these hazardous materials are collected, handled, stored, and handed over to registered collectors in compliance with relevant regulations specific to each operating region. To prevent any potential leakage or misuse, appropriate and prominently displayed labels are used to clearly identify hazardous waste. The Group evaluates the competence of contractors by verifying their permits and licenses.

Energy Efficiency

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

Environmental targets	Directional statements	Measures taken during the year
Energy use efficiency	• Adopt alternative means to reduce the use of company's vehicles for fuel consumption reduction; • Reduce the number of office equipment that consume energy.	• By introducing a video conferencing system for internal meetings, the Group has successfully reduced the necessity for business trips. As a result, there has been a decrease in the reliance on vehicles for transportation purposes; • Procured electrical appliances with high energy efficiency; turned off lighting, personal computer and air-conditioners during non-office hours; • Switched off idling equipment; • Maintained indoor room temperature at 24 to 26 Degrees Celsius at the office; • Placed energy-saving reminders at the pantry, office areas and dormitory; • Used LED lighting.

Energy consumption

2023

Category	Measuring unit[3]	Total consumption	Intensity (per sales quantity)
Electricity purchased	kWh	367,203.16	0.00034
Unleaded petrol	kWh	7,257.17	0.0000067
Diesel oil	kWh	20,922.27	0.000019

Water Management

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

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

Water consumption

2023

	Measuring unit	Hong Kong headquarters	PRC offices	Macau offices
Total	m^3	350	1,873	124

Water consumption, year-by-year comparison

Measuring unit		2023	2022	2021
Total	m^3	2,347	2,340.21	1924.6
Intensity	L per sales quantity	0.0022	0.003573	0.1229

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

Greenhouse Gas (GHG) Emissions and Climate Change

Greenhouse Gas (GHG) Emissions

The Group's main greenhouse gas (GHG) emissions consist of Scope 1 emissions, which are direct emissions resulting from the burning of fossil fuels in company vehicles, and Scope 2 emissions, which are indirect emissions associated with purchased electricity. Due to the nature of the Group's operations, the emission of exhaust gases from vehicles is not significant. However, the Group is committed to managing emissions by implementing regular engine repairs and maintenance. The Group actively seeks cleaner transportation alternatives and promotes a low-carbon lifestyle.

2023		Measuring unit
Total GHG emissions (Scope 1, 2 and 3)	168.44	tCO_2e
Intensity (per sales quantity)	0.00000016	tCO_2e
Air pollutants		
NO_x	7.69	Kg
SO_x	0.05	Kg
P_M	0.71	Kg

2023		Measuring unit	Hong Kong Headquarters	PRC offices	Macau offices
Scope 1 – direct					
Stationary combustion	0	tCO_2e	0	0	0
Mobile combustion	7.88	tCO_2e	7.88	0	0
Scope 2 – energy indirect					
Purchased electricity	153.71	tCO_2e	120.82	31.08	1.81
Scope 3 – other indirect					
Business air travel	6.18	tCO_2e	0.1	6.08	0
Paper disposal	0.67	tCO_2e	N/A	0.67	N/A

Remarks:

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

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

Environmental targets	Directional statements	Measures taken during the year
Emission reduction	• Reduce emissions from direct sources of GHG; • Lower the indirect GHG emissions by reducing the need in purchase of external electricity.	• Streamlined the office layout and reduced the office operation, thereby reducing GHG generated indirectly from power consumption; • By introducing a video conferencing system for internal meetings, the Group has successfully reduced the necessity for business trips. As a result, there has been a decrease in the reliance on vehicles for transportation purposes.

Climate Change

The Group is dedicated to exploring the viability of supporting Hong Kong's plan to promote the use of electric vehicles in any possible way. We prioritize low-carbon emissions and actively seek environmentally responsible options for tendering, procurement, and purchasing decisions. During the Reporting Period, the Group was not aware of non-compliance with laws and regulations related to air and GHG emissions, including but not limited to the Air Pollution Control Ordinance (Cap. 311) of Hong Kong, which would have a significant impact on the Group's operation.

Since 2020, the Group has been actively promoting climate change and other environmental concepts among its employees through the establishment of a climate change statement. Moving forward, the Group will continue to collaborate with various stakeholders to identify, assess, and manage both physical and transitional risks associated with climate change. Given the nature of our business, we are particularly vulnerable to the adverse impacts of abnormal and extreme weather events, which can potentially disrupt our supply chain. Stakeholders have expressed concerns regarding greenhouse gas (GHG) emissions within our supply chain, and they increasingly expect environmentally-friendly practices. On the other hand, the government is currently in the process of updating regulations related to environmental matters. As a result of this policy shift, the Group may be required to adhere to more stringent regulations in the near future. The Group will continue to influence the stakeholders by any means to achieve regional and local carbon neutrality targets, to achieve the aim of carbon emission disclosures and reporting transparency. Moreover, the Group will find ways to strengthen the cooperation with suppliers to recycle packaging and reduce GHG emissions across logistics.

Packaging Materials

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

Packaging materials consumption

2023		Measuring unit	Hong Kong headquarters	PRC offices	Macau offices
Total, paper consumed	0.15	Metric tonnes	N/A	0.15	N/A

The Environment and Natural Resources

Despite the Group's core business having a relatively minor environmental and natural resource impact, we are committed to minimizing any negative environmental consequences in all aspects of our operations. We conduct regular assessments of environmental risks associated with our business and take proactive measures to mitigate these risks. Compliance with relevant environmental laws and regulations is a priority for the Group. We actively seek out and implement best practices for environmental protection, focusing on understanding and mitigating the environmental impacts of our business activities and resource usage. In order to preserve the natural environment and achieve environmental sustainability, we have integrated the concepts of environmental protection and natural resource conservation into our internal management and daily operations. We also strive to align with relevant international standards.

Support Short-dated Goods Saving Business

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

CONCLUSION

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

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Tycoon Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 108 to 201, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is provision for inventories.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories *Refer to Note 4(a) (Critical accounting estimates and judgements) and Note 20 (Inventories) to the consolidated financial statements for the related disclosures* The Group held inventories of HK$141,345,000 as at 31 December 2023, net of provision for inventories of HK$1,269,000. Inventories are carried at the lower of cost and net realisable value ("NRV"). Management's judgement is required for assessing the appropriate level of inventory provision. The Group estimates the provision for inventories based on the marketability of inventories and makes specific provision for slow-moving inventories. For the year ended 31 December 2023, net provision for inventories of HK$249,000 was made to write down the carrying amount of certain inventories to their estimated net realisable values. We focused on this area because the magnitude of inventories and estimation of the provision for inventories involved a high level of management's judgement.	Our audit procedures in relation to management's assessment on provision for inventories included: – Understood, evaluated and tested, on a sample basis, the key control procedures over management's estimation of provision for inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; – Evaluated the outcome of prior period assessment of provision for inventories to assess the effectiveness of management's estimation process; – Tested on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices; – Challenged and evaluated the appropriateness of management judgement made in respect to provision for inventories; and – Tested on a sample basis, the NRV of selected inventory items, by comparing the selling price less the costs necessary to make the sales subsequent to the year end, against the carrying values of these individual inventory items as at the year end. Where there are no subsequent sales of the respective inventory items after the year end, we challenged management as to the realisable values of the inventories, corroborating explanations with the ageing profile, historical margins and marketability of the respective inventories, as appropriate. Based on the procedures described, we found the judgements and estimates of management in relation to the provision for inventories were supportable by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6	1,198,649	1,186,185
Cost of sales	8	(877,547)	(924,647)
Gross profit		321,102	261,538
Other income	6	6,147	3,246
Other gains/(losses), net	6	202,875	(5,609)
Selling and distribution expenses	8	(108,524)	(121,411)
General and administrative expenses	8	(84,530)	(72,884)
Net impairment losses on financial assets		(520)	–
Operating profit		336,550	64,880
Finance costs	7	(23,416)	(11,323)
Share of results of investments accounted for using the equity method		4,562	(3,190)
Profit before income tax		317,696	50,367
Income tax expense	10	(20,373)	(6,736)
Profit for the year		297,323	43,631
Other comprehensive income/(loss)			
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		(737)	(3,893)
Reclassification of exchange reserve upon the disposal of subsidiaries	33	5,987	–
Total comprehensive income for the year		302,573	39,738
Profit attributable to:			
Equity holders of the Company		297,319	43,750
Non-controlling interests		4	(119)
		297,323	43,631
Total comprehensive income attributable to:			
Equity holders of the Company		302,569	39,857
Non-controlling interests		4	(119)
		302,573	39,738
Earnings per share attributable to the ordinary equity holders of the Company			
Basic (HK cents per share)	11	HK38 cents	HK6 cents
Diluted (HK cents per share)	11	HK38 cents	HK6 cents

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

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	*13*	54,486	60,954
Right-of-use assets	*14*	17,181	13,101
Intangible assets	*15*	86,248	38,664
Investments accounted for using the equity method	*17*	102,203	33,710
Prepayments and deposits	*19*	862	996
Financial assets at fair value through profit or loss	*18*	57,750	19,000
Deferred income tax assets	*28*	3,663	9,205
Other non-current asset	*31*	–	6,835
Total non-current assets		322,393	182,465
Current assets			
Inventories	*20*	141,345	341,818
Prepayments, deposits and other receivables	*19*	161,294	147,651
Amounts due from related parties	*21*	88,206	9,367
Trade receivables	*22*	236,612	256,213
Cash and cash equivalents	*23*	39,101	74,603
Total current assets		666,558	829,652
Total assets		988,951	1,012,117
Non-current liabilities			
Lease liabilities	*14*	8,894	3,010
Deferred income tax liabilities	*28*	3,396	1,170
Total non-current liabilities		12,290	4,180

	Notes	2023 HK$'000	2022 HK$'000
Current liabilities			
Trade payables	*24*	156,714	302,764
Other payables and accruals	*25*	70,071	68,101
Bank borrowings	*26*	139,028	278,368
Loan from a shareholder	*27*	50,000	50,000
Amounts due to related parties	*21*	–	8
Lease liabilities	*14*	8,238	10,220
Current tax liabilities		9,064	5,316
Total current liabilities		433,115	714,777
Total liabilities		445,405	718,957
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*29*	8,000	8,000
Reserves		528,228	285,640
		536,228	293,640
Non-controlling interests	*16*	7,318	(480)
Total equity		543,546	293,160
Total equity and liabilities		988,951	1,012,117

Wong Ka Chun Michael
Director

Li Ka Wa Helen
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Merge reserve HK$'000	Other reserve HK$'000	Share held under share award plan HK$'000	Share based payment reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Retained profit HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2023	8,000	231,392	(80)	(8,066)	(22,527)	6,335	278	(3,720)	82,028	293,640	(480)	293,160
Profit for the year	-	-	-	-	-	-	-	-	297,319	297,319	4	297,323
Other comprehensive income/(loss):												
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	-	(737)	-	(737)	-	(737)
Reclassification of exchange reserve upon the disposal of subsidiaries	-	-	-	-	-	-	-	5,987	-	5,987	-	5,987
Total comprehensive income for the year	-	-	-	-	-	-	-	5,250	297,319	302,569	4	302,573
Transactions with owners in their capacity as owners:												
Vesting of shares under share award scheme	-	380	-	-	1,159	(120)	-	-	-	1,419	-	1,419
Acquisition of shares for share award scheme (Note 30(b))	-	-	-	-	(9,400)	-	-	-	-	(9,400)	-	(9,400)
Dividends to the shareholders of the Company	-	-	-	-	-	-	-	-	(52,000)	(52,000)	-	(52,000)
Acquisition of a non-controlling interest of a subsidiary (Note 32)	-	-	-	-	-	-	-	-	-	-	7,794	7,794
Balance at 31 December 2023	8,000	231,772	(80)	(8,066)	(30,768)	6,215	278	1,530	327,347	536,228	7,318	543,546

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*34(a)*	17,036	(52,145)
Income taxes paid		(5,180)	(41)
Net cash generated from/(used in) operating activities		11,856	(52,186)
Cash flows from investing activities			
Purchase of property, plant and equipment	*13*	(3,882)	(1,455)
Disposal of property, plant and equipment	*34(b)*	636	–
Purchase of financial assets at fair value through profit or loss		(15,300)	–
Acquisition of a subsidiary	*32*	2,357	–
Proceeds from disposal of subsidiaries	*33*	61,677	–
Investment in an insurance contract	*31*	–	(8,158)
Interest received		207	42
Net cash generated from/(used in) investing activities		45,695	(9,571)
Cash flows from financing activities			
Acquisition of non-controlling interests of a subsidiary		–	(7,000)
Dividends paid to the shareholders of the Company		(52,000)	–
Dividends paid to a non-controlling interest in a subsidiary		–	(1,943)
Acquisition of shares for employee share scheme	*30(b)*	(9,400)	–
Interest paid	*34(c)*	(24,070)	(10,853)
Proceeds from bank borrowings	*34(c)*	632,700	439,954
Repayment of bank borrowings	*34(c)*	(627,197)	(340,546)
Principal elements of lease payments	*34(c)*	(12,390)	(11,359)
Proceeds from loan from a shareholder	*34(c)*	100,000	100,000
Repayment of loan from a shareholder	*34(c)*	(100,000)	(100,000)
Net cash (used in)/generated from financing activities		(92,357)	68,253
Net (decrease)/increase in cash and cash equivalents		(34,806)	6,463
Cash and cash equivalents at the beginning of the year		74,603	71,625
Exchange losses on cash and cash equivalents		(696)	(3,518)
Cash and cash equivalents at the end of the year	*23*	39,101	74,603

Major non-cash transaction

On 23 March 2023, Million Effort Investment Limited ("**Million Effort**"), an indirect wholly-owned subsidiary of the Company, disposed its entire 50% interests in Five Ocean Inc. ("**Five Ocean**") and its liabilities, to JBM (BVI) Limited ("**JBM BVI**"), a wholly-owned subsidiary of JBM (Healthcare) Limited ("**JBM**") at a consideration of HK$17,000,000. The consideration was settled by 20,000,000 shares issued by JBM at the issue price of HK$0.85 each.

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

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

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

These consolidated financial statements were approved for issue by the board of directors of the Company (the "**Board**") on 27 March 2024.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRSs comprise the authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("**FVPL**"), which are measured at fair values, and investment in an insurance contract classified in other non-current asset which is stated at its cash surrender value.

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

2.1.1 New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)
HKAS 8	Definition of Accounting Estimates (amendments)
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)
HKAS 12	International Tax Reform – Pillar Two Model Rules (amendments)
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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

2.1.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK

3.1 FINANCIAL RISK FACTORS

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

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2023, if RMB had strengthened/weakened by 5% against the HK$ with all other variables held constant, post-tax profit for the year would have been HK$20,000 higher/lower (2022: HK$1,793,000), mainly as a result of foreign exchange differences on translation of RMB-denominated cash and cash equivalents (2022:RMB-denominated cash and cash equivalents, trade receivables and trade payables).

(ii) Price risk

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

As at 31 December 2023, if the fair value of the financial asset in listed securities increase/decrease by 10%, post-tax profit would have been HK$5,775,000 higher/lower (2022: HK$1,900,000), mainly as a result of the fair value gain/loss of the investment.

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

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

As at 31 December 2023, if interest rate on cash and cash equivalents, loan from a shareholder and bank borrowings issued at variable rates had been 50 basis point higher/lower with all variables held constant, post-tax profit for the year and equity of the Group would have been HK$626,000 lower/higher (2022:HK$1,059,000), mainly as a result of change in interest expenses on loan from a shareholder and bank borrowings issued at variable rates (2022: same).

As at 31 December 2023, the fair value interest rate risk is insignificant to the Group (2022: same).

(b) Credit risk

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

(i) Risk management

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

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

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

The Group has concentration of credit risk. The largest and top five debtors accounted for 25.7% and 64.0% (2022: 16.1% and 49.4%) of the gross trade receivable balances as at 31 December 2023, respectively. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

(ii) Impairment of financial assets

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

Trade receivables

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

Measurement of expected credit loss on individual basis

The receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2023, the expected credit loss on individual basis is close to zero (2022: same).

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Measurement of expected credit loss on collective basis

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

Given the majority of customers of the Group are mainly well-known chain retailers and e-commerce platforms and there was no history of default in prior years, the director of the Company considered that the default rate of financial assets is close to zero. Management considered that the expected credit loss rates of customers were close to zero for all ageing bands as at 31 December 2023 and 2022. As a result, no loss allowance for impairment of trade receivables was considered necessary for the years ended 31 December 2023 and 2022.

Deposits and other receivables, amounts due from related parties, cash and cash equivalents

There is no loss allowance for cash and cash equivalents, amounts due from related parties and deposits and other receivables as at 31 December 2023 (2022: same), except for expected credit loss of HK$520,000 on the consideration receivables of HK$60,000,000 in relation to the disposal of subsidiaries from the purchaser (Note 33). Management considers that its credit risk has not increased significantly since initial recognition. The impairment provision is determined based on the 12-month expected credit losses at approximately 0.9%.

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(c) Liquidity risk

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

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to interest-bearing bank deposits with appropriate maturities to manage its overall liquidity position. As at 31 December 2023, the Company maintained cash and cash equivalents of HK$39,101,000 (2022: HK$74,603,000), that are expected to be readily available and sufficient to meet the cash outflows of its financial liabilities, hence, management considers that Company's exposure to liquidity risk is not significant.

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

	Repayable on demand HK$'000	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 December 2023					
Trade payables	8,629	148,085	–	–	156,714
Other payables and accruals	–	65,885	–	–	65,885
Bank borrowings	139,028	–	–	–	139,028
Loan from a shareholder	–	50,000	–	–	50,000
Lease liabilities	–	8,649	5,325	3,818	17,792
Total	147,657	272,619	5,325	3,818	429,419

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(c) Liquidity risk (continued)

	Repayable on demand HK$'000	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 December 2022					
Trade payables	117,857	184,907	–	–	302,764
Other payables and accruals	–	62,091	–	–	62,091
Bank borrowings	278,368	–	–	–	278,368
Loan from a shareholder	–	50,804	–	–	50,804
Amounts due to related parties	8	–	–	–	8
Lease liabilities	–	10,492	2,241	843	13,576
Total	369,233	308,294	2,241	843	707,611

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

3 FINANCIAL RISK (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(c) Liquidity risk (continued)

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

	Within one year HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Beyond five years HK$'000	Total HK$'000
At 31 December 2023					
Principal	131,083	469	1,506	5,970	139,028
Interest	6,817	261	684	1,026	8,788
Total	137,900	730	2,190	6,996	147,816

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

3 FINANCIAL RISK (continued)

3.2 CAPITAL MANAGEMENT

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

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

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

	2023 HK$'000	2022 HK$'000
Bank borrowings	139,028	278,368
Loan from a shareholder	50,000	50,000
Lease liabilities	17,132	13,230
Less: Cash and cash equivalents	(39,101)	(74,603)
Net debt	167,059	266,995
Capital	536,228	293,640
Capital and net debt	703,287	560,635
Gearing ratio	23.8%	47.6%

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION

(i) Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair values as at 31 December 2023 and 2022 by level of valuation techniques used to measure fair values. Such inputs are categorised into three levels with a fair value hierarchy as follows:

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

The following table presents the Group's financial asset that is measured at fair value at 31 December 2023.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial asset at fair value through profit or loss				
– Listed securities	57,750	–	–	57,750
Total	57,750	–	–	57,750

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION (continued)

(i) Fair value hierarchy (continued)

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

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

No other transfers of financial assets and liabilities between the fair value hierarchy classifications during the year ended 31 December 2023 (2022: same).

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to environment, social and governance ("**ESG**") risk. These instruments are included in level 1. This is the case for the listed securities.

(b) Financial instruments in Level 2

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

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION (continued)

(i) Fair value hierarchy (continued)

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

(ii) Valuation techniques used to determine fair values

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

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

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

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

There was no financial instrument in level 3 for the year ended 31 December 2023.

3 FINANCIAL RISK (continued)

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Provision for inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are slow moving by considering their marketability. Where the expectation is different from the original estimate, such difference will impact the carrying amount of inventories and the impairment losses on inventories in the period in which such estimate is changed.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 39.8. The recoverable amounts of cash-generating unit ("CGU") have been determined based on value in use calculations. These calculations require the use of estimates. Estimating the value in use requires an estimate of the expected future cash flows from the cash-generating unit and also a suitable discount rate in order to calculate the present value of those cash flows. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment review. Details of the assumptions used in the impairment test of goodwill is disclosed in Note 15 to the consolidated financial statements.

5 OPERATING SEGMENT INFORMATION

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

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

(b) the e-commerce segment, which includes the operation of online stores and wholesale to e-commerce customers through its subsidiaries for the period ended 30 September 2023 prior to the disposal and through its associated company for the period since 1 October 2023 to 31 December 2023 (Note 33); and

(c) the retail store segment, which represent the operation of Hong Ning Hong Limited ("**HNH**") (Note 16).

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

The adjusted profit before tax is measured consistently with the Group's profit before tax except that gain on disposal of subsidiaries, gain on remeasurement of previously held interests in an associated company, gain on disposal of a joint venture, loss on disposal of property, plant and equipment, fair value gain/(loss) on financial assets at fair value through profit or loss, change in value of investment in an insurance contract, foreign exchange differences, net, finance income, finance costs (other than interests on lease liabilities), corporate and other unallocated expenses are excluded from such measurement.

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

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

5 OPERATING SEGMENT INFORMATION (continued)

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

	Distribution		E-commerce		Retail Store		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	684,284	447,512	406,397	738,673	107,968	–	1,198,649	1,186,185
Inter-segment revenue	22,094	34,788	–	–	8,905	–	30,999	34,788
Reportable segment revenue	706,378	482,300	406,397	738,673	116,873	–	1,229,648	1,220,973
Reportable segment results	94,919	42,152	48,380	40,743	7,611	(3,190)	150,910	79,705
Gain on disposal of subsidiaries							186,727	–
Gain on remeasurement of previously held interests in an associated company							1,414	–
Gain on disposal of a joint venture							10,000	–
Loss on disposal of property, plant and equipment							(388)	–
Fair value gain/(loss) on financial assets at fair value through profit or loss							6,450	(4,165)
Change in value of investment in an insurance contract							148	(1,323)
Exchange loss							(314)	(121)
Finance income							207	42
Finance costs (other than interests on lease liabilities)							(23,010)	(10,821)
Corporate and other unallocated expenses							(14,448)	(12,950)
Profit before income tax							317,696	50,367
Income tax expense							(20,373)	(6,736)
Profit for the year							297,323	43,631

5 OPERATING SEGMENT INFORMATION (continued)

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

	Distribution		E-commerce		Retail Store		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	478,349	367,263	102,203	472,530	137,275	33,710	717,827	873,503
Financial assets at fair value through profit or loss							57,750	19,000
Investment in an insurance contract							–	6,835
Deferred income tax assets							3,663	9,205
Amounts due from related parties							88,206	9,367
Cash and cash equivalents							39,101	74,603
Receivable from disposal of subsidiaries (Note 33)							60,000	–
Corporate and other unallocated assets							22,404	19,604
Total							988,951	1,012,117

	Distribution		E-commerce		Retail Store		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment liabilities	(197,481)	(164,920)	–	(208,081)	(42,623)	–	(240,104)	(373,001)
Deferred income tax liabilities							(3,396)	(1,170)
Bank borrowings							(139,028)	(278,368)
Loan from a shareholder							(50,000)	(50,000)
Amounts due to related parties							–	(8)
Current tax liabilities							(9,064)	(5,316)
Corporate and other unallocated liabilities							(3,813)	(11,094)
Total							(445,405)	(718,957)

5 OPERATING SEGMENT INFORMATION (continued)

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

	Distribution HK$'000	E-commerce HK$'000	Retail Store HK$'000	Unallocated HK$'000	Total HK$'000
2023					
Other segment information					
Depreciation of property, plant and equipment, including leasehold land	3,577	1,711	13	89	5,390
Depreciation of right-of-use assets	6,736	3,234	1,675	448	12,093
Amortisation of intangible assets	1,458	–	916	–	2,374
Addition to non-current assets	16,657	860	53,629	1,076	72,222
2022					
Other segment information					
Depreciation of property, plant and equipment, including leasehold land	4,182	1,429	–	135	5,746
Depreciation of right-of-use assets	4,755	5,128	–	926	10,809
Amortisation of intangible assets	1,458	–	–	–	1,458
Addition to non-current assets	11,743	2,544	–	2,268	16,555

5 OPERATING SEGMENT INFORMATION (continued)

(c) Geographical information

(i) Revenue from external customers

	2023 HK$'000	2022 HK$'000
Mainland China	413,892	750,878
Hong Kong	623,747	321,552
Macau	112,655	94,592
Singapore	41,795	18,889
Others	6,560	274
Total revenue from contracts with customers	1,198,649	1,186,185
Timing of revenue recognition at a point in time	1,198,649	1,186,185

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

(ii) Non-current assets (other than investments accounted for using the equity method, deferred income tax assets, financial instruments and investment in an insurance contract)

	2023 HK$'000	2022 HK$'000
Hong Kong	103,981	45,678
Macau	42,156	43,643
Mainland China	–	10,789
Singapore	10,295	10,677
Australia	98	475
Others	2,247	2,453
Total	158,777	113,715

5 OPERATING SEGMENT INFORMATION (continued)

(d) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2023 HK$'000	2022 HK$'000
E-commerce		
Customer A	–	198,835
Customer B	–	204,706
Distribution		
Customer C	431,973	253,057

6 REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

Material accounting policy

(a) Sales of goods

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

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under other payables and accruals as receipt in advance from customers in the consolidated statement of financial position.

6 REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET (continued)

Material accounting policy (continued)

(a) Sales of goods (continued)

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

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

(b) Interest income

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

(c) Government grants

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

6 REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET (continued)

Revenue, other income and other gains/(losses), net recognised during the year are as follows:

	2023 HK$'000	2022 HK$'000
Revenue		
Sales of goods	**1,198,649**	1,186,185
Timing of revenue recognition		
At a point in time	**1,198,649**	1,186,185
Other income		
Government grants *(Note a)*	**748**	1,405
Service income from a joint venture *(Note 35(a))*	**117**	498
Finance income	**207**	42
Dividend income	**3,273**	100
Others	**1,802**	1,201
	6,147	3,246
Other gains/(losses), net		
Fair value gain/(loss) on financial assets at fair value through profit or loss	**6,450**	(4,165)
Change in value of investment in an insurance contract	**148**	(1,323)
Loss on disposal of property, plant and equipment	**(388)**	–
Gain on disposal of subsidiaries *(Note 33)*	**186,727**	–
Gain on remeasurement of previously held interests in an associated company *(Note 32)*	**1,414**	–
Gain on disposal of a joint venture *(Note b)*	**10,000**	–
Exchange loss	**(1,476)**	(121)
	202,875	(5,609)

Notes:

(a) The amounts recognised were primarily related to the government subsidies granted by the Government of the Hong Kong Special Administrative Region under Technology Voucher Programme for the year ended 31 December 2023 (2022: Employment Support Scheme). There were no unfulfilled conditions and other contingencies attaching to these grants.

(b) On 17 March 2023, Million Effort Investment Limited ("**Million Effort**"), an indirect wholly-owned subsidiary of the Company, disposed of its entire 50% interests in Five Ocean Inc. ("**Five Ocean**") and its liabilities, to JBM (BVI) Limited ("**JBM BVI**"), a wholly-owned subsidiary of JBM (Healthcare) Limited ("**JBM**") at a consideration of HK$17,000,000. The consideration was settled by 20,000,000 shares issued by JBM at the issue price of HK$0.85 each. A gain on disposal of a joint venture of HK$10,000,000 has been recognised in the profit or loss for the year ended 31 December 2023.

7 FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank borrowings	19,581	8,816
Interest on lease liabilities	406	502
Interest on loan from a shareholder	3,429	2,005
	23,416	11,323

8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses are analysed as follows:

	2023 HK$'000	2022 HK$'000
Cost of inventories sold (including write down of inventories of HK$5,010,000 (2022: HK$5,132,000))	877,547	924,647
Depreciation of property, plant and equipment, including leasehold land *(Note 13)*	5,390	5,746
Depreciation of right-of-use assets *(Note 14)*	12,093	10,809
Amortisation of intangible assets *(Note 15)*	2,374	1,458
Remuneration to the Company's auditor		
– Group annual audit services	2,500	2,200
– Non-audit services	1,500	33
Employee benefit expenses *(Note 9)*	65,856	53,674
Expenses under short-term leases	2,222	1,892
Advertising fee	42,874	40,607
Service expense to a joint venture *(Note 35(a))*	2,651	22,347

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK$'000	2022 HK$'000
Wages, salaries and bonus	60,261	45,460
Pension costs	4,176	4,283
Share-based payment expenses	1,419	3,931
	65,856	53,674

FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one (2022: same) director whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining four (2022: same) individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	5,537	5,093
Contribution to pension scheme	72	72
Discretionary bonuses	242	–
Share-based payment expenses	1,152	1,454
	7,003	6,619

The emoluments fell within the following bands:

	2023 HK$'000	2022 HK$'000
Emoluments bands (in HK dollar)		
Nil to HK$1,000,000	1	2
HK$1,500,001 to HK$2,000,000	1	2
HK$2,000,001 to HK$2,500,000	2	–

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year ended 31 December 2023. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2023 HK$'000	2022 HK$'000
Current income tax		
– Hong Kong	18,304	4,267
– Others	1,227	833
Over-provision in prior years	(994)	(847)
Total current income tax	18,537	4,253
Deferred income tax	1,836	2,483
Total tax expense for the year	20,373	6,736

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023 HK$'000	2022 HK$'000
Profit before tax	317,696	50,367
Tax at the statutory tax rate at 16.5%	52,420	8,311
Effect of tax rate differences in other jurisdictions	(4,114)	(323)
Income not subject to tax	(31,865)	(1,289)
Expenses not deductible for tax	9	355
Tax loss not recognised	368	427
Over-provision in prior years	(994)	(847)
Others	4,549	102
Tax expense	20,373	6,736

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Profit attributable to equity holders of the Company (HK$'000)	297,319	43,750
Weighted average number of ordinary shares in issue (in thousands)	781,316	780,821
Basic earnings per share (HK cents)	38	6

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one (2022: one) category of potentially dilutive ordinary shares: share awards (2022: same). For the share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the year) based on the monetary value of the outstanding share awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share awards.

For the years ended 31 December 2023 and 2022, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the Company and the adjusted weighted average number of ordinary shares outstanding assuming the conversion of all potentially dilutive ordinary shares, which was calculated as follows:

	Year ended 31 December	
	2023	2022
Profit attributable to equity holders of the Company (HK$'000)	297,319	43,750
Weighted average number of ordinary shares in issue (in thousands)	781,316	780,821
Adjustment for share awards (in thousands)	5,365	4,013
Weighted average number of ordinary shares in issues for diluted earnings per share (in thousands)	786,681	784,834
Diluted earnings per share (HK cents)	38	6

12 DIVIDEND

	2023 HK$'000	2022 HK$'000
Paid dividend:		
Interim dividend declared		
– HK3.5 cents per ordinary share (2022: nil)	28,000	–
Proposed dividend:		
Final dividend in respect of the year		
– HK3.5 cents per ordinary share (2022: HK3 cents per ordinary share)	28,000	24,000

13 PROPERTY, PLANT AND EQUIPMENT

Material accounting policy

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

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

See Note 39.7 for the other accounting policies relevant to property, plant and equipment.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2022						
Cost	64,229	13,361	4,102	941	1,902	84,535
Accumulated depreciation	(8,378)	(5,978)	(2,289)	(378)	(1,839)	(18,862)
Net book amount	55,851	7,383	1,813	563	63	65,673
Year ended 31 December 2022						
Opening net book amount	55,851	7,383	1,813	563	63	65,673
Additions	–	913	531	11	–	1,455
Depreciation *(Note 8)*	(2,569)	(2,309)	(642)	(163)	(63)	(5,746)
Exchange realignment	–	(370)	(55)	(3)	–	(428)
Closing net book amount	53,282	5,617	1,647	408	–	60,954
At 31 December 2022						
Cost	64,229	13,837	4,550	949	1,902	85,467
Accumulated depreciation	(10,947)	(8,220)	(2,903)	(541)	(1,902)	(24,513)
Net book amount	53,282	5,617	1,647	408	–	60,954
Year ended 31 December 2023						
Opening net book amount	53,282	5,617	1,647	408	–	60,954
Additions	2,150	157	638	279	658	3,882
Acquisition of a subsidiary *(Note 32)*	–	–	58	–	–	58
Disposal	–	(948)	(76)	–	–	(1,024)
Disposal of subsidiaries *(Note 33)*	–	(2,810)	(880)	(284)	–	(3,974)
Depreciation *(Note 8)*	(2,603)	(1,771)	(676)	(321)	(19)	(5,390)
Exchange realignment	–	(19)	–	–	(1)	(20)
Closing net book amount	52,829	226	711	82	638	54,486
At 31 December 2023						
Cost	66,379	2,651	1,887	884	1,705	73,506
Accumulated depreciation	(13,550)	(2,425)	(1,176)	(802)	(1,067)	(19,020)
Net book amount	52,829	226	711	82	638	54,486

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation expense of HK$4,748,000 (2022: HK$5,108,000) and HK$642,000 (2022: HK$638,000) has been charged to general and administrative expense and selling and distribution expense, respectively.

At 31 December 2023, certain of the Group's property, plant and equipment with a net carrying value of approximately HK$33,403,000 (2022: HK$53,282,000), were pledged to secure bank loans granted to the Group (Note 26).

14 LEASES

Material accounting policy

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 Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets excluding leasehold land and the movements during the year are as follows:

	HK$'000
As at 1 January 2022	9,389
Additions	15,100
Depreciation charge *(Note 8)*	(10,809)
Exchange realignment	(579)
As at 31 December 2022 and 1 January 2023	**13,101**
Additions	**18,324**
Depreciation charge *(Note 8)*	**(12,093)**
Disposal of subsidiaries *(Note 33)*	**(2,077)**
Exchange realignment	**(74)**
As at 31 December 2023	**17,181**

14 LEASES (continued)

(a) Right-of-use assets (continued)

Depreciation of HK$4,175,000 (2022: HK$4,600,000) and HK$7,918,000 (2022: HK$6,209,000) have been charged to general and administrative and selling and distribution expenses, respectively.

The total cash outflow for leases during the year ended 31 December 2023 was HK$15,018,000 (2022: HK$13,753,000), including the payment of principal elements (Note 34(c)), interest elements of lease liabilities (Note 7) and expenses under short-term leases (Note 8) amounted to HK$12,390,000 (2022: HK$11,359,000), HK$406,000 (2022: HK$502,000) and HK$2,222,000 (2022: HK$1,892,000), respectively.

In addition to the right-of use assets disclosed above, the carrying amount of the Group's right-of-use assets included leasehold land and buildings as disclosed in note 13 and the movements during the year are as follows:

	Leasehold land HK$'000
Carrying amount at 1 January 2022	46,022
Depreciation	(2,117)
Carrying amount at 31 December 2022 and 1 January 2023	**43,905**
Depreciation	**(2,117)**
Carrying amount at 31 December 2023	**41,788**

No cash outflows with respect to leasehold land for the year ended 31 December 2023 (2022: same).

14 LEASES (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 HK$'000	2022 HK$'000
As at 1 January	13,230	10,121
Additions	18,324	15,100
Disposal of subsidiaries (Note 33)	(1,956)	–
Accretion of interest recognised during the year	406	502
Payments	(12,796)	(11,861)
Exchange realignment	(76)	(632)
As at 31 December	17,132	13,230

The lease liabilities based on their maturities are as follows:

	2023 HK$'000	2022 HK$'000
Analysed into:		
Within one year	8,238	10,220
In the second year	5,129	2,182
In the third to fifth years, inclusive	3,765	828
	17,132	13,230

14 LEASES (continued)

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

	2023 HK$'000	2022 HK$'000
Depreciation charge of right-of-use assets-buildings *(Note 14(a))*	12,093	10,809
Interest on lease liabilities *(Note 7)*	406	502
Expenses under short-term leases *(Note 8)*	2,222	1,892
	14,721	13,203

15 INTANGIBLE ASSETS

Material accounting policy

Amortisation on intangible assets with finite lives are calculated using the straight-line method to allocate their costs over their estimated useful lives from 2 to 10 years.

See Note 39.8 for the accounting policies relevant to intangible assets, and Note 39.9 for the Group's policy regarding impairments.

15 INTANGIBLE ASSETS (continued)

	Goodwill HK$'000 *(Note a)*	Exclusive distribution rights HK$'000 *(Note b)*	Customer relationships and supplier relationships HK$'000 *(Note b)*	Brand name HK$'000 *(Note b)*	Total HK$'000
At 31 December 2021 and 1 January 2022	30,778	4,653	4,691	–	40,122
Amortisation during the year *(Note 8)*	–	(969)	(489)	–	(1,458)
At 31 December 2022 and 1 January 2023	**30,778**	**3,684**	**4,202**	**–**	**38,664**
Amortisation during the year *(Note 8)*	**–**	**(968)**	**(951)**	**(455)**	**(2,374)**
Acquisition of a subsidiary *(Note 32)*	**34,258**	**–**	**7,900**	**7,800**	**49,958**
At 31 December 2023	**65,036**	**2,716**	**11,151**	**7,345**	**86,248**

Impairment testing of goodwill

Notes:

(a) Goodwill allocated to individual CGU

The relevant goodwill is allocated to the respective groups of CGUs, which represent the lowest level within the Group at which the relevant goodwill is monitored for internal management purposes.

As at 31 December 2023, the Group's goodwill of HK$26,139,000, HK$4,639,000 and HK$34,258,000 are attributable to the acquisition of Jefferine Macau Limited ("**Jefferine**"), Fu Qing Chinese Medical Trading Pte. Ltd. ("**Fu Qing**") and HNH, respectively (2022: Jefferine and Fu Qing).

The recoverable amounts of CGUs are determined based on value in use calculations. The calculations are performed by an external valuer by using pre-tax cash flow projection based on financial budgets approved by management covering a five-year period. Thereafter, the cash flows are extrapolated using the terminal growth rates not exceeding the long-term average growth rate of the country in which the CGU operates.

15 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill (continued)

Notes: (continued)

(a) Goodwill allocated to individual CGU (continued)

Impairment test for goodwill arising from acquisition of Jefferine

The key assumptions are as follows:

	2023	2022
Sales growth rate	3.6%	4.2%
Gross profit margin	18.0%	16.8%
Discount rate	20.6%	20.2%
Terminal growth rate	2.0%	3.0%

In the opinion of the Company's directors, any reasonably possible change in any of these assumptions would not cause the CGU's recoverable amount to fall below its carrying amount.

Impairment test for goodwill arising from acquisition of Fu Qing

The key assumptions are as follows:

	2023	2022
Sales growth rate	5.8%	8.3%
Gross profit margin	22.2%	23.1%
Discount rate	15.4%	15.3%
Terminal growth rate	1.5%	1.5%

In the opinion of the Company's directors, any reasonably possible change in any of these assumptions would not cause the CGU's recoverable amount to fall below its carrying amount.

Impairment test for goodwill arising from acquisition of HNH

The key assumptions are as follows:

	2023
Sales growth rate	6.4%
Gross profit margin	9.5%
Discount rate	17.3%
Terminal growth rate	2.0%

In the opinion of the Company's directors, any reasonably possible change in any of these assumptions would not cause the CGU's recoverable amount to fall below its carrying amount.

15 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill (continued)

Notes: (continued)

(b) Amortisation of intangible assets has been charged to:

	2023	2022
Cost of sales	541	80
Selling and distribution expenses	1,833	1,378
	2,374	1,458

16 SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

As at 31 December 2023

Name of company	Place of incorporation and kind of legal entity	Issued ordinary share capital/registered capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Tycoon Global Limited	Hong Kong, limited liability company	HK$10,000 ordinary	100%	Distribution business in Hong Kong
Fu Qing	Singapore, limited liability company	Singapore dollars 1,680,000 ordinary	100%	Distribution business in Singapore
Tycoon Asia Pacific Group (Macau) Company Limited	Macau, limited liability company	Macau Pataca ("**MOP**") 25,000 ordinary	100%	Distribution business in Macau
Jefferine	Macau, limited liability company	MOP25,000 ordinary	100%	Distribution business in Macau
HNH (Note a)	Hong Kong, limited liability company	HK$1,000,000 ordinary	70% *(Note 32)*	Retail and distribution of pharmaceutical products and proprietary medicine

16 SUBSIDIARIES (continued)

As at 31 December 2022

Name of company	Place of incorporation and kind of legal entity	Issued ordinary share capital/registered capital	Percentage of equity attributable to the Group	Principal activities and place of operation
Tycoon Asia Pacific Group Limited	Hong Kong, limited liability company	HK$10,000 ordinary	100%	Distribution business in Hong Kong and e-commerce business in Mainland China
Tycoon Global Limited	Hong Kong, limited liability company	HK$10,000 ordinary	100%	Distribution business in Hong Kong
Tycoon (Shenzhen) E-commerce Company Limited	The PRC, limited liability company	HK$6,000,000	100%	Provision of operational and marketing support in Mainland China
Fu Qing	Singapore, limited liability company	Singapore dollars 1,680,000 ordinary	100%	Distribution and retail business in Singapore
Tycoon Asia Pacific Group (Macau) Company Limited	Macau, limited liability company	MOP25,000 ordinary	100%	Distribution and retail business in Macau
Jefferine	Macau, limited liability company	MOP25,000 ordinary	100%	Distribution business in Macau
Billion Crown (China) Limited	Hong Kong, limited liability company	HK$1 ordinary	100%	E-commerce business in Mainland China

(a) Partly-owned subsidiaries with material non-controlling interests

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2023
Percentage of equity interest held by non-controlling interests:	
HNH	30%
Profit for the year allocated to non-controlling interests (HK$'000):	
HNH	1,282
Accumulated balances of non-controlling interests at the reporting date (HK$'000):	
HNH	9,076

16 SUBSIDIARIES (continued)

(a) Partly-owned subsidiaries with material non-controlling interests (continued)

The following tables illustrate the summarised financial information of HNH for the period from 31 May 2023 (date of acquisition) to 31 December 2023. The amounts disclosed are before any inter-company eliminations:

	2023 HK$'000
Revenue	116,873
Profit	5,011
Total comprehensive income	5,011
Current assets	86,250
Non-current assets	1,982
Current liabilities	(70,262)
Non-current liabilities	(89)
Net cash flows from operating activities	1,467
Net cash flows used in financing activities	(1,720)
Net decrease in cash and bank balances	(253)

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 31 December 2023, the Group's investments accounted for using the equity method represent the investments in Combo Win Asia Limited ("**CWA**") and Fancy Summit Inc. (2022: HNH, Fancy Summit Inc. and Five Ocean Inc.). They have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

As at 31 December 2023

Name of company	Place of incorporation and operation	Percentage of ownership interest attributable to the Group	Nature of relationship	Principal activities	Measurement method
CWA *(Note a)*	Hong Kong	49%	Associated company	E-commerce business	Equity method
Fancy Summit Inc. *(Note b)*	The BVI	50%	Joint venture	Investment holdings	Equity method

As at 31 December 2022

Name of company	Place of incorporation and operation	Percentage of ownership interest attributable to the Group	Nature of relationship	Principal activities	Measurement method
HNH *(Note c)*	Hong Kong	49%	Associated company	Retail and distribution of pharmaceutical products and proprietary medicine	Equity method
Five Ocean Inc.	The BVI	50%	Joint venture	Provision of marketing and promotion services	Equity method
Fancy Summit Inc. *(Note b)*	The BVI	50%	Joint venture	Investment holdings	Equity method

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Note a:

The following table illustrates the summarised financial information in respect of CWA:

	2023 HK$'000
Current assets	319,933
Non-current assets	30,019
Current liabilities	(292,401)
Non-current liabilities	(11,502)
Net assets	46,049
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	49%
Group's share of net assets of the associate	22,564
Intangible assets including goodwill	79,639
Carrying amount of the investment	102,203
Revenue	353,120
Profit for the period since 1 October 2023 to 31 December 2023	9,110

There are no contingent liabilities and commitments to provide funding relating to the Group's interests in CWA. CWA is a private company and there is no quoted market price available for its shares.

The Group's balances with CWA are disclosed in Note 35(b) to the consolidated financial statements.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Note b:

In addition to the investment in CWA disclosed above, the Group also has interests in individually immaterial joint ventures that are accounted for using the equity method.

	2023 HK$'000	2022 HK$'000
Aggregate carrying amount of individually immaterial joint ventures	–	–
Aggregate amounts of the Group's share of:		
– Loss from continuing operations	–	–

As of 31 December 2023, the Group's share of loss of the joint ventures exceeded its interests in their equity. The accumulated unrecognised share of loss of the interest in the joint ventures was HK$72,000 (2022: HK$7,120,000).

The Group's balance with the joint ventures are disclosed in Note 35(b) to the consolidated financial statements.

Note c:

The following table illustrates the summarised financial information in respect of HNH:

	2022 HK$'000
Current assets	75,017
Non-current assets	69
Current liabilities	(67,131)
Net assets	7,955
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	49%
Group's share of net assets of the associate, excluding goodwill	3,898
Goodwill on acquisition	29,812
Carrying amount of the investment	33,710
Revenue	176,749
Loss for the year	(6,510)

HNH had ceased to be an investment accounted for using the equity method and became a non-wholly owned subsidiary of the Group since 31 May 2023 (Note 32).

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Note c: (continued)

Impairment test for investment in HNH

As at 31 December 2022, the recoverable amount of investment in HNH is determined based on value in use calculations. The calculations is performed by an external valuer by using pre-tax cash flow projection based on financial budgets approved by management covering a five-year period. Thereafter, the cash flows is extrapolated using the terminal growth rates not exceeding the long-term average growth rate of the country in which HNH operates.

The key assumptions are as follows:

	2022
Sales growth rate	10.7%
Gross profit margin	7.8%
Discount rate	15.8%

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Listed equity investment in Hong Kong *(Note a)*	57,750	19,000
	57,750	19,000

Notes:

(a) The amount represented an investment in JBM Group (BVI) Limited and JBM (Healthcare) Limited (a subsidiary of Jacobson Pharma, "**JBM Healthcare**", together with its subsidiaries, the "**JBM Group**") JBM Healthcare is listed on the Main Board of the Stock Exchange.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Prepayments	82,879	86,310
Deposits	1,328	16,461
Receivable from disposal of subsidiaries *(Note 33)*	60,000	–
Other receivables	17,949	45,876
	162,156	148,647
Less: Prepayments and deposits classified as non-current assets	(862)	(996)
	161,294	147,651

Prepayments, deposits and other receivables mainly represent rental deposits and prepayment to suppliers. As at 31 December 2023, included in deposits was HK$579,000 (2022: HK$579,000) for rental deposits placed with Mr. Wong Ka Chun, Michael, the controlling shareholder of the Company (the "**Controlling Shareholder**") in relation to leasing properties from the Controlling Shareholder for warehouse and carpark uses (Note 35(a)).

20 INVENTORIES

Material accounting policy

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.

	2023 HK$'000	2022 HK$'000
Finished goods	141,345	341,818

During the year ended 31 December 2023, the Group has written down inventories of HK$5,010,000 (2022: HK$5,132,000) in the consolidated statement of profit or loss and other comprehensive income, which includes net provision for inventories of HK$249,000 (2022: HK$464,000).

21 AMOUNTS DUE FROM/(TO) RELATED PARTIES

(a) Amounts due from related parties

These balances are unsecured, interest free and repayable on demand. The maximum amounts outstanding during the year for the amounts due from Hong Kong Han Lam Tong Medicine Limited ("**Han Lam Tong**"), CWA and its subsidiaries, joint ventures and the Controlling Shareholder were HK$486,000, HK$95,916,000, HK$9,455,000 and HK$23,000, respectively.

(b) Amounts due to the related parties

As at 31 December 2022, the balance represents amount due to a joint venture was HK$8,000. There was no amount due to a joint venture as at 31 December 2023.

22 TRADE RECEIVABLES

Material accounting policy

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

The Group's trading terms with its customers are mainly on credit. The credit period ranges from 30 to 120 days. Each customer has a maximum credit limit and the credit limit is reviewed regularly. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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 consolidated statement of profit or loss and other comprehensive income.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3.1(b).

	2023 HK$'000	2022 HK$'000
Trade receivables	236,612	256,213

22 TRADE RECEIVABLES (continued)

Included in the Group's trade receivables were amounts due from related parties of the Group of HK$27,008,000 (2022: HK$17,900,000) as at 31 December 2023 (Note 35(b)).

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

	2023 HK$'000	2022 HK$'000
Trade receivables:		
Within 90 days	153,289	202,101
91 to 180 days	28,159	29,587
Over 180 days	55,164	24,525
	236,612	256,213

23 CASH AND CASH EQUIVALENTS

	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	39,101	74,603

The Group's cash and cash equivalents with banks in the PRC as at 31 December 2023 amounted to approximately HK$nil (2022: HK$2,173,000), where the remittance of funds is subject to foreign exchange control.

24 TRADE PAYABLES

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

	2023 HK$'000	2022 HK$'000
Within 30 days	19,493	140,208
31 to 60 days	25,178	48,099
61 to 120 days	36,981	42,731
Over 120 days	75,062	71,726
	156,714	302,764

Trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 120 days.

Included in the Group's trade payables were amounts due to related parties of the Group of HK$8,629,000 (2022: HK$117,857,000) as at 31 December 2023 (Note 35(b)).

25 OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Accruals	9,362	24,204
Refund liabilities	4,036	12,824
Interest payables	150	804
Receipt in advance *(Note)*	–	1,271
Consideration payable *(Note 32)*	3,648	–
Redemption liability *(Note 32)*	6,084	–
Other payables	46,791	28,998
	70,071	68,101

Note:

Revenue recognised during the year ended 31 December 2023 that was included in the receipt in advance balance at the beginning of the year amounted to approximately HK$1,271,000 (2022: HK$14,557,000). The Group expects to deliver the goods to satisfy the remaining performance obligations of these receipt in advance within one year or less.

26 BANK BORROWINGS

	As at 31 December 2023		As at 31 December 2022	
	Contractual interest rate (%)	HK$'000	Contractual interest rate (%)	HK$'000
Current				
Bank loans – secured	Prime-1.25 to HIBOR + 3.25	37,397	Prime-1.25 to HIBOR + 3.25	84,135
Bank loans – secured	4.00	–	4.00	378
Bank loans – unsecured	HIBOR + 2.40	39,000	HIBOR + 2.40	39,000
Invoice financing loans – secured	HIBOR + 1.20 to HIBOR + 3.00	62,631	HIBOR + 1.20 to HIBOR + 3.00	154,855
Total		139,028		278,368
Analysis into:				
Bank loans repayable:				
On demand		139,028		278,368

At 31 December 2023 and 2022, the Group's bank borrowings were secured by:

a. Mortgages over the properties owned by the Group situated in Hong Kong and Macau (Note 13);

b. Guarantees provided by the Controlling Shareholder of HK$nil (2022: HK$6,000,000);

c. Guarantees provided by the Company of HK$13,684,000 (2022: HK$166,363,000); and

Except for the Group's bank borrowings of HK$8,397,000 (2022: HK$9,217,000) as at 31 December 2023, that were denominated in MOP, the Group's bank borrowings are all denominated in HK$.

27 LOAN FROM A SHAREHOLDER

The balance is a loan from a wholly-owned subsidiary of Jacobson Pharma, a shareholder of the Company. As at 31 December 2023 and 2022, the balance was secured by all shares in HNH held by the Group, with interest bearing at HIBOR + 2.5% per annum (2022: same) and was repayable on 31 March 2024. At 31 December 2023, all of the Group's shares in HNH were pledged to secure a loan from a shareholder granted to the Group (2022: same).

28 DEFERRED TAX

Deferred tax liabilities

The deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of intangible assets HK$'000
At 1 January 2022	1,379
Credited to profit or loss during the year	(209)
At 31 December 2022 and 1 January 2023	**1,170**
Acquisition of a subsidiary *(Note 32)*	**2,590**
Credited to profit or loss during the year	**(364)**
As at 31 December 2023	**3,396**

As at 31 December 2022, deferred income tax liabilities have not been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of the PRC subsidiaries of the Group amounting to approximately HK$2,211,000, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. There is no unremitted earnings of the PRC subsidiaries of the Group as at 31 December 2023.

Deferred tax assets

The deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses HK$'000
At 1 January 2022	11,897
Credited to profit or loss during the year	(2,692)
As at 31 December 2022 and 1 January 2023	**9,205**
Disposal of subsidiaries *(Note 33)*	**(3,342)**
Credited to profit or loss during the year	**(2,200)**
As at 31 December 2023	**3,663**

28 DEFERRED TAX (continued)

Deferred tax assets (continued)

Deferred tax assets are mainly recognised for the tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

The Group had unrecognised tax losses of approximately HK$4,690,000 (2022: HK$4,791,000) as at 31 December 2023 to offset against future taxable profits. Tax losses amounting to HK$2,901,000 (2022: HK$3,352,000) have no expiry dates. The remaining tax losses will expire from 2026 to 2028 (2022: 2026 and 2027).

29 ISSUED CAPITAL

Shares

	2023 HK$'000	2022 HK$'000
Issued and fully paid: 800,000,000 (2022: 800,000,000) ordinary shares of HK$0.01 each	8,000	8,000

The movements in share capital were as follows:

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	800,000,000	8,000

30 SHARE-BASED COMPENSATION

(a) Share option scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") pursuant to the shareholders' written resolution passed on 23 March 2020. The purposes of the Share Option Scheme are to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Eligible persons include (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest; (b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The initial total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares in issue on the listing date. The total number of shares issued and which may fall to be issued upon exercise of the options to be granted under the Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted to such participant must be fixed before shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under the Listing Rules.

30 SHARE-BASED COMPENSATION (continued)

(a) Share option scheme (continued)

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee. The period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for shares under the Share Option Scheme will be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK$1.0 is payable on acceptance of the grant of an option.

No share options were granted, exercised or cancelled under the Share Option Scheme during the current and prior year.

No Share option was outstanding under the Share Option Scheme as at 31 December 2023 and 2022.

(b) Share award scheme

On 25 May 2020, the board of directors of the Company adopted a share award scheme as means to recognise the contributions by certain eligible persons and giving incentives thereto in order to retain them for the continuing operation and development of the Group and attract suitable personnel for further development of the Group (the "**Share Award Scheme**").

30 SHARE-BASED COMPENSATION (continued)

(b) Share award scheme (continued)

Subject to any early termination as may be determined by the Board in accordance with the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on 25 May 2020 (the "**Adoption Date**"), provided that no further settlement of the reference amount ("**Reference Amount**") shall be made by the Company on or after the 10th anniversary of the Adoption Date. Subject to compliance with all applicable laws, codes or regulations including without limitation those imposed by the Listing Rules from time to time, the Board shall cause the Company to instruct the trustee (the "**Trustee**") to purchase the awarded shares. In each case, the purchase shall be made on the open market with the Reference Amount from the funds of the Group. The shares purchased shall be held by the Trustee until they are vested in the selected grantees. The Trustee shall not exercise any voting rights in respect of any shares held under the trust.

The aggregate number of shares to be awarded pursuant to the Share Award Scheme shall not exceed 5% of the total issued share capital of the Company as at the Adoption Date (i.e. 40,000,000 shares). The maximum number of shares which may be awarded to a selected grantee at any one time shall not exceed 0.50% of the total number of issued shares as at the Adoption Date. If and whenever there shall be an alteration to the nominal value of the shares as a result of consolidation or subdivision ("**Capital Reorganisation**") and the effective date of such Capital Reorganisation falls on a day when the Share Award Scheme remains in effect, the maximum number of the shares referred to above shall be adjusted proportionally. Such adjustment shall automatically become effective on the date on which the Capital Reorganisation takes effect.

Awarded shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the grant of the award and on each relevant vesting date an eligible person and the transfer documents and any other relevant documents as prescribed by the Trustee to effect the transfer have been duly executed by the selected grantee.

During the year, the Company repurchased 2,150,000 ordinary shares of the Company at an average price of HK$4.37 per share at an aggregate consideration of HK$9,400,000 through the Trustee for the Share Award Scheme. As at 31 December 2023, there were 22,150,000 ordinary shares (2022: 20,000,000 ordinary shares) of the Company repurchased through the scheme.

30 SHARE-BASED COMPENSATION (continued)

(b) Share award scheme (continued)

During the year ended 31 December 2023, no awarded shares have been granted for the selected grantees under the Share Award Scheme (2022: same). 1,160,000 awarded shares have been forfeited for the year (2022: 530,000). These awarded shares shall vest within one to five years from the grant date.

Movements in the number of awarded shares outstanding are as follows:

	2023 Share awards (thousands)	2022 Share awards (thousands)
At 1 January	7,744	9,364
Vested	(974)	(1,090)
Forfeited	(1,160)	(530)
At 31 December	5,610	7,744

During the year ended 31 December 2023, share-based payment expense of HK$1,419,000 (2022: HK$3,931,000) (Note 9) was recognised in the consolidated statement of profit or loss and other comprehensive income and was credited in equity.

31 OTHER NON-CURRENT ASSET

	HK$'000
Balance as at 1 January 2023	6,835
Change in value of investment in an insurance contract	148
Disposal of subsidiaries *(Note 33)*	(6,983)
Balance as at 31 December 2023	–

32 BUSINESS COMBINATION

On 28 April 2023, Million Effort, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with an indirect wholly-owned subsidiary of Jacobson Pharma corporation Limited (the "**Seller**") to acquire an additional 12% of the issued share capital of HNH at an aggregate consideration of HK$9,120,000 (the "**Acquisition**") of which HK$3,648,000 remained outstanding as at 31 December 2023 and was recognised as "other payables and accruals" in the consolidated statement of financial position. Upon the completion of the Acquisition on 31 May 2023, the Group equity interest in HNH increased from 49% to 61%, HNH became a non wholly-owned subsidiary of the Group. The equity interests in HNH held by the Seller reduced to 9%. Gain on remeasurement of previously held 49% equity interests in HNH of HK$1,414,000 is recognised in other gains/(losses), net in the consolidated statement of profit or loss and other comprehensive income.

In connection with the Acquisition, Million Effort and the Seller also entered into a call option and put option arrangement, pursuant to which Million Effort has the right to require the Seller to sell up to all its remaining equity interests, and the Seller has the right to require Million Effort to purchase up to all its remaining equity interests. The exercise price of both options are the same at HK$6,840,000 in cash, and both options are exercisable from 18th months to 24th months after the completion date of the Acquisition. The present value of the redemption liability of HK$6,084,000 has been recognised in the consolidated statement of financial position within other payables and accruals.

The call option and the put option would result in a transfer of the risks and rewards of ownership of the 9% equity interests in HNH from the Seller to Million Effort. Hence, the Group consolidated HNH based on 70% equity interests after the Acquisition, being 61% equity interests held by Million Effort and 9% equity interests to be acquired upon exercise of the option.

Acquisition-related costs of HK$146,000 have been charged to the general and administrative expense in the consolidated statement of profit or loss and other comprehensive income.

32 BUSINESS COMBINATION (continued)

The provisional fair values of the identifiable assets and liabilities of HNH assumed, the consideration paid as at the date of Acquisition were as follows:

	HK$'000
Consideration	
Cash paid	5,472
Consideration payable	3,648
Total Consideration	9,120
Fair value of the previously held interests in HNH	37,240
Redemption liability	6,084
	52,444
Intangible assets	15,700
Property, plant and equipment	58
Trade receivables	34,040
Prepayments, deposits and other receivables	1,690
Inventories	17,670
Cash and cash equivalents	7,829
Tax recoverable	1,531
Trade payables	(42,614)
Other payables and accruals	(7,334)
Deferred tax liabilities	(2,590)
Total fair value of identifiable net assets acquired	25,980
Non-controlling interests	(7,794)
Goodwill recognised	34,258
	52,444
Cash consideration paid	(5,472)
Cash and cash equivalents acquired	7,829
Net cash inflow on Acquisition for the period	2,357

32 BUSINESS COMBINATION (continued)

The goodwill is attributable to a number of factors, amongst others, the synergies expected to arise after the Group's acquisition of HNH. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of trade receivables is HK$34,040,000. The gross contractual amount for trade receivables due is HK$34,040,000, all of which is expected to be collectible. The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations of those assets. Deferred income tax liabilities of HK$2,590,000 have been provided in relation to the fair value adjustments.

The revenue included in the consolidated statement of profit or loss and other comprehensive income since 31 May 2023 contributed by HNH was HK$116,873,000. It had net profit of HK$5,011,000 over the same period. Had HNH been consolidated from 1 January 2023, the consolidated statement of profit or loss and other comprehensive income would show proforma revenue of HK$1,278,567,000 and net profit of HK$298,509,000.

33 DISPOSAL OF SUBSIDIARIES

On 7 July 2023, Dynasty Garden Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Eyolution Capital Fund (the "**Purchaser**"), an individual third party, to dispose of 51% of the issued shares of CWA, a wholly owned subsidiary, at an aggregate consideration of HK$130,000,000 (the "**Disposal**").

Upon completion of the Disposal on 30 September 2023, the Group held 49% equity interest in CWA, and each of CWA and its subsidiaries (the "**Target Group**") ceased to be subsidiaries of the Group and became an associated company of the Group (Note 17).

Pursuant to the sale and purchase agreement, the Group has granted to the Purchaser a put option, pursuant to which the Purchaser is entitled to sell at its discretion all (and not part) of the equity interests in CWA held by it to the Group and/or other party(ies) procured by the Group upon the occurrence of certain triggering events.

33 DISPOSAL OF SUBSIDIARIES (continued)

	2023 HK'000
Cash consideration *(Note)*	130,000
Fair value of the Group's 49% previously held equity interest in CWA	99,758
Carrying amount of net assets disposed	(37,044)
Reclassification of exchange reserve	(5,987)
Gain on disposal	186,727
Analysis of assets and liabilities over which control was lost	
Property, plant and equipment	3,974
Right-of-use assets	2,077
Other non-current asset	6,983
Deferred income tax assets	3,342
Cash and cash equivalents disposed	8,323
Inventories	295,626
Trade receivables	74,626
Prepayments, deposits and other receivables	88,107
Amount due from a related company	19,185
Trade payables	(145,985)
Other payables and accruals	(22,329)
Bank borrowings	(144,865)
Amount due to a related company	(141,986)
Lease liabilities	(1,956)
Current tax liabilities	(8,078)
Net assets disposed	37,044
Cash consideration received	70,000
Cash and cash equivalents disposed	(8,323)
Net cash inflow on Disposal for the period	61,677

Note: HK$60,000,000 remained outstanding as at 31 December 2023 and was recognised in "prepayments, deposits and other receivables" in the consolidated statement of financial position.

34 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash used in operations

	Notes	2023 HK$'000	2022 HK$'000
Cash flow used in operating activities			
Profit before income tax		317,696	50,367
Adjustments for:			
Finance costs	*7*	23,416	11,323
Share of results of investments accounted for using the equity method		(4,562)	3,190
Finance income	*6*	(207)	(42)
Depreciation of property, plant and equipment, including leasehold land	*8*	5,390	5,746
Depreciation of right-of-use assets	*8*	12,093	10,809
Amortisation of intangible assets	*8*	2,374	1,458
Share-based payment expenses	*9*	1,419	3,931
Loss on disposal of property, plant and equipment	*6*	388	–
Gain on remeasurement of previously held interest in an associated company	*6*	(1,414)	–
Fair value (gain)/loss on financial assets at fair value through profit or loss	*6*	(6,450)	4,165
Change in value of investment in an insurance contract	*6*	(148)	1,323
Gain on disposal of a joint venture	*6*	(10,000)	–
Gain on disposal of subsidiaries	*6*	(186,727)	–
Write down of inventories	*8*	5,010	5,132
		158,278	97,402
Changes in working capital:			
Increase in inventories		(82,493)	(43,736)
Increase in trade receivables		(20,985)	(51,242)
Increase in prepayments, deposits and other receivables		(39,927)	(39,169)
Decrease in trade payables		(42,678)	(3,873)
Increase/(decrease) in other payables and accruals		7,887	(6,721)
Decrease/(increase) in amounts due from related parties		36,954	(4,806)
		17,036	(52,145)

34 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

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

In the consolidated statement of cash flow, proceeds from sales of property, plant and equipment comprise:

	Year ended 31 December	
	2023 HK$'000	2022 HK$'000
Net book amount	1,024	–
Loss on disposal of property, plant and equipment	(388)	–
Proceeds from sales of property, plant and equipment	636	–

34 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Changes in liabilities arising from financing activities

	Other payables and accruals HK$'000	Loan from a shareholder HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2023	804	50,000	278,368	13,230	342,402
Change From operating cash flows					
Disposal of subsidiaries *(Note 33)*	–	–	(144,865)	(1,956)	(146,821)
Changes from financing cash flows					
Interest paid	(23,664)	–	–	(406)	(24,070)
Proceeds from bank borrowings	–	–	632,700	–	632,700
Repayment of bank borrowings	–	–	(627,197)	–	(627,197)
Repayment of loan from a shareholder	–	(100,000)	–	–	(100,000)
Proceeds from loan from a shareholder	–	100,000	–	–	100,000
Principal elements of lease payments	–	–	–	(12,390)	(12,390)
Other changes					
Interest expenses	23,010	–	–	406	23,416
Additions to lease liabilities *(Note 14)*	–	–	–	18,324	18,324
Exchange realignment	–	–	22	(76)	(54)
At 31 December 2023	150	50,000	139,028	17,132	206,310
At 1 January 2022	334	50,000	178,960	10,121	239,415
Changes from financing cash flows					
Interest paid	(10,351)	–	–	(502)	(10,853)
New bank loans	–	–	439,954	–	439,954
Repayment of bank loans	–	–	(340,546)	–	(340,546)
Repayment of loan from a shareholder	–	(100,000)	–	–	(100,000)
Proceeds from loan from a shareholder	–	100,000	–	–	100,000
Principal elements of lease payments	–	–	–	(11,359)	(11,359)
Other changes					
Interest expenses	10,821	–	–	502	11,323
Additions to lease liabilities *(Note 14)*	–	–	–	15,100	15,100
Exchange realignment	–	–	–	(632)	(632)
At 31 December 2022	804	50,000	278,368	13,230	342,402

35 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions.

	Notes	2023 HK$'000	2022 HK$'000
Sale of products:			
Associate:			
– Han Lam Tong	*(i)*	13,550	19,489
– CWA and its subsidiaries	*(vii)*	75	–
Shareholders:			
– China Resources Pharmaceutical Group Limited ("**CR Pharmaceutical**") and its subsidiaries (together, the "**CR Pharmaceutical Group**")	*(ii)*	29,800	6,045
Companies controlled by the Controlling Shareholder:	*(iii)*		
– Talent Smart Holdings Limited and its subsidiaries ("**Talent Smart Group**")		136	356
Purchase of products:			
Associate:			
– Han Lam Tong	*(i)*	3,065	16,916
– CWA and its subsidiaries	*(vii)*	193	–
Shareholders:			
– The CR Pharmaceutical Group	*(ii)*	145,205	267,559
Companies controlled by the Controlling Shareholder:	*(iii)*		
– Talent Smart Group		474	4,180
– TJ-TYT Pharmaceutical (M) Sdn. Bhd, ("**TJ-TYT**")		1,926	592
Service expense:			
Associate:			
– CWA and its subsidiaries	*(viii)*	4,331	–
Joint venture:			
– JMM Healthcare Limited ("**JMM**")	*(iv)*	2,651	22,347
Service Income:			
Joint venture:			
– JMM	*(v)*	117	498
Payments made on behalf of:			
Associate:			
– Han Lam Tong	*(vi)*	15	669
Joint ventures:			
– JMM	*(vi)*	23	3,308
– Fancy Summit Inc. and its subsidiaries	*(vi)*	24	35

35 RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

During the year, the Group leased properties from the Controlling Shareholder for warehouse and carpark use. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Right-of-use assets of HK$10,227,000 (2022: HK$3,374,000) and lease liabilities of HK$10,227,000 (2022: HK$3,425,000) in respect of the leases were recognised in the consolidated statement of financial position as at 31 December 2023.

During the year, depreciation of right-of-use assets of HK$3,597,000 (2022: HK$3,597,000) and an interest expense on the lease liabilities of HK$49,000 (2022: HK$152,000) was charged to the consolidated statement of profit or loss and other comprehensive income.

Notes:

(i) The sales to and purchase from Han Lam Tong, a wholly-owned subsidiary of HNH, an associate of the Company during the period before it became a non-wholly owned subsidiary of the Group from 31 May 2023 onwards (Note 32), were made at a mutually agreed price.

(ii) Sales to and purchase of products from CR Pharmaceutical Group were transacted pursuant to the terms and conditions set out in the master agreement entered into by the Company and CR Pharmaceutical Group on 1 January 2020. The terms and conditions of the master agreement were renewed on 8 February 2021 and 27 August 2021. These transactions were continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules as detailed in the section headed “Non-Exempt Continuing Connected Transactions” in the Directors’ Report in respect of these transactions.

(iii) Sales to and purchase of products from Talent Smart Group and TJ-TYT were transacted pursuant to the terms and conditions set out in the master agreements entered into by the Company, Talent Smart Group and TJ-TYT on 1 July 2022. These transactions were continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules as detailed in the section headed “Non-Exempt Continuing Connected Transactions” in the Directors’ Report in respect of these transactions.

(iv) Service expense to JMM, a wholly owned subsidiary of Five Ocean, a joint venture of the Company during the period before it was disposed on 23 March 2023, were transacted pursuant to the terms and conditions set out in the service agreement entered into by the Company and JMM on 8 April 2021.

(v) Service income from JMM during the period before it was disposed on 23 March 2023, was charged at a rate mutually agreed between the two parties.

(vi) The amounts represent expenses paid on behalf of the related parties during the year ended 31 December 2023 and 2022.

(vii) The sales to and purchase from CWA and its subsidiaries during the period after it was disposed on 30 September 2023 (Note 33), were made at a mutually agreed price.

(viii) Service expense payable to CWA and its subsidiaries for the period from 1 October 2023 to 31 December 2023 was transacted at a rate mutually agreed between the two parties.

35 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Notes	2023 HK$'000	2022 HK$'000
Trade receivables			
Trade receivables due from			
– The CR Pharmaceutical Group	*(i)*	1,043	1,849
– Han Lam Tong		–	15,766
– Talent Smart Group	*(ii)*	13	285
– CWA and its subsidiaries	*(iii)*	25,952	–
		27,008	17,900
Amounts due from			
– Han Lam Tong		–	486
– Joint ventures	*(ii)*	103	8,858
– The Controlling Shareholder		–	23
– CWA and its subsidiaries	*(iii)*	88,103	–
		88,206	9,367
Trade payables			
Trade payables due to			
– The CR Pharmaceutical Group	*(i)*	–	96,766
– Han Lam Tong		–	17,098
– Talent Smart Group	*(ii)*	462	3,424
– TJ-TYT	*(ii)*	174	569
– CWA and its subsidiaries	*(iii)*	7,993	–
		8,629	117,857
Amounts due to			
– Joint venture		–	8
		–	8

Notes:

(i) As at 31 December 2023, the balances with the CR Pharmaceutical Group are unsecured, interest-free and repayable on demand (2022: same).

(ii) As at 31 December 2023, these balances are unsecured, interest-free and repayable on demand (2022: same).

(iii) As at 31 December 2023, these balances are unsecured, interest-free and repayable on demand.

35 RELATED PARTY TRANSACTIONS (continued)

(c) The Group and the Target Group continue to share the utilisation of the existing banking facilities as agreed and upon the renewal. After the Disposal, the Group and the Purchaser would cooperate and use their respective reasonable efforts to procure, as soon as practicable and within one year after the Disposal, the release of the all guarantees, securities, legal charge and rental assignment provided by the Group to secure the obligations of any members of the Target Group in the bank or loan facilities which were being utilised by the Target Group as at completion of the Disposal. At 31 December 2023, the Target Group's bank borrowings of HK$61,287,000 were secured by guarantees provided by the Group. And certain of the Group's property, plant and equipment with a net carrying value of approximately HK$33,882,000 were pledged to secure bank loans of HK$69,782,000 granted to the Target Group.

(d) The compensation of key management personnel of the Group during the year is disclosed in note 9 to the consolidated financial statements.

36 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 HK$'000	2022 HK$'000
Fees	660	480
Other emoluments:		
Salaries, allowances and benefits in kind	3,105	2,990
Pension scheme contributions (defined contribution scheme)	18	18
	3,123	3,008
	3,783	3,488

36 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 HK$'000	2022 HK$'000
Mr. Chung Siu Wah	165	120
Ms. Chan Ka Lai Vanessa	165	120
Mr. Mak Chung Hong	165	120
	495	360

During the year ended 31 December 2023, none of the independent non-executive directors waived emoluments (2022: None).

There were no other emoluments payable to the independent non-executive directors during the year (2022: No).

(b) Executive directors, non-executive directors and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2023				
Executive director and Chairman				
Mr. Wong Ka Chun, Michael	165	3,105	18	3,288
Non-executive directors				
Ms. Chong Yah Lien	165	–	–	165
Mr. Cao Weiyong	–	–	–	–
Ms. Li Ka Wa Helen	165	–	–	165
Mr. Lau Ka On David	165	–	–	165
	660	3,105	18	3,783

36 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2022				
Executive director and Chairman				
Mr. Wong Ka Chun, Michael	120	2,990	18	3,128
Non-executive directors				
Ms. Chong Yah Lien	120	–	–	120
Mr. Yao Qingqi (resigned on 18 July 2022)	–	–	–	–
Mr. Cao Weiyong (appointed on 18 July 2022)	–	–	–	–
Ms. Li Ka Wa Helen	120	–	–	120
Mr. Lau Ka On David	120	–	–	120
	480	2,990	18	3,488

During the year ended 31 December 2023, one (2022: two) of the directors waived emoluments in aggregate of HK$165,000 (2022: HK$120,000).

The emoluments of the executive Director shown above were for his services in connection with the management of the affairs of the Group. The non-executive Directors' emoluments shown above were for their services as Directors of the Company. All of their emoluments disclosed above include those for services rendered by them in such roles.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2022: same).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Investment in subsidiaries	*(i)*	480,000	480,000
Prepayments		25	37
		480,025	480,037
Current assets			
Prepayments, deposits and other receivables		3,022	3,029
Amounts due from subsidiaries		50,900	312,784
Amounts due from related parties		240,345	133
Cash and bank balances		2,025	1,436
Total current assets		296,292	317,382
Current liabilities			
Other payables and accruals		2,116	276
Bank borrowings		63,000	39,000
Amount due to a subsidiary		–	22,855
Total current liabilities		65,116	62,131
Net current assets		231,176	255,251
Total assets less current liabilities		711,201	735,288
Net assets		711,201	735,288
Equity			
Issued capital	*29*	8,000	8,000
Reserves	*(ii)*	703,201	727,288
Total equity		711,201	735,288

Notes:

(i) Details of the principal subsidiaries are disclosed in Note 16.

(ii) A summary of the Company's equity is as follows:

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Share premium HK$'000	Contribution surplus HK$'000	Shares held under share award scheme HK$'000	Share-based payments HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2022	230,967	479,899	(23,824)	4,126	(3,053)	688,115
Profit for the year	–	–	–	–	35,242	35,242
Vesting of shares under share award scheme	425	–	1,297	2,209	–	3,931
As at 31 December 2022 and 1 January 2023	231,392	479,899	(22,527)	6,335	32,189	727,288
Profit for the year	–	–	–	–	35,894	35,894
Final 2022 dividend *(Note 12)*	–	–	–	–	(24,000)	(24,000)
Interim 2023 dividend *(Note 12)*	–	–	–	–	(28,000)	(28,000)
Acquisition of shares for share award scheme	–	–	(9,400)	–	–	(9,400)
Vesting of shares under share award scheme	380	–	1,159	(120)	–	1,419
As at 31 December 2023	231,772	479,899	(30,768)	6,215	16,083	703,201

Note:

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange thereof. Pursuant to the Cayman Islands company law, a company may make distributions to its members out of the contributed surplus in certain circumstances.

38 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Notes	2023 HK$'000	2022 HK$'000
Financial assets			
Financial assets at amortised cost			
– Deposits and other receivables	*19*	**79,277**	62,337
– Amounts due from related parties	*21*	**88,206**	9,367
– Trade receivables	*22*	**236,612**	256,213
– Cash and cash equivalents	*23*	**39,101**	74,603
		443,196	402,520
Financial assets at fair value through profit or loss	*18*	**57,750**	19,000
		500,946	421,520
Financial liabilities			
Liabilities at amortised cost			
– Trade payables	*24*	**156,714**	302,764
– Other payables and accruals	*25*	**65,885**	54,006
– Bank borrowings	*26*	**139,028**	278,368
– Loan from a shareholder	*27*	**50,000**	50,000
– Amounts due to related parties	*21*	**–**	8
– Lease liabilities	*14*	**17,132**	13,230
		428,759	**644,370**

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

39.1 SUBSIDIARIES

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 39.3).

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

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

39.2 EQUITY ACCOUNTING

(i) ***Associated companies***

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

(ii) ***Joint arrangements***

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.2 EQUITY ACCOUNTING (continued)

(iii) Equity method

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

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

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

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in Note 39.9.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.2 EQUITY ACCOUNTING (continued)

(iv) Changes in ownership interests

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

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

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

39.3 BUSINESS COMBINATIONS

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.3 BUSINESS COMBINATIONS (continued)

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.4 SEPARATE FINANCIAL STATEMENTS

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

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

39.5 SEGMENT REPORTING

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

39.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.6 FOREIGN CURRENCY TRANSLATION (continued)

(b) Transactions and balances (continued)

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

(c) Group companies

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

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

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

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

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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.

39.8 INTANGIBLE ASSETS

(a) Goodwill

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.8 INTANGIBLE ASSETS (continued)

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

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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.

39.9 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.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets as follows:

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

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

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

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

(b) Recognition and derecognition

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

(c) Measurement

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

Debt instruments

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

(i) Assets carried at amortised cost

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

(ii) Assets measured at FVPL

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

Equity instruments

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.10 INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

(d) Impairment

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

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

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

39.11 OFFSETTING FINANCIAL INSTRUMENTS

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

39.12 TRADE RECEIVABLES

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 22 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.13 CASH AND CASH EQUIVALENTS

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

39.14 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.

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

39.15 TRADE AND OTHER PAYABLES

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

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

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

39.17 BORROWING COSTS

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

39.18 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 tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.18 CURRENT AND DEFERRED INCOME TAX (continued)

(a) Current income tax

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

(b) Deferred income tax

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

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

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

(c) Offsetting

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.19 EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Pension obligations

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

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

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on certain percentages of the wages for the year of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group. Contributions to these retirement benefits schemes are charged to the profit or loss as incurred. Certain defined benefit schemes require employees to contribute to reduce the cost of the benefits to the Group. Contributions from employees are linked to service and hence, the contributions reduce service cost. The Group attributes the contributions from employees to periods of service on a straight-line basis.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.19 EMPLOYEE BENEFITS (continued)

(iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

39.20 SHARE-BASED PAYMENTS

Equity-settled share based payment transactions

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

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

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

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.21 PROVISIONS

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

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

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

39.22 LEASES

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

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

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

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.22 LEASES (continued)

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the 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.

39.23 DIVIDEND DISTRIBUTION

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

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.24 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 group will comply with all attached conditions.

Note 6 provides further information on how the Group accounts for government grants.

39.25 INVESTMENT IN AN INSURANCE CONTRACT

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

40 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 27 March 2024.

Financial Summary

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	1,198,649	1,186,185	888,872	505,991	700,755
GROSS PROFIT	321,102	261,538	151,701	53,308	191,141
Profit/(loss) before tax	317,696	50,367	(17,498)	(68,469)	68,360
Profit/(loss) for the year	297,323	43,631	(17,402)	(60,965)	54,516
Profit/(loss) attributable to:					
Equity holders of the Company	297,319	43,750	(18,816)	(61,134)	54,516
Non-controlling interests	4	(119)	1,414	169	–

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets	322,393	182,465	188,759	188,061	80,889
Current assets	666,558	829,652	692,704	431,849	285,475
Total assets	988,951	1,012,117	881,463	619,910	366,364
LIABILITIES					
Non-current liabilities	12,290	4,180	4,997	8,191	7,952
Current liabilities	433,115	714,777	615,204	321,280	240,052
Total liabilities	445,405	718,957	620,201	329,471	248,004
NET ASSETS	543,546	293,160	261,262	290,439	118,360