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 2024

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Corporate Information

BOARD OF DIRECTORS

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

Non-executive Directors
Mr. Hu Yang (appointed on 10 January 2025)
Ms. Liang Yan (appointed on 1 September 2024)
Ms. Li Ka Wa Helen
Mr. Lau Ka On David
Ms. Chong Yah Lien (resigned on 1 September 2024)
Mr. Cao Weiyong (resigned on 10 January 2025)

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
22/F, Prince's Building
Central, Hong Kong SAR, China

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

COMPANY WEBSITE
www.tycoongroup.com.hk

STOCK CODE
3390

	As at 31 December		
	2024	2023	Change
	HK$'000	HK$'000	
Revenue			
– Distribution	**699,649**	684,284	2.2%
– E-commerce	**–**	406,397	N/A
– Retail store	**176,388**	107,968	63.4%
Total	**876,037**	1,198,649	(26.9%)
Gross profit	**232,655**	321,102	(27.5%)
Gross profit margin (%)	**26.6%**	26.8%	
Profit attributable to equity holders of the Company	**3,240**	297,319	(98.9%)
Profit margin attributable to equity holders of the Company (%)	**0.4%**	24.8%	
Adjusted net profit (non-HKFRS measure) *(Note)*	**46,449**	114,777	(59.5%)
EBITDA (non-HKFRS measure) *(Note)*	**41,934**	360,762	(88.4%)
EBITDA margin (%) (non-HKFRS measure)	**4.8%**	30.1%	
Return on equity (%)	**0.7%**	54.7%	

	As at 31 December		
	2024	2023	Change
	HK$'000	HK$'000	
Total assets	**1,005,563**	988,951	1.7%
Total liabilities	**516,606**	445,405	16.0%
Total equity	**488,957**	543,546	(10.0%)

Note:

Each of EBITDA and adjusted net profit 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 (FY2024: HK$6,027,000; FY2023: HK$297,323,000) before interest (FY2024: HK$21,212,000; FY2023: HK$23,209,000), tax (FY2024: tax credit HK$566,000; FY2023: tax expense HK$20,373,000), depreciation and amortisation (FY2024: HK$15,261,000; FY2023: HK$19,857,000), where "interest" is regarded as including finance income and finance costs. For the definition of adjusted net profit, reasons of using such measure and details of calculation, please refer to the section headed "EBITDA and adjusted net profit (non-HKFRS measures)" set out on page 14 of this annual report.

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as EBITDA and adjusted net profit, are used by the management for monitoring the core business performance of the Group. 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 2024 ("**Financial Year**" or "**FY2024**").

The Group primarily sells health supplements and Proprietary Chinese Medicine ("**PCM**") products, and as such, Hong Kong's retail market conditions and the spending power of residents and tourists are closely related to the Group's revenue. In 2024, the local retail market remained weak, and facing an unfavourable operating environment, the Group's performance was inevitably affected.

Despite the decrease in net profit, the Group's distribution business and retail business performed better than the market overall. In adverse conditions, the Group successfully drove sales through three "new" strategies: new approaches, innovative new products, and new market development. We closely monitored market trends, actively innovated, and launched more high-profit products that cater to market needs, resulting in a counter-trend increase in Hong Kong distribution business. During the year, Hong Kong distribution sales reached HK$533.0 million, representing a year-on-year increase of 3.3%, while Macau distribution sales amounted to HK$89.3 million, a slight year-on-year decrease of 20.7%. During the Financial Year, the revenue derived from retail business reached HK$176.4 million, representing a year-on-year increase of 63.4%. Given the continued uncertainty in the overall operating environment, the Board has resolved not to declare a final dividend for the Financial Year.

UNLOCKING THE SOUTHEAST ASIAN MARKET: ACTIVATING A NEW GROWTH ENGINE

The Group's efforts to develop the Southeast Asian market in recent years have also borne fruit. Currently, sales operations have been launched in Singapore, Malaysia, and Thailand, bringing both sales volume and profit growth to the Group. During the year, overall distribution sales in Southeast Asia reached HK$77.3 million, a significant year-on-year increase of 63.5%. Among them, Singapore distribution sales reached HK$65.6 million, an increase of 56.9% year-on-year; while Malaysia distribution sales recorded HK$9.6 million, a substantial increase of 74.4%. In addition to Singapore and Malaysia maintaining significant revenue growth for the second consecutive year, Thailand also recorded revenue for the first time in this Financial Year.

OPTIMIZING THE SCALE, UPHOLDING THE PROFIT

We will also continue to consolidate our existing markets, maintaining our market share in Hong Kong, Macau, and the People's Republic of China (the "**PRC**" or "**Mainland China**"). To achieve scale control while maintaining profit, we are pursuing the following strategies: collaborating with brand manufacturers to lower procurement costs to enhance profit margins; adjusting and expanding product categories and portfolios to cater to trends among local consumers, tourists, and various markets to help improve inventory turnover; and developing self-owned and collaborative brands, researching high-profit self-owned products to increase profitability.

EMPOWERING THE GROWTH, EMBRACING THE NEW

In 2025, we will continue to seize business opportunities and invest resources to activate more sales operations in Southeast Asian regions. It is expected that Thailand distribution sales will grow exponentially in the year ending 31 December 2025 ("**FY2025**") while Cambodia sales operations will also begin recording revenue in FY2025, with Southeast Asian distribution business continuing to maintain strong growth. The Group is gradually increasing its sales points and market share in Southeast Asia through a multi-faceted market strategy, building a solid foundation and steadily advancing towards the entire Asia-Pacific regional market, 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, 28 March 2025

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 omnichannel services for proprietary Chinese medicines ("**PCM**"), health supplements, skincare, personal care and other healthcare products, including brand agent, promotion and marketing, management, distribution and sales. Through years of dedicated efforts, the Group supplies to nearly 100,000 online and offline sales points across Hong Kong, Macau, Mainland China, and Southeast Asia, selling products from over 300 local and overseas brands. The Group also actively develops high-quality self-owned brands and collaborative brand products, offering more than 2,000 products. As a diversified business and industry pioneer in Hong Kong with a leading market advantage, the Group consistently adheres to its mission of bringing health and vitality to consumers, delivering reputable and quality products to consumers across various regions.

MARKET REVIEW

In 2024, Hong Kong's overall economy remained weak, but there was still rigid demand for daily necessities, especially medicines and health supplements. According to data from the Census and Statistics Department, the sales value of Chinese medicine category in December 2024 decreased by 2.2% year-on-year, which was relatively minor compared to the 9.7% year-on-year decrease in total retail sales value in December 2024. Furthermore, the Group has been closely monitoring market conditions and adjusting its strategies, launching new products to meet market demands. Several best-selling products during the year helped increase sales volume, enabling the Group to advance steadily despite the unfavourable operating environment.

On the other hand, according to the Hong Kong Tourism Board, preliminary figures for visitor arrivals to Hong Kong last year reached nearly 45 million, an increase of 31% compared to 2023. Among them, there was a significant increase in Southeast Asian visitors, with growth also seen in their spending power in Hong Kong.

The increasingly vibrant Southeast Asian market has attracted more and more Hong Kong enterprises to develop there, proving the appropriateness of the Group's strategy to actively expand into the Southeast Asian market in recent years. Early last year, the government updated the free trade agreement with ASEAN, increasing the number of product categories covered from over 200 to nearly 600, including medicines and food products. This helps enhance the market competitiveness of relevant products and obtain preferential tariff treatment. The Group will also seize this opportunity to bring more quality products to the Southeast Asian market.

BUSINESS REVIEW

The Group mainly operates two major operating segments, namely distribution business and retail store business. The distribution business of the Group mainly comprises 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 retail store business of the Group includes sales of products through its brick-and-mortar retail store. In addition, the Group provides omnichannel marketing and management services for the brands it represents.

During FY2023, the Group completed two transactions: (1) the acquisition of additional equity interest in Hong Ning Hong Limited ("**HNH**") in May 2023, whereby after the acquisition, HNH became a subsidiary of the Company. Upon completion of such acquisition, its performance has been consolidated into the financial results of the Group. HNH and its subsidiary are principally engaged in the retail (through one retail outlet) and wholesale of pharmaceutical products and proprietary medicines in Hong Kong; and (2) the disposal of 51% of the issued shares of Combo Win Asia Limited ("**CWA**") in September 2023, whereby each of CWA and its subsidiaries ("**CWA Group**" or "**Target Group**") ceased to be a subsidiary of the Company and their financial results were no longer consolidated into the Group's financial statements since 1 October 2023 ("**Accounting Effect of CWA 51% Disposal**"). CWA Group is principally engaged in e-commerce business and distribution business of healthcare and wellbeing related products in the PRC. As such, the following business review and the related management discussion and analysis should be read against such background.

For FY2024, the Group recorded revenue of approximately HK$876.0 million, representing a decrease of 26.9% compared to approximately HK$1,198.6 million for FY2023; and annual net profit of approximately HK$6.0 million (FY2023: HK$297.3 million), representing a year-on-year decrease of 98.0%. The decrease is primarily due to the (i) absence of the one-off gain on disposal of 51% interests of CWA of HK$186.7 million and the gain on disposal of a joint venture of HK$10.0 million recognised in FY2023; (ii) the increase in share-based payment expenses (FY2024: HK$20.6 million; FY2023: HK$1.4 million); and (iii) the negative impact on the Group's net profit as a result of the disposal of 51% stake in CWA during FY2023.

In terms of the distribution business, during the Financial Year, Hong Kong distribution sales amounted to HK$533.0 million, a year-on-year increase of 3.3% (FY2023: HK$515.8 million). Despite the slow recovery of the Hong Kong market, the Group actively innovated and launched products that catered to market needs, resulting in good sales performance. Macau distribution sales amounted to HK$89.3 million, a year-on-year decrease of 20.7%. The Southeast Asian market developed favorably, with overall distribution sales reaching HK$77.3 million, a significant year-on-year increase of 63.5%. Among them, Singapore distribution sales reached HK$65.6 million, an increase of 56.9% compared to HK$41.8 million in FY2023; Malaysia distribution sales recorded HK$9.6 million, a substantial increase of 74.4% (FY2023: HK$5.5 million); Thailand, another newly developed market, generated HK$2.1 million in distribution sales (FY2023: Nil). The Southeast Asian distribution business is expected to continue its strong growth in 2025.

Regarding the retail store business, in May 2023, the Group increased its shareholding in HNH to 61%. HNH became a subsidiary of the Group, and its performance is consolidated into the financial results of the Group ("**Accounting Effect of HNH Acquisition**"). In March 2024, the Group further increased its shareholding in HNH from 61% to 70%. During the Financial Year, the Group's Hong Kong retail store business revenue was HK$176.4 million (FY2023: HK$108.0 million).

Upon completion of the disposal of CWA as described above, the results of the e-commerce business segment are accounted for using the equity method at 49%. The share of loss of investment accounted for using the equity method of HK$3.3 million (2023: share of profit of HK$4.6 million) primarily consists of 49% of the CWA's profit for the year of HK$2.2 million (2023: HK$9.1 million) less CWA's amortisation expense of intangible assets, net of deferred tax liabilities, of HK$9.0 million (2023: HK$4.1 million), being the net loss shared by the Group for FY2024.

Omnichannel brand marketing and management services for brands

During the Financial Year, the Group continued to provide omnichannel marketing and management services for the brands it represents, including brand agent, promotion and marketing, management, distribution and sales. By providing one-stop services for brands, the Group upgrades its business chain and diversifies its product portfolio and businesses, helping to increase the Group's market share and gross profit margin.

The Group represented numerous overseas brands, including the exclusive distribution rights in Hong Kong and Macau for Culturelle®, one of the global best-selling probiotic brands, as well as the Japanese anti-hair loss and hair protection brand, Kaminowa, and a leading French baby washing care brand, Biolane, during the Financial Year. For Biolane, the Group also has exclusive distribution rights in Hong Kong, Singapore and Malaysia. The Group also exclusively represents Helaslim, a best-selling Japanese slimming and beauty brand, in Singapore.

During the Financial Year, the Group also obtained the exclusive distribution rights in Singapore and Malaysia for PNKids, a leading Singaporean kid's multivitamin brand; the distribution rights for the popular Korean body care brand, plu, in Hong Kong, Macau, Singapore and Malaysia. The Group was appointed as the general distributor in Hong Kong for the well-known Mainland Chinese brand "Dong-E-E-Jiao" (東阿阿膠); and represented "Taiji Huoxiang Zhengqi Oral Liquid" (太極牌藿香正氣口服液) in Hong Kong. The Group hopes to help more renowned Mainland Chinese brands enter the Hong Kong and Southeast Asian markets in the future.

Popular self-owned brands and collaborative brand products

In addition to its brand agency business, the Group continues to actively develop its own brand products. Popular brands under the Group include “Boost & Guard Pro” (BG Pro 博健專研), “Craft by Wakan” (和漢匠心), and “Kinmen Qiangxiao” (金門強效). Currently, more than 60 trademarks for self-owned brand products have been registered. Hot-selling products include “Craft by Wakan Japan Probiotics”, “BG Pro Immunoglobulin Capsules”, “BG Pro Ultra Purity Deep Sea Fish Oil”, and “Kinmen Qiangxiao I-Tiao-Gung Plaster”, among others.

The Group closely monitors market demands and has launched multiple new products in different categories, including upgraded versions of best-selling products, such as the new “Craft by Wakan Japan SlimPro” with added slimming formula, “BG Pro Brain Booster”, “Kinmen Qiangxiao I-Tiao-Gung Pain Relief Penetrating Liquid”, and “Kinmen Qiangxiao I-Tiao-Gung Pain Relief Roller Cream”. The Group is also actively cooperating with two large local personal care product chain stores to launch new products that closely meet market demands and establish a comprehensive sales channel network.

The Group has also fully leveraged its marketing and brand management capabilities in promoting its own brands. The health supplement market is highly competitive, requiring extensive advertising to attract consumers. Our marketing team has rich experience and is innovative, tailoring targeted promotions for different products. In addition to traditional television and outdoor advertising, we have increased promotional efforts on social media platforms such as Xiaohongshu, achieving remarkable results. The Group has also invited famous artists as brand ambassadors, including celebrity Ms. Lin Min Chen (林明禎小姐) as the spokesperson for the star products “Craft by Wakan Japan Probiotics” and “Craft by Wakan Japan SlimPro”, as well as renowned artist Mr. Louis Cheung (張繼聰先生) as the ambassador for the best-selling brand “Kinmen Qiangxiao”.

Regarding collaborative brands, to support 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 Po Wo Tong, a century-old Hong Kong brand. Po Wo Tong is collaborating with the Group to launch and sell more new products, revitalising and diversifying this century-old brand while strengthening the Group’s collaborative brand product projects. The Group will continue to invest more resources in its own brands with higher gross profit margins, and will develop and launch more of its own brands and different products to cater for the needs and preferences of Mainland China visitors travelling under the Individual Visit Scheme, as well as the new trends in the overall PCM and health supplement products market.

International strategic positioning shows results with Southeast Asian market development bearing fruit

To establish a diversified procurement network and enrich its product portfolio, the Group has continuously deepened its strategic presence overseas, establishing procurement centers and professional teams in Japan, Korea, Singapore, Malaysia, Thailand, Vietnam, Indonesia, Cambodia, Macau, Australia, France and other regions, achieving diversification and internationalization of the Group's product portfolio.

The Southeast Asian market has been an overseas expansion strategy actively promoted by the Group in recent years, and the results have been encouraging, with strong performance in distribution sales in the Southeast Asian market, particularly in Singapore and Malaysia, which have gradually entered a harvest period. The Group established companies in Singapore and Malaysia even before its listing and in 2022 obtained the exclusive distribution rights for TJ-TYT Pharmaceuticals (M) Sdn. Bhd. in Malaysia (which is mainly engaged in the production and wholesale of PCM, health supplements, and healthcare products in Malaysia, among others), strengthening the sales network and increasing the customer base, making significant contributions to the expansion of sales business in Singapore and Malaysia.

At the same time, the Group has established partnerships with several major personal care product chain stores in Malaysia and Singapore, such as Watsons and Guardian (equivalent to Mannings in Hong Kong), for product distribution, referencing the successful distribution model in Hong Kong. Currently, the Group has become one of the main agents for PCM and health supplements in Singapore and has comprehensively covered most retail channels in Singapore, including major chain retail stores and pharmacies.

In addition to Singapore and Malaysia, the Group has obtained food licenses from Thailand's Food and Drug Administration as well as drug import and sales licenses in Cambodia. Thailand has already begun recording revenue during the Financial Year. According to a report from the Hong Kong Trade Development Council, Thailand's healthcare industry is well-developed, and Thailand's distribution sales are expected to grow exponentially in the year ending 31 December 2025 ("**FY2025**"); Cambodia is also expected to begin recording revenue in FY2025.

E-commerce Business

In February 2025, as a result of the exercise of put option by the purchaser in the disposal of CWA, the Group completed the repurchase of 51% of CWA's issued shares. Accordingly, CWA and its subsidiaries have been reinstated as wholly-owned subsidiaries of the Company, and their financial results have been consolidated into the Group's financial statements since 1 March 2025. CWA and its subsidiaries are primarily engaged in e-commerce operations and distribution of health and wellness-related products in PRC. For details, please refer to the section headed "Events after the reporting period" of this Annual Report and the announcements of the Company dated 5 February 2025 and 28 February 2025.

FUTURE OUTLOOK

Optimizing the Scale, Upholding the Profit

The economic recovery in Hong Kong and Macau has been slow, with both governments striving to seek strategies to stimulate the economy. In 2025, they will continue to implement event-based economic initiatives to drive tourism and retail sectors. With the rebound in Mainland Individual Visit Scheme tourists, coupled with Hong Kong's resumption of the Shenzhen "Multiple-entry Permit" at the end of last year, revenue related to popular products targeting individual travelers is expected to increase, driving distribution sales in both Hong Kong and Macau. The Group will also adjust its product portfolio in a timely manner to cater to the different needs of local consumers and tourists.

Regarding sales operations in China, facing the weakened purchasing power due to RMB depreciation and consumption downgrading, the Group will continue to increase revenue and reduce expenses, adjust its product portfolio, open more brand online flagship stores, and develop more new products suitable for the market.

In the future, the Group will not only continue to allocate resources for development in Hong Kong, Macau, and Mainland China, but also strengthen its development in the Southeast Asian market.

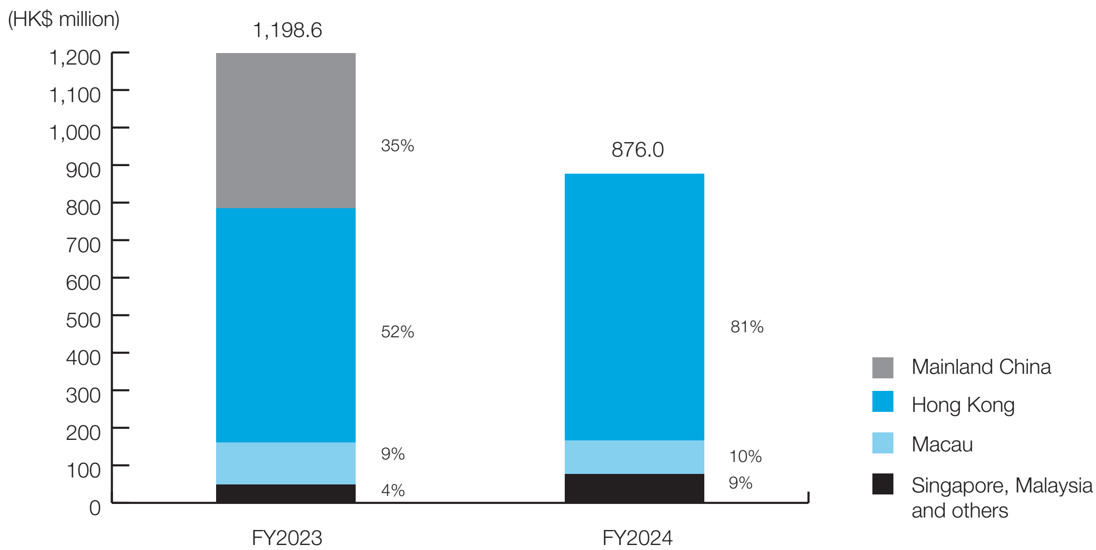
Empowering the Growth, Embracing the NEW

The Southeast Asian market is vast, comprising not only the local population but also a significant proportion of Chinese residents, with a strong demand for reputable health products and proprietary Chinese medicines. The Group has gradually introduced many international and local renowned brands to Southeast Asia. For example, in FY2025, it will begin exclusive distribution of the well-known century-old brand Lee Chung Shing Tong Po Chai Pills in major chain retail stores in Singapore, which is expected to further boost distribution sales in Southeast Asia.

In addition to continuing to strengthen sales in Singapore and Malaysia, the Group has also actively deployed sales operations in other Southeast Asian countries where it has established footholds. Thailand has already begun recording revenue this year, with local distribution sales expected to grow exponentially in FY2025. Cambodia will also begin recording revenue in FY2025. The Group's next step will be to expand its sales operations in Vietnam, increasing its advancement and market share in Southeast Asia, diversifying the Group's revenue, reducing risks, increasing its market share in the Southeast Asian health and wellness market, and laying the foundation for the Group's long-term development.

FINANCIAL REVIEW

Revenue



	Revenue		
	FY2024	FY2023	
Geographical markets	**HK$ million**	HK$ million	Change
Hong Kong	**709.4**	623.7	▲**13.7%**
Mainland China	**–**	413.9	▼**100.0%**
Macau	**89.3**	112.7	▼**20.7%**
Singapore, Malaysia and others	**77.3**	48.3	▲**59.8%**
Total	**876.0**	1,198.6	▼**26.9%**

- The Group's total revenue for the Financial Year decreased by 26.9% to HK$876.0 million (FY2023: HK$1,198.6 million), which was mainly due to the net decrease effect of the Accounting Effect of CWA 51% Disposal and the Accounting Effect of HNH Acquisition.

- In Hong Kong, revenue for FY2024 increased by 13.7% to HK$709.4 million (FY2023: HK$623.7 million) as a result of the Accounting Effect of HNH Acquisition and a slight increase by 3.3% in the distribution business. In Macau, revenue for FY2024 decreased by 20.7% to HK$89.3 million (FY2023: HK$112.7 million). It is in line with the sluggish performance of the retail sector during the Financial Year which was mainly due to the change in the consumption patterns of visitors and residents as well as the strength of the Hong Kong dollar. Meanwhile, the outperformance of the Hong Kong distribution business over the decrease in retail sales value (Chinese medicine category) of 14.8% in Hong Kong reported by the Census and Statistics Department for the same period was mainly due to the optimization of our product portfolio.

- In Singapore and Malaysia, revenue for FY2024 increased by 59.8% to HK$75.1 million (FY2023: HK$47.3 million) as a result of our continuous efforts in the development and expansion of the business in the region.

- Regarding the revenue from Mainland China, due to the Accounting Effect of CWA 51% Disposal, the revenue from Mainland China was not consolidated into the Group since October 2023.

Profitability

The gross profit of the Group decreased by 27.5% to HK$232.7 million for the Financial Year as compared to that of HK$321.1 million for FY2023, and the gross profit margin decreased by 0.2 percentage points to 26.6%. Decrease in gross profit and gross profit margin was mainly due to the increase in the cost of goods but the Group did not pass on all the increased costs to consumers due to market strategy considerations.

Selling and distribution expenses of the Group for the Financial Year increased by 1.2% to HK$109.9 million, as compared to HK$108.5 million for FY2023 due to the net effect of (i) the disposal of 51% stake in CWA in September 2023 ("**Disposal**") as a result of which the net profit of CWA Group was not consolidated to the Group's financial statements; (ii) the increase in advertisement and promotional expenses for brand building of our own brands; and (iii) the increase in promoter-related expenses to boost the sale of own brands products.

General and administrative expenses of the Group for the Financial Year increased by 12.8% to HK$95.3 million, as compared to HK$84.5 million for FY2023 which was mainly due to the increase in the share-based payment expenses to HK$20.6 million for FY2024 (FY2023: HK$1.4 million).

Finance costs of the Group for the Financial Year decreased by 9.3% to HK$21.2 million as compared to HK$23.4 million for FY2023 due to the Accounting Effect of CWA 51% Disposal.

Other income and other gains, net

Other income and other gains, net, of the Group for the Financial Year was HK$4.8 million (FY2023: HK$209.0 million). The significant amount in FY2023 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 FY2023 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$6.0 million as compared to HK$297.3 million for FY2023. The decrease is primarily due to the (i) absence of the one-off gain on disposal of 51% interests of CWA of HK$186.7 million and the gain on disposal of a joint venture of HK$10.0 million recognised in FY2023; (ii) the increase in share-based payment expenses (FY2024: HK$20.6 million; FY2023: HK$1.4 million); and (iii) the negative impact on the Group's net profit as a result of the disposal of 51% stake in CWA during FY2023.

EBITDA and adjusted net profit (non-HKFRS measures)

To supplement the Group's consolidated financial statements which are presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Company also uses (i) EBITDA; and (ii) profit for the year adjusted by items which are non-cash in nature or non-indicative to the Group's operating performance ("**Adjusted Net Profit**") as additional financial measures, which are not required by, or presented in accordance with, HKFRS.

EBITDA*(Note)* is calculated based on profit for the year (FY2024: HK$6.0 million; FY2023: HK$297.3 million) before interest (FY2024: HK$21.2 million; FY2023: HK$23.2 million), tax (FY2024: tax credit HK$0.6 million; FY2023: tax expense HK$20.4 million), depreciation and amortisation (FY2024: HK$15.3 million; FY2023: HK$19.9 million), where "interest" is regarded as including finance income and finance costs.

The following table reconciles profit for the year to Adjusted Net Profit*(Note)* for both years:

	2024 HK$'000	2023 HK$'000
Profit for the year	**6,027**	297,323
Adjusted by:		
Share-based payment expenses	**20,574**	1,419
Impairment loss on financial assets	**2,255**	520
Net provision for inventories	**3,169**	249
Depreciation of property, plant and equipment	**3,706**	5,390
Depreciation of right-of-use assets	**8,935**	12,093
Amortisation of intangible assets	**2,620**	2,374
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)
Fair value gain on financial assets at fair value through profit or loss	**(837)**	(6,450)
	46,449	114,777

The main reason for the decline is attributable to the Disposal as a result of which the net profit of CWA Group was not consolidated into the Group's financial statements. The Group shares 49% of the results of CWA Group as an associated company under the equity method since then. The weak economy and consumption downgrading have worsened the performance of the CWA Group for FY2024 and this, inevitably, has negative impact on the Group's net profit for the year. Disregarding the negative effect caused by the Disposal, it should be noted that the Group has recorded gross profit increment in its other markets (other than the Mainland China market which is operated by the CWA Group), notwithstanding such increase, the Group has also incurred more advertisement and promotional expenses for brand building of our own brands; and promoter-related expenses to boost the sale of own brands products.

Note:

Each of EBITDA and adjusted net profit is a non-HKFRS measure used by the management for monitoring the core business performance of the Group. Such measures are not an expressly permitted measure 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.

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 2024, the Group had cash and cash equivalents of approximately HK$34.0 million (31 December 2023: HK$39.1 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 2024 was 38.3% (31 December 2023: 23.8%). The increase was mainly due to the increase in bank borrowings during the Financial Year.

CAPITAL STRUCTURE

As at 31 December 2024, the borrowings included secured interest-bearing bank borrowings of approximately HK$231.3 million (31 December 2023: HK$100.0 million), unsecured interest-bearing bank borrowings of approximately HK$39.0 million (31 December 2023: HK$39.0 million) and loan from a shareholder with maturity date on 31 March 2025 of approximately HK$50.0 million (31 December 2023: HK$50.0 million). Except for the Group's interest-bearing bank borrowings of HK$7.9 million (31 December 2023: HK$8.4 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 2024 and 2023 is as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Within one year	262,855	131,083
In the second year	492	469
In the third to fifth years, inclusive	1,582	1,506
Beyond five years	5,367	5,970
	270,296	139,028

As at 31 December 2024, 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.

The purpose of the treasury policy is to safeguard the Group's financial assets and minimise the liquidity risk and interest rate risk and ensure the Group has sufficient liquidity and sources of funding to meet its current and future obligations.

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 2024, (i) certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK$31.9 million (31 December 2023: HK$33.4 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 the loan from a shareholder granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Annual Report 2024, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Acquisition of 12% and 9% 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$9.1 million. 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.

Subsequently on 28 March 2024, the Purchaser and the Seller further entered into another sale and purchase agreement pursuant to which the Seller further sold 9% of the issued shares of HNH to the Purchaser for an aggregate consideration of HK$6.8 million and completed the transaction on the same day so that the Group's equity interest in HNH and its operating subsidiary increased from 61% to 70%. In consideration of the parties agreeing to enter into and perform such sale and purchase agreement, the Purchaser and the Seller agreed to terminate the call option deed and the put option deed and to release and discharge each other party from their respective obligations thereunder with effect from 28 March 2024.

Disposal of 51% interest in CWA

On 7 July 2023, Dynasty Garden Limited ("**Dynasty Garden**" or "**Vendor**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the purchaser ("**SP Agreement**"), Eyolution Capital Fund ("**ECF**"), to dispose of 51% of the issued shares of CWA ("**Sale Shares**") at an aggregate consideration of HK$130.0 million. The completion of the Disposal took place on 30 September 2023. Upon completion, each of the members of CWA 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 had granted ECF a put option, pursuant to which ECF would be 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, which included 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 would 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 of the Disposal, the Provision of Financial Assistance and its continuation as at 30 September 2024 and the exercise of put option, please refer to the announcements of the Company dated 7 July 2023, 27 July 2023, 3 October 2023, 2 October 2024, 24 October 2024, 5 February 2025 and 28 February 2025 and the circulars of the Company dated 26 October 2023 and 25 November 2024.

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

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 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 maximum amount of the Provision of Financial Assistance (comprising the total amount of the Relevant Banking Facilities which could be drawn down by the Target Group and guaranteed by the Company and the Relevant Inter-Company Balance of non-trade nature) amounted to HK$389.5 million.

As at 31 December 2024, the maximum amount of the Provision of Financial Assistance was HK$272.5 million.

As at 31 December 2024, approximately HK$141.7 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$0.3 million granted to the Target Group. The interest rate of the Relevant Banking Facilities is ranging from USD Prime-1.25% to HIBOR+3.00% 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.

In February 2025, as a result of the exercise of put option by the Purchaser, the Group completed the repurchase of 51% of CWA's issued shares. Accordingly, CWA and its subsidiaries have been reinstated as wholly-owned subsidiaries of the Company, and their financial results have been consolidated into the Group's financial statements since 1 March 2025. As such, CWA and its subsidiaries are now no longer the associated companies of the Company.

For details, please refer to the section headed "Events after the reporting period" of this Annual Report and the announcements of the Company dated 5 February 2025 and 28 February 2025.

SIGNIFICANT INVESTMENT HELD

As of 31 December 2024, the Group did not hold any significant investments.

CAPITAL COMMITMENT

As at 31 December 2024, the Group had no material capital commitment (31 December 2023: Nil).

CONTINGENT LIABILITIES

As at 31 December 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

UPDATE ON THE PRE-IPO SHAREHOLDERS AGREEMENT

Reference is made to the prospectus of the Company dated 30 March 2020 ("**Prospectus**") and the announcement of the Company dated 18 June 2021.

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

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

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

The aggregated sum of the audited net profit of the Company for the five financial years ended 31 December 2023 has exceeded 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. The Share Charge was accordingly released in July 2024 (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 announcement of the Company dated 18 June 2021.

As disclosed above, given that the aggregated sum of the audited net profit of the Company for the five financial years ended 31 December 2023 has exceeded the Target Profit, the Share Charge in respect of the 200,000,000 shares of the Company was released in July 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group employed a total of 260 employees (31 December 2023: 130). During the Financial Year, the total staff costs incurred were approximately HK$89.0 million (FY2023: HK$65.9 million). The Group's remuneration policy is based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and subsidies. The performance appraisal cycle varies according to the positions of employees. In order to provide incentives to and to recognise the contributions of employees of the Group, the Group has also adopted a Share Award Scheme and Share Option Scheme.

DIVIDEND

The Board has resolved not to declare any final dividend for the FY2024 (FY2023: HK3.5 cents).

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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

(i) Risks with regards to consumers

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

(ii) Currency risks

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

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 49, 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. Mr. Wong has also been a president of Hong Kong Industrial Commercial Association Limited and honorary president of The Trade Association of Natives of Qing Yuan and Basketball Association of Hong Kong, China respectively.

Non-executive Directors

Mr. Hu Yang (胡楊) ("Mr. Hu") aged 39, was appointed as a non-executive Director on 10 January 2025. He is primarily responsible for participating in formulating the corporate and business strategies of the Company.

Mr. Hu has extensive experience in pharmaceutical operational and strategic management. From July 2008 to May 2014, Mr. Hu worked as a technician and operations manager at China Resources Double-Crane Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange with stock code 600062), a company principally engaged in the manufacturing and sale of pharmaceutical products. Mr. Hu was responsible for the effectiveness of the operations. Since May 2014, Mr. Hu has joined China Resources Pharmaceutical Holdings Company Limited (a wholly-owned subsidiary of China Resources Pharmaceutical Group Limited listed on the Main Board of the Stock Exchange with stock code: 3320.HK), engaging in manufacturing management, strategic planning and operation management. He is currently the deputy general manager of the operations management department of China Resources Pharmaceutical Holdings Company Limited.

Mr. Hu obtained a bachelor's degree in pharmaceutical preparations from the Shenyang Pharmaceutical University in the People's Republic of China in July 2008.

Ms. Liang Yan (梁艳) ("Ms. Liang") aged 38, was appointed as a non-executive Director on 1 September 2024. She is primarily responsible for participating in formulating the corporate and business strategies of the Company.

Ms. Liang has extensive experience in strategy and investment management. She has joined China Resources (Holdings) Company Limited (a substantial shareholder of the Company) and China Resources Pharmaceutical Group Limited (listed on the Main Board of the Stock Exchange with stock code: 3320.HK) which is a substantial shareholder of the Company) since August 2010 and August 2013 respectively, engaging in strategic planning, business development, investment project management, and Hong Kong business. Ms. Liang is currently the director of the investment development department of China Resources Pharmaceutical Group Limited.

Ms. Liang obtained a bachelor's degree in business administration from the Beijing Institute of Technology in the People's Republic of China in June 2009 and a master's degree in economic competitiveness and international business from the University of Birmingham in the United Kingdom in August 2010.

Ms. Li Ka Wa Helen (李家華) ("Ms. Li"), aged 64, 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 50, 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 47, 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. From October 2015 to May 2024, Mr. Chung was a director in Top Ace Asset Management Limited, a company principally engaged in providing financial investment services. He is currently a founder and chief investment officer of Alpha Astra Asset Management Limited, a company principally engaged in providing financial investment services since August 2024.

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 51, 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 has been serving as an independent non-executive director of Hollwin Urban Operation Service Group Co., Ltd. (listed on the Main Board of the Stock Exchange with stock code: 2529.HK) since May 2023.

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 49, 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.

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 Board has resolved not to declare any final dividend for FY2024 (FY2023: a final dividend of HK3.5 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 2024, the Company's distributable reserves were HK$664.3 million (2023: HK$703.2 million).

CHARITABLE DONATIONS

The Group made charitable donations totalling approximately HK$149,000 during the Financial Year (FY2023: HK$60,000).

DIRECTORS

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

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

Non-executive Directors
Mr. Hu Yang (appointed on 10 January 2025)
Ms. Liang Yan (appointed on 1 September 2024)
Ms. Li Ka Wa Helen
Mr. Lau Ka On David
Ms. Chong Yah Lien (resigned on 1 September 2024)
Mr. Cao Weiyong (resigned on 10 January 2025)

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 83(3) of the Company's articles of association, Ms. Liang Yan and Mr. Hu Yang shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with articles 84(1) and 84(2) of the Company's articles of association, each of Ms. Li Ka Wa Helen and Mr. Lau Ka On David shall retire by rotation at the forthcoming annual general meeting and each of them being eligible, will offer themselves for re-election.

Each of Ms. Liang Yan and Mr. Hu Yang, who has been appointed as a non-executive Director on 1 September 2024 and 10 January 2025 respectively, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules and on Hong Kong law as regards the requirements under the Listing Rules that are applicable to them as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 23 August 2024 and 6 January 2025 respectively, and they have confirmed they understood their obligations as a director of a listed issuer.

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, Ms. Liang Yan, Mr. Mak Chung Hong and Mr. Hu Yang who have entered into the letters of appointment with the Company pursuant to which he/she agreed to act as a Director for a continuous term with effect from 1 September 2024, 1 September 2024, 17 December 2024 and 10 January 2025 respectively. 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.

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.

Ms. Liang Yan and Mr. Hu Yang, the non-executive Directors, are not entitled to receive any director's fee.

Details of the remuneration of the Directors are set out in note 35 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 34 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 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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

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

The annual caps for the year ended 31 December 2024 for Purchase of Talent Smart Products and Sale of the Tycoon Products were HK$30 million and HK$20 million, respectively, while the actual transaction amount for the year ended 31 December 2024 was approximately HK$11.8 million and HK$0.03 million, respectively.

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

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 2024 for Purchase of Malaysia Products was HK$7 million, while the actual transaction amount for the year ended 31 December 2024 was approximately HK$4.1 million.

On 1 July 2022, Fu Qing Chinese Medical Trading Pte. Ltd. ("**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 2024 for Purchase of Malaysia Products contemplated under the Singapore Exclusive Distribution Agreement was HK$7 million, while the actual transaction amount for the year ended 31 December 2024 was nil.

As at the date of this Annual Report, as the major 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 Company Limited

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.

The annual caps for the year ended 31 December 2024 for the purchase of CR Care Products and the sale of Tycoon Products to CR Care were HK$3.5 million and HK$38 million, respectively, while the actual transaction amount for the year ended 31 December 2024 was approximately HK$6.8 million and HK$17.5 million, respectively.

For details, please refer to the announcement of the Company dated 15 December 2023 ("**2023 CCT Announcement**").

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions with CR Care and exceeding of annual cap

Reference is made to the 2023 CCT Announcement and the announcement of the Company dated 28 March 2025.

In the course of the preparation of the annual results of the Company for the year ended 31 December 2024, the Company noticed that the actual transaction amount in respect of the purchase of the CR Care Products reached approximately HK$6.8 million ("**Actual Transaction Amount**"), which had exceeded the 2024 Annual Cap (which was set at HK$3.5 million) by approximately HK$3.3 million ("**Exceeded Amount**"). The Exceeded Amount is mainly attributable to the fact that, in view of the planned closure of all retail branches of CR Care in Hong Kong in November 2024, the Group had placed more orders with CR Care ("**Purchase Orders**") than it originally contemplated when it entered into the Master Sale and Purchase Agreement with CR Care to stock up the relevant CR Care Products in or around August and September 2024 and resulted in the aggregate amount of the purchases made for the CR Care Products during FY2024 exceeding the 2024 Annual Cap.

During the material time and as at the date of this annual report, CR Care is a wholly-owned subsidiary of CR Pharma which is the holding company owning 100% equity of CR Pharma Retail, CR Care is thus, an associate of CR Phama Retail, a substantial shareholder of the Company holding approximately 18.99% of the issued shares of the Company. Accordingly, CR Care is considered as a connected person of the Company.

The Actual Transaction Amount exceeded the 2024 Annual Cap and the Company should re-comply with the applicable requirement under Rule 14A.54 of the Listing rules. As the highest applicable percentage ratios under the Listing Rules in respect of the Exceeded Amount, when aggregated with the amount purchased under the 2024 Annual Cap, exceeded 0.1% but less than 5% but the total consideration was more than HK$3 million, such purchases constituted connected transactions of the Company under Chapter 14A of the Listing Rules and the Company should have published an announcement when it exceeded the 2024 Annual Cap. The terms of the Purchase Orders were fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the entering into the Purchase Orders was in the interests of the Group and the Shareholders as a whole.

The Directors considered that this was an inadvertent oversight and isolated incident. The Company will take remedial measures to prevent the recurrence of similar incidents as well as monitor the ongoing compliance for similar transactions. In addition to the pre-existing internal control procedures for the continuing connected transactions as disclosed in the 2023 CCT Announcement, the Company will take further remedial measures to tighten its internal control procedure with a view to ensuring timely compliance with the Listing Rules and to prevent recurrence of similar incidents. These measures include:

(a) The Finance Department of the Group will revisit the underlying transactions of all continuing connected transactions on a monthly basis instead of a quarterly basis as in the past (including timely monitoring the utilisation of the relevant annual caps) and will timely comply with the requirements of Chapter 14A of the Listing Rules (if applicable);

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions with CR Care and exceeding of annual cap (continued)

(b) the relevant workflow in IT system will be enhanced to cover all continuing connected transactions with all relevant connected persons of the Group and an automatic notice will be sent to the designated personnel of the Finance Department of the Group alerting whenever the accumulated amounts of the completed transaction of the continuing connected transactions reach 75% of the relevant annual caps;

(c) whenever the accumulated amounts of the completed transaction of the continuing connected transactions reach 90% of the relevant annual caps, (i) any further continuing connected transactions to be entered into by any of the Group companies have to be additionally approved by the finance department of the Group before execution of such transactions; and (ii) the relevant sales department will report to the finance department of the Group to assess the need to revise the relevant annual caps and to take the appropriate measures, including complying with the announcement and/or independent shareholders' approval requirements in accordance with the Listing Rules;

(d) the Company will arrange additional training to the relevant responsible personnel of the Group to strengthen their understanding to identify the circumstances which are expected to trigger an announcement and other reporting requirements under the Listing Rules; and

(e) on an ongoing basis, the Company will work more closely with external advisers, financial and legal, before entering into any potential notifiable or connected transactions. If necessary, the Company could also consult the Stock Exchange on the proper treatment of the proposed transaction.

Save as disclosed above and in note 34 to the consolidated financial statements, the Group has not engaged in any other connected transactions and/or related party transactions during the Financial Year.

Annual review of continuing connected transactions

As disclosed in the announcement of the Company dated 28 March 2025, the Company should have re-complied with the relevant requirements under Rule 14A.54 of the Listing Rules in respect of the exceeding of the 2024 Annual Cap. In the course of the preparation of the annual results of the Company for the year ended 31 December 2024, the Company noticed that the Actual Transaction Amount reached approximately HK$6.8 million, which had exceeded the 2024 Annual Cap (which was set at HK$3.5 million) by the Exceeded Amount i.e. approximately HK$3.3 million. Therefore, the Company, after obtaining the approval of the Board, promptly publish the corresponding announcement to disclose the details of such transactions.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to conduct a limited assurance engagement on the above non-exempt continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements 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 Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its modified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor has reported their conclusion to the Board and the following is the extract of the auditor's letter, stating that:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)

Basis for Qualified Conclusion

The annual cap for purchases from CR Care Company Limited for the year ended 31 December 2024 is HK$3.5 million as disclosed in the Company's announcement dated 15 December 2023. Based on the information provided to us by the directors of the Company, the aggregate amount of the above transactions for the year ended 31 December 2024 was HK$6.8 million, which exceeded the cap by HK$3.5 million.

Qualified Conclusion

Based on the foregoing, in respect of the disclosed continuing connected transactions:

a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, based on the procedures performed and the evidence obtained, except for the continuing connected transactions described in the "Basis for Qualified Conclusion" section which exceeded the relevant annual cap, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed above, there is no contract of significance between the Group and a controlling shareholder of the Company (as defined in the Listing Rules) or any of its subsidiaries, including the provision of services by the controlling shareholder or its subsidiaries to the Group.

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

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

(b) on normal commercial terms or better; and

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

CONNECTED TRANSACTIONS

Leasing of Properties from connected person

On 15 December 2023, Tycoon Global Limited ("**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 34 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 34 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2024, 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]	Interest in controlled corporation	432,616,326 (L)	54.08%

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 432,616,326 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.

DIRECTORS' AND CHIEF EXECUTIVES' 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 2024, 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 2024, 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	Beneficial owner	432,616,326(L)	54.08%
Ngai Sze Kei(2)	Interest of spouse	432,616,326(L)	54.08%
CR Pharma Retail	Beneficial owner	151,895,000(L)	18.99%
CR Pharma(3)	Interest in controlled corporation	151,895,000(L)	18.99%
CRH (Pharmaceutical) Limited(3)	Interest in controlled corporation	151,895,000(L)	18.99%
China Resources (Holdings) Company Limited(3)	Interest in controlled corporation	151,895,000(L)	18.99%
CRC Bluesky Limited(3)	Interest in controlled corporation	151,895,000(L)	18.99%
China Resources Inc.(3)	Interest in controlled corporation	151,895,000(L)	18.99%
China Resources Company Limited(3)	Interest in controlled corporation	151,895,000(L)	18.99%
Jacobson Group Treasury Limited(4)	Beneficial owner	56,590,000(L)	7.07%
Jacobson Pharma Group (BVI) Limited(4)	Interest in controlled corporation	56,590,000(L)	7.07%
Jacobson Pharma Corporation Limited(4)	Interest in controlled corporation	56,590,000(L)	7.07%
Kingshill Development Limited(4)	Interest in controlled corporation	56,590,000(L)	7.07%
Kingshill Development Group Inc.(4)	Interest in controlled corporation	56,590,000(L)	7.07%
Sum Kwong Yip, Derek(4)	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(4)	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 2024 has been used for calculation of the approximate percentage.

(2) The 432,616,326 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.

(3) These interests in Shares comprise the 151,895,000 Shares held by CR Pharma Retail. 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.

(4) 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 42.53% 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 2024, 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. For details of the share option scheme, please refer to the Prospectus. From 1 January 2023, the Company has relied on the transitional arrangements provided for the existing Share Schemes and has complied with the new Chapter 17 of the Listing Rules 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 nonexecutive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which our Group holds an equity interest;

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

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

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

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

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

SHARE OPTION SCHEME (continued)

(2) Participants (continued)

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

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

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

(3) Total number of shares available for issue

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

SHARE OPTION SCHEME (continued)

(4) Maximum entitlement of each participant

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

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

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

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

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

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

SHARE OPTION SCHEME (continued)

(7) Vesting period

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

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

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

(9) Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted and will end on 22 March 2030. The remaining life of the Share Option Scheme is approximately five 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 FY2024 and there were no outstanding options under the Share Option Scheme as at 31 December 2024. 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 five years.

During the Financial Year, 10,000,000 awarded shares (FY2023: 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), 1,680,000 awarded shares have been vested and 160,000 awarded shares have been forfeited. The vesting period of such awarded shares ranges from 1 January 2025 to 1 July 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(b) to the consolidated financial statements of the Company and the following:

Category of participants	Date of grant	Vesting period	Closing price of shares immediately before the date of grant	Number of awarded shares: Outstanding as at 1 January 2024	Granted during the Financial Year *(Note 6)*	Vested during the Financial Year *(Note 3)*	Lapsed/expired during the Financial Year	Cancelled/ forfeited during the Financial Year *(Note 4)*	Outstanding as at 31 December 2024
Directors	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 *(Note 2)*	1 Apr 2024 – 1 April 2026	HK$1.58	3,860,000	–	(1,156,000)	–	–	2,704,000
Other Grantees in aggregate	1 Apr 2021 *(Note 2)*	1 Apr 2022 – 1 April 2026	HK$1.58	1,750,000	–	(524,000)	–	(140,000)	1,086,000
Five highest paid individuals in aggregate	1 Jul 2024 *(Note 5)*	1 Jan 2025 – 1 Jul 2026 *(Note 7)*	HK$3.82	N/A	9,560,000	–	–	–	9,560,000
Other Grantees in aggregate	1 Jul 2024 *(Note 5)*	1 Jan 2025 – 1 Jul 2026 *(Note 7)*	HK$3.82	N/A	440,000	–	–	(20,000)	420,000
Total				5,610,000	10,000,000	(1,680,000)	–	(160,000)	13,770,000

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 the five highest paid individuals in aggregate and other grantees in aggregate on 1 April 2021 were vested was HK$4.17.

3. The purchase price of the awards vested during the Financial Year is nil.

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

5. The purchase price of the awards granted to the five highest paid individuals in aggregate and other grantees in aggregate on 1 July 2024 was nil.

6. There is no performance target attached to the awards. The Remuneration Committee and the Board considered that notwithstanding the absence of performance target, the grant of the share awards aligns with the purpose of the Share Award Scheme.

7. Please refer to the corporate governance report of this Annual Report for a summary of material matters relating to the Share Award Scheme reviewed by the remuneration committee of the Board.

SHARE AWARD SCHEME (continued)

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 2024	As of 31 December 2024
Total number of options available for grant under the scheme mandate	80,000,000	80,000,000
Total number of awards available for grant under the scheme mandate	32,326,000	22,486,000

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 2024 divided by the weighted average number of shares of the relevant class in issue for the year ended 31 December 2024 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 19% (2023: 43.0%) and 42% (2023: 80.3%) 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 54% (2023: 36.0%) and 79% (2023: 55.5%) of the Group's total revenue, respectively.

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

Employees

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

Customers

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

Suppliers

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

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

During the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury share). As at 31 December 2024, the Company did not hold any treasury shares.

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 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

Exercise of Put Option

Reference is made to the announcements of the Company dated 7 July 2023, 27 July 2023 and 3 October 2023, and the Major Disposal Circular in relation to, among other things, the disposal of the Sale Shares, being 51% of the issued shares of CWA, by Dynasty Garden, an indirect wholly-owned subsidiary of the Company, and the grant of the Put Option to the purchaser, ECF. Capitalised terms used in this Annual Report shall have the same meanings as those defined in the Major Disposal Circular unless the context otherwise requires.

As disclosed in the Major Disposal Circular, the Put Option was granted to ECF under the SP Agreement pursuant to which it may be exercised by ECF to require Dynasty Garden to purchase or to procure the purchase, either by itself and/or other third party(ies), all the Sale Shares held by it upon the occurrence of any of the Put Option Triggering Events, during the period commencing from the date of Completion and within two years after Completion.

On 27 January 2025, the Company received a notice of exercise of the Put Option from ECF under which Dynasty Garden was required to purchase the Sale Shares back from ECF. The Put Option Triggering Event on which ECF relied on to exercise the Put Option was that the Target Group had failed to meet one of its performance targets in relation to target turnover and target profits. The Exercise Price payable by Dynasty Garden to ECF for the Sale Shares was calculated as HK$106,000,000. In accordance with the terms of the SP Agreement, the Exercise Price was determined with reference 51% of the valuation of CWA Group reported on by an independent valuer, jointly appointed by Dynasty Garden and ECF, as the fair value of CWA Group as at 31 December 2024 and on a valuation methodology jointly approved by Dynasty Garden and ECF. As at 31 December 2024, ECF had not paid the Remaining Consideration (being an amount of HK$60.0 million) in accordance with the provisions of the SP Agreement. As such, the Exercise Price that was required to be paid by Dynasty Garden shall be equal to the amount of the Exercise Price in excess of the Remaining Consideration, being a net amount of HKS$46.0 million to ECF at completion of the Put Option exercise. The completion of the purchase of the Sale Shares with ECF took place on 28 February 2025 as agreed by ECF and Dynasty Garden.

EVENTS AFTER THE REPORTING PERIOD (continued)

Exercise of Put Option (continued)

The grant of the Put Option was part and parcel of the terms of the Disposal and as set out in the Major Disposal Circular, such grant was approved by Tycoon Empire by way of written approval at the time when the Disposal was approved.

Upon completion of the purchase of the Sale Shares, each of CWA and its subsidiaries have become a wholly-owned subsidiary of the Company and their financial results have been consolidated into the financial statements of the Group. Accordingly, any Provision of Financial Assistance (each as defined in the Major Disposal Circular and the circular of the Company dated 25 November 2024) shall cease to be a notifiable transaction under Chapter 14 of the Listing Rules or subject to any implications relating to financial assistance or relevant advance to an entity under Chapter 13 of the Listing Rules.

Change of Directors

Mr. Cao Weiyong tendered his resignation as a non-executive Director with effect on 10 January 2025. On 10 January 2025, the Board has resolved to appoint Mr. Hu Yang as a non-executive Director with effect from 10 January 2025. Mr. Hu Yang will hold his office until and will offer himself for re-election at the forthcoming AGM.

Save as disclosed, there has been no significant event affecting the Group after the Financial Year and up to the date of this Annual Report.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 26 May 2025 to Friday, 30 May 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 pm on Friday, 23 May 2025.

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, 28 March 2025

Corporate Governance Report

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

CORPORATE GOVERNANCE CULTURE AND VALUE

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 Board has established the Company's purpose, values and strategy, and will ensure these and the Company's culture are aligned.

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 responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

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

Board composition

The Board currently comprises eight members, 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. Hu Yang (appointed on 10 January 2025)
Ms. Liang Yan (appointed on 1 September 2024)
Ms. Li Ka Wa Helen
Mr. Lau Ka On David
Ms. Chong Yah Lien (resigned on 1 September 2024)
Mr. Cao Weiyong (resigned on 10 January 2025)

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 five 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	5/5	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Cao Weiyong[(1)]	5/5	N/A	N/A	N/A	N/A	1/1
Ms. Chong Yah Lien[(2)]	3/3	N/A	N/A	N/A	N/A	1/1
Ms. Liang Yan[(3)]	2/2	N/A	N/A	N/A	N/A	N/A
Ms. Li Ka Wa Helen	4/5	N/A	N/A	N/A	N/A	1/1
Mr. Lau Ka On David	5/5	N/A	N/A	N/A	N/A	1/1
Mr. Hu Yang[(4)]	N/A	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors						
Mr. Chung Siu Wah	5/5	2/2	3/3	2/2	1/1	0/1
Ms. Chan Ka Lai Vanessa	5/5	2/2	3/3	2/2	N/A	1/1
Mr. Mak Chung Hong	5/5	2/2	3/3	2/2	1/1	1/1

Notes:

(1) Mr. Cao Weiyong resigned as a non-executive director on 10 January 2025.

(2) Ms. Chong Yah Lien resigned as a non-executive director on 1 September 2024.

(3) Ms. Liang Yan was appointed as a non-executive director on 1 September 2024. 2 board meetings were held after her appointment.

(4) Mr. Hu Yang was appointed as a non-executive director on 10 January 2025.

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 2024.

Responsibilities

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

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

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

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

Independent non-executive Directors

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

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

Board Independence Evaluation

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

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

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

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Continuous Professional Development

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

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

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

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

	Areas		
Name of Director	**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 (resigned on 10 January 2025)	✓	✓	✓
Ms. Chong Yah Lien (resigned on 1 September 2024)	✓	✓	✓
Ms. Liang Yan (appointed on 1 September 2024)	✓	✓	✓
Ms. Li Ka Wa Helen	✓	✓	✓
Mr. Lau Ka On David	✓	✓	✓
Mr. Hu Yang (appointed on 10 January 2025)	N/A	N/A	N/A
Independent non-executive Directors			
Mr. Chung Siu Wah	✓	✓	✓
Ms. Chan Ka Lai Vanessa	✓	✓	✓
Mr. Mak Chung Hong	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

The non-executive Directors (including independent non-executive Directors) have served a significant role in the Board by bringing independent judgment on the performance, development and risk management of the Group. Each of the non-executive Directors and independent non-executive Directors of the Company is appointed for a continuous term 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 2023, the interim results for the six months ended 30 June 2024 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 three 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	2
HK$1,500,001 to HK$2,000,000	2
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$3,500,001 to HK$4,000,000	2

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 note 35 and note 9 to the consolidated financial statements, respectively.

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

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

Summary of matters relating to the Share Award Scheme reviewed by the Remuneration Committee

During the Financial Year, the Remuneration Committee considered, approved and made recommendation to the Board in relation to the grant of awards to employees of the Group ("**Grantees**"). For details of the awards granted during the Financial Year, please refer to the section headed "Share Award Scheme" in this Annual Report.

Under the Share Award Scheme, (which was adopted before the effective date of the new Chapter 17 of the Listing Rules (being 1 January 2023)), there are no restrictions prohibiting a vesting period of less than 12 months. The Remuneration Committee and the Board were of the view that a vesting period of less than 12 months is appropriate considering that the grants of awards serve as a recognition of the Grantees' past contribution to the Group, in particular the Grantees' performance which contributed to the financial performance of the Group, and to motivate and incentivise the Grantees to continuously contribute to the operation, development and long-term growth of the Group. The Remuneration Committee and the Board are of the view that the grants of awards to the Grantees with a vesting period of less than 12 months aligns with the purpose of the Share Award Scheme.

There is no performance target attached to the awards granted to the Grantees. The Remuneration Committee considered (1) the Grantees' experiences in the Group's business, length of service to the Group and contribution and dedication to the promotion of the Group's business; (2) the Grantees are employees of the Group who will directly contribute to the overall business performance, sustainable development and/or good corporate governance of the Group; (3) the awards will give the Grantees an opportunity to have a personal stake in the Company; and (4) the value of the awards shall be subject to the market performance of the Shares, which in turn depends on the performance of the Group, to which the Grantees would directly contribute. Therefore, the Remuneration Committee was of the view that notwithstanding the absence of performance target, the grant of the awards aligns with the purpose of the Share Award Scheme.

The awards granted are not subject to any clawback mechanism but shall lapse immediately in the event that prior to or on the vesting date, (i) the respective Grantee ceases to be an eligible participant under the Share Award Scheme; or (ii) the subsidiary of the Group by which a Grantee is employed ceases to be a subsidiary of the Group; or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company. The Remuneration Committee was of the view that a specific clawback mechanism is not necessary, having considered that the lapse of the awards upon the respective Grantee ceases to be an employee or an eligible participant under the Share Award Scheme, which is in line with the purpose of the Share Award Scheme and in the interests of the Company.

Saved as disclosed above, the Company did not make any grant of awards to the directors and/or senior managers of the Group as set forth in Rules 17.03F, 17.06B(7) and 17.06B(8) of the Listing Rules 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 two meetings to review the structure, size and composition of the Board, make recommendation to the Board on the appointment of a non-executive Director and review the independence of the independent non-executive Directors.

Corporate Governance Committee

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

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

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

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

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

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

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

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

PROCEDURES FOR NOMINATION OF DIRECTORS

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

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

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

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

COMPANY SECRETARY

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

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

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

DIRECTORS' SECURITIES TRANSACTION

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

Internal Controls

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

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

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

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

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

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

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

Risk Management

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

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

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

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

The Board together with senior management monitor and assess risk regularly, boost related management standards and evaluate investment projects. The Board, through the Audit Committee, conducted an annual review on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to (i) the Group's ability to respond to changes in its business and external environment in terms of significant risks; (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control system and the extent and frequency of communication of monitoring results to the Board; (iii) significant control failing or weakness having been identified and their related implications; and (iv) status of compliance with the Listing Rules. Based on the risk assessments conducted for the year under review, no significant risk was identified and the Board is of the opinion that the Group's risk management and internal control systems were adequate and effective during the year ended 31 December 2024.

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 rendered in relation to the major transaction of the Group during the year	950
Total	3,450

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 38 to 64. 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 2024, 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 90 to 93 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 AntiCorruption 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 2024 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.

As disclosed in the announcement of the Company dated 28 March 2025, the Company proposed to amend and restate its current articles of association mainly for the purpose (i) updating and bring the articles of association in line with the latest regulatory requirements of the Listing Rules in respect of the further expansion of its paperless listing regime, the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules and (ii) making other consequential and housekeeping amendments. A circular containing, amongst others, further details of the proposed amendments to the articles of association, the adoption of the third amended and restated articles of association will be published on the websites of the Stock Exchange and the Company and be despatched (if applicable) to the Shareholders in due course.

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. The Group ensures ongoing compliance with local laws and regulations in the regions where it operates, while also prioritizing the interests of stakeholders in its 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 regularly collect data on ESG aspects through its ESG committee, which includes employees from various departments such as finance, human resources, marketing, procurement, and sourcing. This data is then consolidated, analyzed, and compiled into 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.

Throughout the reporting year, societal concerns regarding corporate social responsibility have continued to grow. As a leading omnichannel brand marketing and management service provider in Hong Kong specializing in health and well-being products, we remain committed to optimizing 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 uphold by our employees. Besides, 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 2024, China has continued to advance its national priorities under the 14th Five-Year Plan, emphasizing sustainable development, innovation, and green growth. As a responsible corporate citizen, we are dedicated to supporting China's 14th Five-Year Plan by aligning our strategies with its objectives, including environmental protection, social well-being, and governance excellence. We will continue to do our best to contribute to the nation's vision for a more sustainable and prosperous future.

The Group's management has diligently worked to diversify its businesses over the past years. Alongside strengthening the business chain, the Group has been enhancing its dual-channel distribution model, which integrates 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 complexities of global geopolitical situations, the Group remains focused on its omnichannel brand marketing business, supported by a diversified sales network. We are committed to offering consumers a variety of options that promote health and vitality, ultimately enhancing their overall quality of life. The management will continue to adopt a vigilant approach, monitoring and adapting to market conditions, with the goal of maximizing shareholder returns and achieving long-term 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, 28 March 2025

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 2024 ("**Reporting Year**" or "**Reporting Period**"). This report is the Company's fifth 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 of the Listing Rules. It fulfills the "mandatory" and "comply or explain" provisions of the Guide. Both the English and Chinese versions of this ESG report are available on our website (https://www.tycoongroup.com.hk) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk).

Overview of the Group

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

The Group operates two business segments: i) the distribution business and ii) the retail store business.

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

As a reputable provider of health and well-being related products, Tycoon has distributed over 300 brands and is one of the major distributors for PCM in Hong Kong. We have established a diversified sales network through its distribution and retail business, bringing reputable and high-quality products to consumers through its online and offline dual-channel commerce strategy. The products distributed by us include products bearing the brands of third-party brand owners, which are sourced from the brand owners and/or distributors and traders, and Private Label Products, i.e. products developed and marketed under the brands of our Group and produced by external manufacturers engaged by us on an ODM (original design manufacturing) basis.

Reporting boundary

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

Reporting principles

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

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

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

- **Greenhouse Gas (GHG) calculation references and methodologies are based on Appendix 2:** Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Sixth Assessment Report, and 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

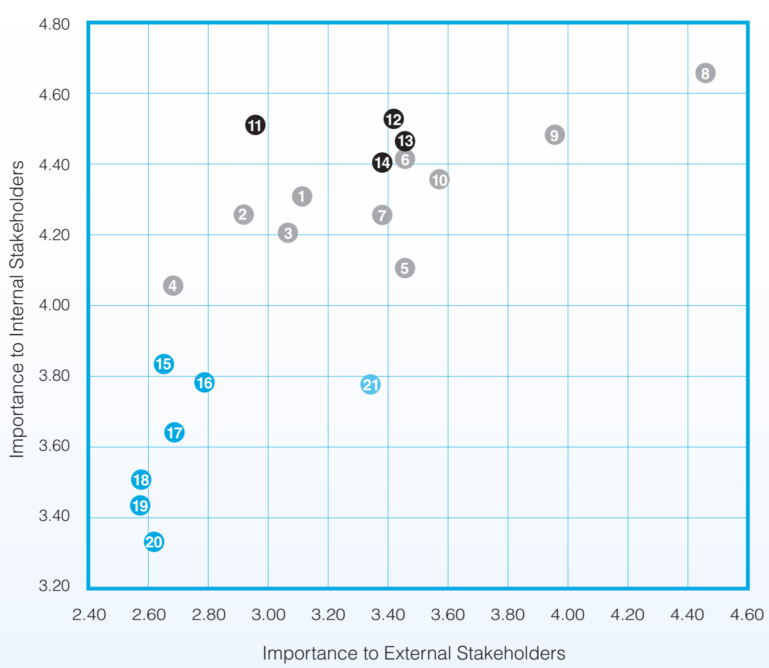
It is important to understand our stakeholders' needs and expectations. Better yet, their opinions help the Group to identify as well as prioritise development strategies. The communication channels we use to engage with different stakeholders regularly are as follows:

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 necessary of conducting stakeholder engagement and materiality assessment. The Group identified and formulated 21 material sustainability topics back in 2020, and determined their inclusion and prioritisation for reporting by engaging with key internal and external stakeholder groups.

Materiality Matrix



1 Corporate Governance & Risk Management
2 Research & Development of self-product
3 Product Diversity
4 Logistic management
5 Anti-Competitive Practice
6 Data Security & Personal Information Protection
7 Procurement & Supply Chain Management
8 Product Safety
9 Product integrity
10 Intellectual Property Right Protection

11 Talent Management
12 Occupational Health & Safety
13 Employee benefits & Welfare
14 Equal Opportunities

15 Product Environmental Stewardship
16 Green Procurement
17 Waste and Recyclables Management
18 Energy Efficiency
19 Water Management
20 GHG Emissions and Climate Change

21 Caring for the community

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 is pleased to publish its fifth 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 prohibit 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 are seeking opportunities to integrate the environmentally friendly technologies into our business operations.
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	1. Corporate governance and risk management	The Group recognize 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 prioritizes the quality of its goods and services, aiming to minimize any potential health and safety risks associated with their use. We are committed to continuously improving our products by addressing customer needs and ensuring the well-being 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 license in proprietary Chinese medicines according to the Chinese Medicine Ordinance in Hong Kong and License for Import, Export and Wholesale of Pharmaceutical Products in Macau. Furthermore, the Group's products, including California Baby, Nordic Naturals, and AZO Cranberry, have received numerous international awards and accolades. For more details, please visit their respective websites.

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 guarantee product safety, the sourcing, sales, and marketing departments are fully committed to this crucial process. A robust product quality management system has been established, with a stringent quality assurance process in place 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 Year, all of our food-related products successfully passed random internal inspections. All validated reports have been thoroughly documented and securely 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 include labels that clearly display information such as ingredients, allergens, additives, nutritional values, brand name, contact details, best-before date, volume, usage instructions, dosage, and storage conditions. Additionally, a medical prescription is required to be included inside the packaging. 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 relies on supporting documents and information provided by suppliers to recommend appropriate wording and descriptions for materials, ensuring that product claims are accurate and free from 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 is dedicated to providing comprehensive care for the health of consumers. We highly value customer feedback and use it to improve and develop our future products. To ensure effective communication, the Group has established multiple channels for customers to provide feedback or lodge complaints, whether verbally or 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 2024, the Group did not receive any significant complaint, and there were no product recalls for safety or health reasons.

Occupational Health and Safety

The Group places the highest priority on the health and safety of its employees. Our aim is to foster a working environment that is healthy, safe, and comfortable for all employees. We are dedicated to identifying and eliminating potential hazards by implementing comprehensive safety management measures, ensuring the continuous improvement 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, multiple occupational safety training sessions and fire drills were organized to raise employees' awareness of safety practices.

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, along with the cross-brands safety committee, continues to enforce hygienic and safety measures across office and operational sites. Regular cleaning and disinfection services have been scheduled and implemented. Special attention is given to the active ingredients, concentration levels, and contact time of disinfectants on cleaning surfaces to ensure their effectiveness. Additionally, the Group maintains close communication with the cleaning crew and property management regarding cleaning and disinfection services. Both the Group and employees remain vigilant about maintaining the hygiene conditions of the office environment.

No work-related fatalities were accrued in the past three years. There is also no lost day due to work injury recorded in the Reporting Period. This 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 regularly provide reminders to our employees through materials 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 – such as limits on stockpile height – are enforced to protect our employees. In the event of an accident, the Group promptly assists the injured and conducts a thorough investigation to determine the root cause. When necessary, external consultants or professionals are engaged to participate in the investigation and develop an improvement plan to prevent future occurrences.

Health and safety serve as the foundation for enhancing safety awareness. We remain committed to our ongoing efforts to maintain safe and healthy work environments and operations. During the Reporting Period, there were no non-compliance issues with any health and safety-related laws and regulations in Hong Kong, PRC and Macau.

Intellectual Property Rights Protection

The Group has established relevant policies for managing product patents, intellectual property rights, and privacy. We maintain our own research and development team and own self-developed brands. We take intellectual property rights seriously, and as of 2024, owns 61 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 ensure that all software applications and other patented goods used by the Group are obtained legally, strictly prohibiting the use of unauthorized copies. Each department is assigned a designated folder on the computer server with access permissions configured to prevent data leakage. The Group is committed to respecting and safeguarding intellectual property rights. To support this, a dedicated legal team is in place to manage and provide 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 its establishment, the Group has consistently prioritized equality among all employees. Compensation packages are determined primarily based on performance and experience, while also considering industry standards and practices. The remuneration policy and packages are regularly reviewed and evaluated to ensure their fairness and 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. In addition, all employees are entitled to paid leaves, including annual leave, maternity leave, and marriage leave. Employees in Hong Kong are enrolled in comprehensive medical plans that cover 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 detailed instructions on anti-corruption and conflict of interest. All employees, including the executive director, are required to sign and acknowledge the manual. To reinforce awareness of anti-corruption practices and proper conduct, regular refresher training sessions are provided to existing employees.

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 conducted in a strictly confidential manner to ensure that individuals reporting misconduct are protected from retaliation or harassment. The Group enforces practical preventive measures through employee handbooks and regular announcements. Additionally, we may offer rewards and recognition, such as commendations and incentives, to employees who report unlawful or non-compliant behaviour, thereby 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, or money laundering were reported against Tycoon Group or its employees. The Group has fully complied with all relevant laws and regulations related to bribery, extortion, fraud, and money laundering in Hong Kong, Macau, and China.

Anti-corruption training

Category	Percentage of Trained Employees in 2024 (%)	Average Number of Hours of Training Completed by Each Employee in 2024 (Hour)
By Employee Category		
Director	N/A	N/A
Manager	3%	1
General Staff	97%	0.94

EMPLOYMENT AND LABOUR PRACTICES

Labour Practices

Employment laws and regulations establish the minimum age for employment and outline the rights and protections for workers. The Group fully respects and strictly adheres 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 ensure appropriate care is provided 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

To retain talented individuals and maintain consistent, excellent product quality within the Group, we offer employees a competitive compensation package. This package recognizes their contributions and motivates them to continue supporting the Group's success. Employees are evaluated based on key performance indicators and are required to complete an annual appraisal, which serves as a basis 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.

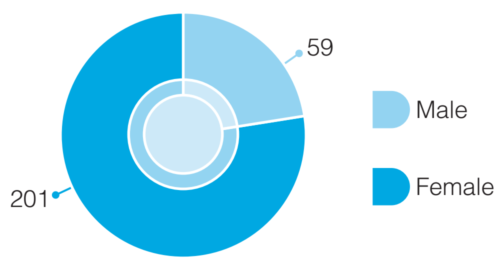
All employees receive regular training sessions that cover company product knowledge, technical expertise, and information security. In addition to job-specific training, soft skills training is provided to foster the development of employees and promote growth within the Group. The human resources department conducts regular reviews of training programs to stay updated with market trends and the global macroenvironment. By integrating training into the promotion process, employees are encouraged to stay informed about 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 are benchmarked against industry norms, and the Group's remuneration policy is determined based on the position, duties, and performance of employees. Depending on their job roles, employees receive remuneration packages that may include salary, overtime allowances, bonuses, and subsidies. The performance appraisal cycle varies according to the employees' positions. 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 a 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**").

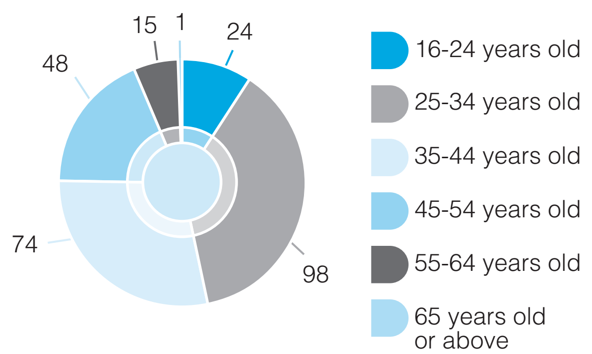
Team Structure

On 31 December 2024, the Group had 260 employees of which general staff accounted for around 78% (203). The remaining 22% (57) employees were the directors and managers. Detailed team structure by gender, age group, geographical region, employee category and employment type are shown below.

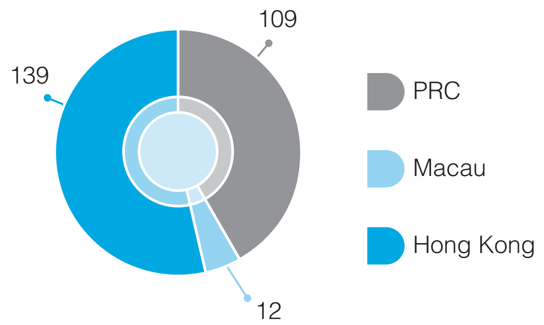
Total workforce by gender



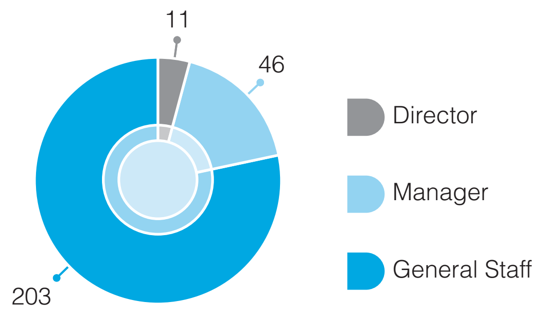
Total workforce by age group



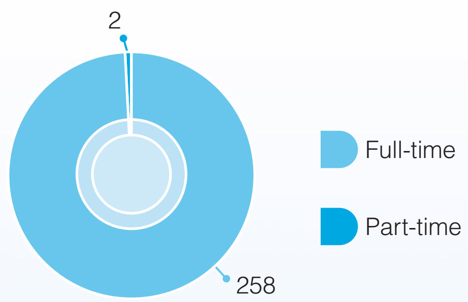
Total workforce by geographical region



Total workforce by employee category



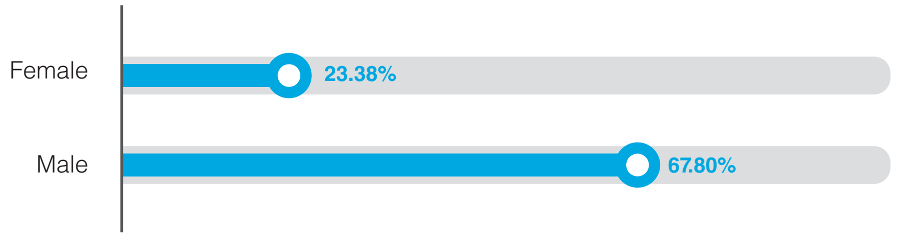
Total workforce by employee type



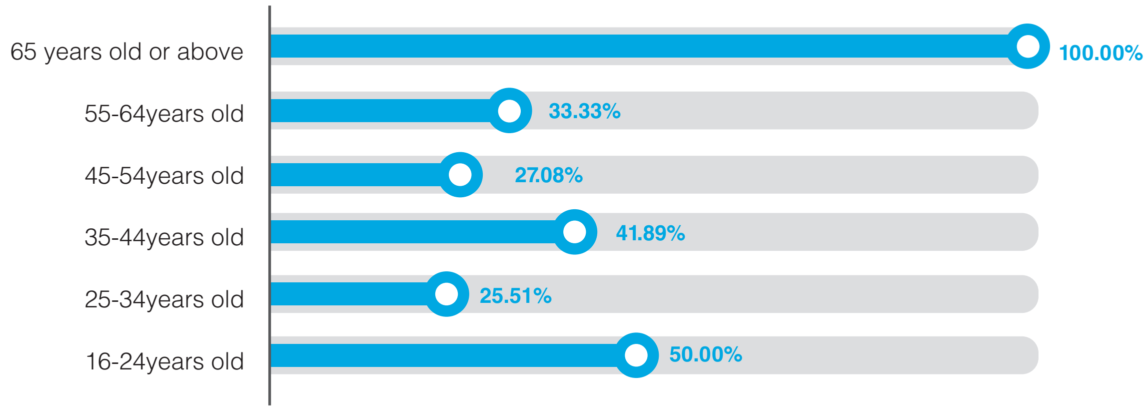
Workforce Composition

In the Reporting Period, the overall turnover rate was around 33%. For the turnover rate by gender, age group and geographical region[1], please refer to the bar charts below.

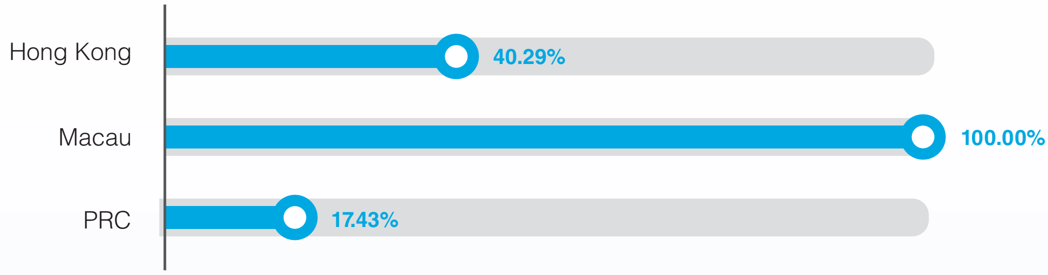
Employee turnover rate by gender



Employee turnover rate by age group



Employee turnover rate by geographical region



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

Recruitment, Dismissal, Equal Opportunity and Anti-discrimination

The Group strives to create an inclusive, safe, and harmonious working environment, as we believe employees are indispensable and essential to our business success. By fostering a pleasant working environment, we aim to promote communication, cooperation, and engagement within the Group, while enhancing employees' sense of belonging. 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 adhered to relevant legislation in each operational region when recruiting and employing candidates. By implementing a standardized and systematic recruitment process, we ensure that all 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. This process provides valuable insights and feedback. The Group strives to make improvements and implement changes whenever applicable based on the feedback received.

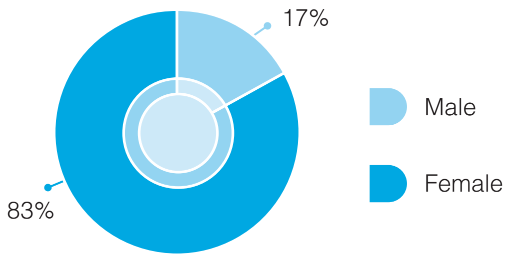
Any employee who is intimidated, humiliated, bullied or harassed (including sexual harassment) may report to the employee's representative or file complaints directly to the management representative or the general manager, and the Group will take a serious approach to resolve these issues upon receiving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

Talent Management

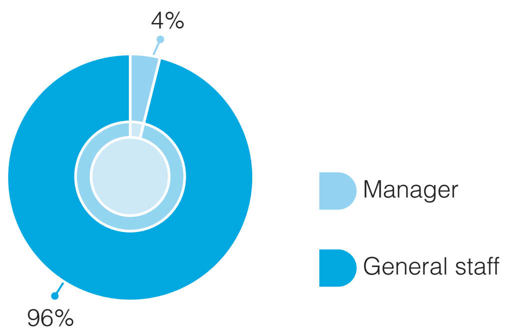
To address the dynamic market landscape and ensure that employees are well-equipped with the latest technologies and technical knowledge, the human resources department has introduced a specialized training program focused on product knowledge for promoters and marketing teams. This program aims to provide our employees with the necessary skills and expertise to navigate in the dynamic market environment effectively. During the Reporting Period, there were 579.5 training hours offered to 53% (137) employees. The percentage of trained employees and the average training hours by gender and employee category are shown below. The average training hours were 4.23 per person in the Reporting Period.

Training hours completed

Percentage of employees trained by gender



Percentage of employees trained by employee category



	Average training hours completed (hours)[2]
Per employee by gender	
Male	5.81
Female	1.18
Per employee category	
Director	N/A
Manager	0.11
General staff	2.83

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 are committed to sourcing and expanding our product offerings. Since 2021, we have obtained the distribution rights for various health product brands. Among these new brands, the Group has obtained the sole distributorship in Hong Kong and Macau 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 highlighted that intestinal micro-ecological regulators (commonly known as "**probiotics**") could be used to alleviate symptoms in patients during COVID-19 recovery. By regulating and restoring the intestinal micro-ecological balance of the body, probiotics help reduce the risks of secondary infections.

Since 2020, the Group has continued to expand its overseas presence. Over the years, a diverse sales network and extensive product portfolio have been established to reinforce its role as an 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. To safeguard the data of our business partners, the Group has implemented comprehensive risk management and information technology policies. These policies are designed to protect the confidentiality and integrity of data. Additionally, the Group has established a clear protocol to guide employees in handling personal data, ensuring compliance with the legal requirements specific to each operational area. Information is collected lawfully and directly, strictly for a predefined purpose. 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 exclusively to designated management personnel. Regular data handling training is arranged to ensure these individuals stay updated on the latest regulations and requirements. Any individual found guilty of misconduct related to data handling will face dismissal from the Group. 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 great emphasis on corporate social responsibility (CSR) and is committed to promoting environmental protection, health and safety, and other related initiatives. We expect our suppliers to uphold the same high standards and align with our CSR goals. To ensure effective supplier management and alignment with the Group's stakeholders, we have established a comprehensive 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 developed a holistic supplier assessment process, which includes a structured protocol to guide employees in systematically selecting, assessing, and approving suppliers. The assessment criteria encompass factors such as price, market potential, and product quality. 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 fail to meet the specified requirements are expected to take immediate corrective actions. If successive reviews reveal a consistent failure to comply with the required conditions, the Group reserves the right to terminate the business agreement with the respective supplier.

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. In 2024, none of our new and existing suppliers possess environmental certifications.

To prevent supply chain disruptions, we maintain active communication with our suppliers and provide forecast orders and demand projections up to one year in advance. Additionally, suppliers and the Group regularly liaise to review and adjust demands as needed to ensure alignment and flexibility. 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	2
Hong Kong, China	250
Australia	22
United States	8
Japan	27
Mainland China	24
India	4
Macau, China	1
Singapore	10
Italy	2
Taiwan	10
Korea	11
Indonesia	0
France	1
Germany	2
Malaysia	5
Thailand	10
United Kingdom	1

COMMUNITY

Caring for the Community

The Group is committed to making a positive impact on society and actively supports community initiatives in areas such as education, social security, and healthcare. We take our social responsibilities seriously and encourage employees to participate in volunteer service activities, providing them with opportunities to engage in meaningful causes 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 contributed HKD 149,000 in donations to the community and those in need and dedicated 30 hours to volunteer service. Our volunteer team joined the "Board Game Fun" and "Healthy Snack Making Workshop" organized by SAGE Chai Wan District Elderly Community Centre, engaging with over 80 elderly participants through interactive games and snack preparation. 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, 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 France's No.1 baby washing care brand and the best-selling baby washing care brand 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 come from Fair Trade, 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 2024, 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	• increase email consumption to minimize paper consumption in office; Arranged to recycle scrap papers as much as possible; • Encourage 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; • Procure 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; • Use LED lighting.

Energy consumption

2024

Category	Measuring unit[3]	Total consumption	Intensity (per sales quantity)
Electricity purchased	kWh	372,984.53	0.00042
Unleaded petrol	kWh	6,002.85	0.0000068

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

2024

	Measuring unit	Hong Kong headquarters	PRC offices	Macau offices
Total	m^3	392	2,028	119

Water consumption, year-by-year comparison

	Measuring unit	2024	2023	2022
Total	m^3	2,539	2,347	2,340.21
Intensity	L per sales quantity	0.0029	0.0022	0.003573

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.

2024

		Measuring unit
Total GHG emissions (Scope 1, 2 and 3)	296.86	tCO_2e
Intensity (per sales quantity)	0.00000033	tCO_2e
Air pollutants		
NO_x	0.32	Kg
SO_x	0.0096	Kg
P_M	0.02	Kg

2024

		Measuring unit	Hong Kong Headquarters	PRC offices	Macau offices
Scope 1 – direct					
Stationary combustion	0	tCO_2e	0	0	0
Mobile combustion	1.76	tCO_2e	1.76	0	0
Scope 2 – energy indirect					
Purchased electricity	157.42	tCO_2e	106.56	40.69	10.17
Scope 3 – other indirect					
Business air travel	98.45	tCO_2e	98.45	0	0
Paper disposal	39.23	tCO_2e	N/A	39.23	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

2024		Measuring unit	Hong Kong headquarters	PRC offices	Macau offices
Total, paper consumed	8.17	Metric tonnes	N/A	8.17	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 113 to 203, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- 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 2024, 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$167,027,000 as at 31 December 2024, net of provision for inventories of HK$4,438,000. 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 2024, net provision for inventories of HK$3,169,000 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, for-gery, 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)

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, 28 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	6	876,037	1,198,649
Cost of sales	8	(643,382)	(877,547)
Gross profit		232,655	321,102
Other income	6	4,489	6,147
Other gains, net	6	308	202,875
Selling and distribution expenses	8	(109,876)	(108,524)
General and administrative expenses	8	(95,325)	(84,530)
Net impairment losses on financial assets		(2,255)	(520)
Operating profit		29,996	336,550
Finance costs	7	(21,238)	(23,416)
Share of results of investments accounted for using the equity method		(3,297)	4,562
Profit before income tax		5,461	317,696
Income tax credit/(expense)	10	566	(20,373)
Profit for the year		6,027	297,323
Other comprehensive (loss)/income			
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		(5,590)	(737)
Reclassification of exchange reserve upon the disposal of subsidiaries		–	5,987
Total comprehensive income for the year		437	302,573
Profit attributable to:			
Equity holders of the Company		3,240	297,319
Non-controlling interests		2,787	4
		6,027	297,323
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(2,350)	302,569
Non-controlling interests		2,787	4
		437	302,573
Earnings per share attributable to the ordinary equity holders of the Company			
Basic (HK cents per share)	11	HK0.4 cent	HK38 cents
Diluted (HK cents per share)	11	HK0.4 cent	HK38 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 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	*13*	53,058	54,486
Right-of-use assets	*14*	10,465	17,181
Intangible assets	*15*	82,861	86,248
Investments accounted for using the equity method	*17*	81,057	102,203
Prepayments and deposits	*19*	477	862
Financial asset at fair value through profit or loss	*18*	–	57,750
Deferred income tax assets	*28*	4,427	3,663
Total non-current assets		232,345	322,393
Current assets			
Inventories	*20*	167,027	141,345
Prepayments, deposits and other receivables	*19*	252,512	161,294
Amounts due from related parties	*21*	49,024	88,206
Trade receivables	*22*	270,635	236,612
Cash and cash equivalents	*23*	34,020	39,101
Total current assets		773,218	666,558
Total assets		1,005,563	988,951
Non-current liabilities			
Lease liabilities	*14*	4,476	8,894
Deferred income tax liabilities	*28*	2,987	3,396
Total non-current liabilities		7,463	12,290

	Notes	2024 HK$'000	2023 HK$'000
Current liabilities			
Trade payables	*24*	132,321	156,714
Other payables and accruals	*25*	50,008	70,071
Bank borrowings	*26*	270,296	139,028
Loan from a shareholder	*27*	50,000	50,000
Lease liabilities	*14*	6,207	8,238
Current tax liabilities		311	9,064
Total current liabilities		509,143	433,115
Total liabilities		516,606	445,405
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*29*	8,000	8,000
Reserves		470,852	528,228
		478,852	536,228
Non-controlling interests	*16*	10,105	7,318
Total equity		488,957	543,546
Total equity and liabilities		1,005,563	988,951

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 2024

	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 2024	8,000	231,772	(80)	(8,066)	(30,768)	6,215	278	1,530	327,347	536,228	7,318	543,546
Profit for the year	-	-	-	-	-	-	-	-	3,240	3,240	2,787	6,027
Other comprehensive (loss)/ income:												
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	-	(5,590)	-	(5,590)	-	(5,590)
Total comprehensive income for the year	-	-	-	-	-	-	-	(5,590)	3,240	(2,350)	2,787	437
Transactions with owners in their capacity as owners:												
Vesting of shares under share award scheme	-	(907)	-	-	3,562	17,919	-	-	-	20,574	-	20,574
Acquisition of shares for share award scheme (Note 30(b))	-	-	-	-	(47,600)	-	-	-	-	(47,600)	-	(47,600)
Dividends to the shareholders of the Company	-	-	-	-	-	-	-	-	(28,000)	(28,000)	-	(28,000)
Balance at 31 December 2024	8,000	230,865	(80)	(8,066)	(74,806)	24,134	278	(4,060)	302,587	478,852	10,105	488,957

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 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	–	–	–	–	(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	–	–	–	–	–	–	–	–	–	–	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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	31(a)	(59,183)	17,036
Income taxes paid		(17,439)	(5,180)
Net cash (used in)/generated from operating activities		(76,622)	11,856
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(2,313)	(3,882)
Disposal of property, plant and equipment	31(b)	–	636
Purchase of financial assets at fair value through profit or loss		–	(15,300)
Acquisition of a subsidiary		–	2,357
Proceeds from disposal of subsidiaries		–	61,677
Acquisition of a subsidiary	32	(7,752)	–
Proceeds from disposal of financial asset at fair value through profit or loss		58,587	–
Interest received		26	207
Net cash generated from investing activities		48,548	45,695
Cash flows from financing activities			
Dividends paid to the shareholders of the Company		(28,000)	(52,000)
Acquisition of shares for employee share scheme	30(b)	(47,600)	(9,400)
Interest paid	31(c)	(21,388)	(24,070)
Proceeds from bank borrowings	31(c)	573,794	632,700
Repayment of bank borrowings	31(c)	(442,513)	(627,197)
Principal elements of lease payments	31(c)	(8,669)	(12,390)
Proceeds from loan from a shareholder	31(c)	100,000	100,000
Repayment of loan from a shareholder	31(c)	(100,000)	(100,000)
Net cash generated from/(used in) financing activities		25,624	(92,357)
Net decrease in cash and cash equivalents		(2,450)	(34,806)
Cash and cash equivalents at the beginning of the year		39,101	74,603
Exchange losses on cash and cash equivalents		(2,631)	(696)
Cash and cash equivalents at the end of the year	23	34,020	39,101

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

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 28 March 2025.

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.

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 Amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2024:

HKAS 1	Classification of Liabilities as Current or Non-current (amendments)
HKAS 1	Non-current Liabilities with Covenants (amendments)
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)
HKAS 17 and HKFRS 7	Supplier Finance Arrangements (amendments)

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 2024 reporting periods and have not been early adopted by the Group.

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

2.1 BASIS OF PREPARATION (continued)

2.1.2 New standards and interpretations not yet adopted (continued)

HKFRS 18 will replace HKAS 1 "Presentation of Financial Statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the consolidated statement of profit or loss and other comprehensive income providing management-defined performance measures within the consolidated financial statements.

The management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. The Group expects to apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

In addition to the abovementioned changes in presentation and disclosures, the Group is in the process of assessing the impact of adopting other new accounting standards and amendments to accounting standards and interpretation on its 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

The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than the Group's functional currency.

The majority of the Group's transactions were denominated in its functional currency. There are no significant financial assets and financial liabilities denominated in currencies other than the functional currency for the period. The Group is therefore not exposed to significant foreign exchange risk. The Group currently does not hedge its foreign currency exposure.

(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 2024, the price risk is insignificant to the Group.

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 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 2024, if interest rate on cash and cash equivalents, loan from a shareholder and bank borrowings issued at variable rates had been 50 basis point higher/lower with all variables held constant, post-tax profit for the year and equity of the Group would have been HK$1,195,000 lower/higher (2023: HK$626,000), mainly as a result of change in interest expenses on loan from a shareholder and bank borrowings issued at variable rates (2023: same).

As at 31 December 2024, the fair value interest rate risk is insignificant to the Group (2023: same).

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables (Note 22), deposits and other receivables (Note 19), amounts due from related parties (Note 21) 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 31.2% and 70.1% (2023: 25.7% and 64.0%) of the gross trade receivable balances as at 31 December 2024, 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, amounts due from related parties and deposits and other receivables 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 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 2024, the expected credit loss on individual basis is close to zero (2023: 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. As at 31 December 2024, the balance of loss allowance in respect of these collectively assessed receivables was HK$1,482,000.

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

For other financial assets carried at amortised cost, including the balance of amounts due from related parties and deposits and other receivables, the expected credit loss is based on the 12-month. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of these receivables.

As at 31 December 2024, expected credit loss of HK$486,000 (2023: Nil) and HK$807,000 (2023: HK$520,000) on the amounts due from related parties and deposits and other receivables, respectively. Management considers that its credit risk has not increased significantly since initial recognition.

There is no loss allowance for cash and cash equivalents as at 31 December 2024 (2023: same).

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 and loan from a shareholder. 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 2024, the Company maintained cash and cash equivalents of HK$34,020,000 (2023: HK$39,101,000), 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.

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 2024					
Trade payables	10,876	121,445	–	–	132,321
Other payables and accruals	–	38,620	–	–	38,620
Bank borrowings	270,296	–	–	–	270,296
Loan from a shareholder	–	50,000	–	–	50,000
Lease liabilities	–	6,463	4,542	–	11,005
Total	281,172	216,528	4,542	–	502,242

	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

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 2024					
Principal	262,855	492	1,582	5,367	270,296
Interest	10,981	198	510	662	12,351
Total	273,836	690	2,092	6,029	282,647

	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

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:

	2024 HK$'000	2023 HK$'000
Bank borrowings	270,296	139,028
Loan from a shareholder	50,000	50,000
Lease liabilities	10,683	17,132
Less: Cash and cash equivalents	(34,020)	(39,101)
Net debt	296,959	167,059
Capital	478,852	536,228
Capital and net debt	775,811	703,287
Gearing ratio	38.3%	23.8%

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION

(i) Fair value hierarchy

There was no financial's instruments carried at fair values as at 31 December 2024.

The table below analyses the Group's financial instruments carried at fair values as at 31 December 2023 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 assets that are 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 assets at fair value through profit or loss				
– Listed securities	57,750	–	–	57,750
Total	57,750	–	–	57,750

No other transfers of financial assets and liabilities between the fair value hierarchy classifications during the year ended 31 December 2024 (2023: same).

3 FINANCIAL RISK (continued)

3.3 FAIR VALUE ESTIMATION (continued)

(i) Fair value hierarchy (continued)

(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.

(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.

(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.

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
- Lease liabilities

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Provision for inventories

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 15. 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.

(c) Impairment of investments accounted for using the equity method

The Group assesses whether there are any indicators of impairment of an investment accounted for using the equity method at the end of each reporting period. It is tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the investment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Judgement is required to determine key assumptions adopted in the cash flow projections including sales growth rate, gross profit margin and discount rate. Changes to these key assumptions could affect these cash flow projections and therefore the results of the impairment review.

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 represents the operation of Combo Win Asia Limited ("**CWA**") and its subsidiaries (the "**CWA Group**") (Note 17); and

(c) the retail store segment, which represents 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 income 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 on financial assets at fair value through profit or loss, change in value of investment in an insurance contract, exchange loss, finance income, finance costs (interests on bank borrowings and loan from a shareholder), share based payment expense and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude financial assets at fair value through profit or loss, 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, 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	
	2024	2023	2024	2023	2024	2023	2024	2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	699,649	684,284	–	406,397	176,388	107,968	876,037	1,198,649
Inter-segment revenue	15,111	22,094	–	–	1,357	8,905	16,468	30,999
Reportable segment revenue	714,760	706,378	–	406,397	177,745	116,873	892,505	1,229,648
Reportable segment results	57,272	94,919	(3,297)	48,380	8,966	7,611	62,941	150,910
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 on financial assets at fair value through profit or loss							837	6,450
Change in value of investment in an insurance contract							–	148
Exchange loss							(529)	(314)
Finance income							26	207
Finance costs (interests on bank borrowings and loan from a shareholder)							(20,041)	(23,010)
Share based payment expense							(20,574)	(1,419)
Corporate and other unallocated expenses							(17,199)	(13,029)
Profit before income tax							5,461	317,696
Income tax credit/(expense)							566	(20,373)
Profit for the year							6,027	297,323

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	
	2024	2023	2024	2023	2024	2023	2024	2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	616,720	478,349	81,057	102,203	142,186	137,275	839,963	717,827
Financial assets at fair value through profit or loss							–	57,750
Deferred income tax assets							4,427	3,663
Amounts due from related parties							49,024	88,206
Cash and cash equivalents							34,020	39,101
Receivable from disposal of subsidiaries *(Note 33)*							60,000	60,000
Corporate and other unallocated assets							18,129	22,404
Total							1,005,563	988,951

	Distribution		E-commerce		Retail Store		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment liabilities	(148,103)	(197,481)	–	–	(44,011)	(42,623)	(192,114)	(240,104)
Deferred income tax liabilities							(2,987)	(3,396)
Bank borrowings							(270,296)	(139,028)
Loan from a shareholder							(50,000)	(50,000)
Current tax liabilities							(311)	(9,064)
Corporate and other unallocated liabilities							(898)	(3,813)
Total							(516,606)	(445,405)

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
2024					
Other segment information					
Depreciation of property, plant and equipment, including leasehold land	3,476	–	24	206	3,706
Depreciation of right-of-use assets	6,456	–	1,985	494	8,935
Amortisation of intangible assets	1,050	–	1,570	–	2,620
Addition to non-current assets	2,444	–	1,621	422	4,487
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

5 OPERATING SEGMENT INFORMATION (continued)

(c) Geographical information

(i) Revenue from external customers

	2024 HK$'000	2023 HK$'000
Mainland China	–	413,892
Hong Kong	709,432	623,747
Macau	89,321	112,655
Singapore	65,575	41,795
Malaysia	9,561	5,482
Others	2,148	1,078
Total revenue from contracts with customers	876,037	1,198,649
Timing of revenue recognition at a point in time	876,037	1,198,649

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 and financial instruments)

	2024 HK$'000	2023 HK$'000
Hong Kong	97,221	103,981
Macau	40,196	42,156
Singapore	9,110	10,295
Australia	4	98
Others	330	2,247
Total	146,861	158,777

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:

	2024 HK$'000	2023 HK$'000
Distribution		
Customer A	471,849	431,973
Customer B	89,791	73,899

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

Revenue, other income and other gains, net recognised during the year are as follows:

	2024 HK$'000	2023 HK$'000
Revenue		
Sales of goods	876,037	1,198,649
Timing of revenue recognition		
At a point in time	876,037	1,198,649
Other income		
Government grants *(Note a)*	168	748
Service income from a joint venture *(Note 34(a))*	–	117
Finance income	26	207
Dividend income	1,575	3,273
Others	2,720	1,802
	4,489	6,147
Other gains, net		
Fair value gain on financial assets at fair value through profit or loss	837	6,450
Change in value of investment in an insurance contract	–	148
Loss on disposal of property, plant and equipment	–	(388)
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
Exchange loss	(529)	(1,476)
	308	202,875

Note:

(a) The amounts recognised were primarily related to the government subsidies granted by the Government of the Hong Kong Special Administrative Region under SME Export Marketing Fund for the year ended 31 December 2024 (2023: Technology Voucher Programme). There were no unfulfilled conditions and other contingencies attaching to these grants.

7 FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on bank borrowings	16,465	19,581
Interest on lease liabilities	440	406
Interest on loan from a shareholder	3,576	3,429
Others	757	–
	21,238	23,416

8 EXPENSES BY NATURE

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

	2024 HK$'000	2023 HK$'000
Cost of inventories sold (including write down of inventories of HK$5,989,000 (2023: HK$5,010,000))	642,511	877,547
Depreciation of property, plant and equipment, including leasehold land *(Note 13)*	3,706	5,390
Depreciation of right-of-use assets *(Note 14)*	8,935	12,093
Amortisation of intangible assets *(Note 15)*	2,620	2,374
Remuneration to the Company's auditor		
– Group annual audit services	2,500	2,500
– Non-audit services	950	1,500
Employee benefit expenses *(Note 9)*	88,992	65,856
Expenses under short-term leases	2,167	2,222
Advertising fee	43,530	42,874
Service expense to a joint venture *(Note 34(a))*	–	2,651

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2024 HK$'000	2023 HK$'000
Wages, salaries and bonus	65,570	60,261
Pension costs	2,848	4,176
Share-based payment expenses	20,574	1,419
	88,992	65,856

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (continued)

FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one (2023: same) director whose emoluments are reflected in the analysis shown in Note 35. For the purpose of the disclosure below, share-based payment expenses is calculated based on the difference between the market price of the shares on the day of vesting and the price paid, if any, for the shares. The emoluments payable to the remaining four (2023: same) individuals during the year are as follows:

	2024 HK$'000	2023 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	10,448	6,689
Contribution to pension scheme	72	72
Discretionary bonuses	1,512	242
	12,032	7,003

The emoluments fell within the following bands:

	2024 HK$'000	2023 HK$'000
Emoluments bands (in HK dollar)		
Nil to HK$1,000,000	–	1
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	–	2
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	1	–

10 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the year ended 31 December 2024. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2024 HK$'000	2023 HK$'000
Current income tax		
– Hong Kong	992	18,304
– Others	1,836	1,227
Over-provision in prior years	(2,221)	(994)
Total current income tax	607	18,537
Deferred income tax	(1,173)	1,836
Total tax (credit)/expense for the year	(566)	20,373

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:

	2024 HK$'000	2023 HK$'000
Profit before tax	5,461	317,696
Tax at the statutory tax rate at 16.5%	901	52,420
Effect of tax rate differences in other jurisdictions	2,568	(4,114)
Income not subject to tax	(883)	(31,865)
Expenses not deductible for tax	551	9
Tax loss not recognised	528	368
Over-provision in prior years	(2,221)	(994)
Recognition of previously unrecognised tax losses	(287)	–
Utilisation of previously unrecognised tax losses	(1,840)	–
Others	117	4,549
Tax (credit)/expense	(566)	20,373

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	
	2024	2023
Profit attributable to equity holders of the Company *(HK$'000)*	**3,240**	297,319
Weighted average number of ordinary shares in issue *(in thousands)*	**776,174**	781,316
Basic earnings per share *(HK cents)*	**0.4**	38

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 (2023: one) category of potentially dilutive ordinary shares: share awards (2023: 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 2024 and 2023, 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	
	2024	2023
Profit attributable to equity holders of the Company *(HK$'000)*	**3,240**	297,319
Weighted average number of ordinary shares in issue *(in thousands)*	**776,174**	781,316
Adjustment for share awards *(in thousands)*	**6,411**	5,365
Weighted average number of ordinary shares in issues for diluted earnings per share *(in thousands)*	**782,585**	786,681
Diluted earnings per share *(HK cents)*	**0.4**	38

12 DIVIDEND

	2024 HK$'000	2023 HK$'000
Paid dividend:		
Interim dividend declared		
– Nil (2023: HK3.5 cents per ordinary share)	–	28,000
Proposed dividend:		
Final dividend in respect of the year		
– Nil (2023: HK3.5 cents per ordinary share)	–	28,000

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 2023						
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	–	–	58	–	–	58
Disposal	–	(948)	(76)	–	–	(1,024)
Disposal of subsidiaries	–	(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
Year ended 31 December 2024						
Opening net book amount	52,829	226	711	82	638	54,486
Additions	–	1,266	421	86	540	2,313
Disposal	–	–	–	–	–	–
Depreciation *(Note 8)*	(2,619)	(537)	(268)	(68)	(214)	(3,706)
Exchange realignment	(18)	(14)	–	1	(4)	(35)
Closing net book amount	50,192	941	864	101	960	53,058
At 31 December 2024						
Cost	66,356	3,870	2,200	417	2,237	75,080
Accumulated depreciation	(16,164)	(2,929)	(1,336)	(316)	(1,277)	(22,022)
Net book amount	50,192	941	864	101	960	53,058

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation expense of HK$3,069,000 (2023: HK$4,748,000) and HK$637,000 (2023: HK$642,000) has been charged to general and administrative expense and selling and distribution expense, respectively.

At 31 December 2024, certain of the Group's property, plant and equipment with a net carrying value of approximately HK$31,862,000 (2023: HK$33,403,000), 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 2023	13,101
Additions	18,324
Depreciation *(Note 8)*	(12,093)
Disposal of subsidiaries	(2,077)
Exchange realignment	(74)
As at 31 December 2023 and 1 January 2024	**17,181**
Additions	**2,174**
Depreciation *(Note 8)*	**(8,935)**
Exchange realignment	**45**
As at 31 December 2024	**10,465**

14 LEASES (continued)

Material accounting policy (continued)

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

Depreciation of HK$2,339,000 (2023: HK$4,175,000) and HK$6,596,000 (2023: HK$7,918,000) 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 2024 was HK$11,276,000 (2023: HK$15,018,000), including the payment of principal elements (Note 31(c)), interest elements of lease liabilities (Note 7) and expenses under short-term leases (Note 8) amounted to HK$8,669,000 (2023: HK$12,390,000), HK$440,000 (2023: HK$406,000) and HK$2,167,000 (2023: HK$2,222,000), 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 2023	43,905
Depreciation	(2,117)
Carrying amount at 31 December 2023 and 1 January 2024	**41,788**
Depreciation	**(2,117)**
Carrying amount at 31 December 2024	**39,671**

No cash outflows with respect to leasehold land for the year ended 31 December 2024 (2023: same).

14 LEASES (continued)

Material accounting policy (continued)

(b) Lease liabilities

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

	2024 HK$'000	2023 HK$'000
As at 1 January	17,132	13,230
Additions	2,174	18,324
Disposal of subsidiaries	–	(1,956)
Accretion of interest recognised during the year	440	406
Payments	(9,109)	(12,796)
Exchange realignment	46	(76)
As at 31 December	10,683	17,132

The lease liabilities based on their maturities are as follows:

	2024 HK$'000	2023 HK$'000
Analysed into:		
Within one year	6,207	8,238
In the second year	4,476	5,129
In the third to fifth years, inclusive	–	3,765
	10,683	17,132

14 LEASES (continued)

Material accounting policy (continued)

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

	2024 HK$'000	2023 HK$'000
Depreciation charge of right-of-use assets-buildings *(Note 14(a))*	8,935	12,093
Interest on lease liabilities *(Note 7)*	440	406
Expenses under short-term leases *(Note 8)*	2,167	2,222
	11,542	14,721

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 Group's policy regarding impairments.

(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.

15 INTANGIBLE ASSETS (continued)

Material accounting policy (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.

	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 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	34,258	–	7,900	7,800	49,958
At 31 December 2023 and 1 January 2024	65,036	2,716	11,151	7,345	86,248
Amortisation during the year *(Note 8)*	–	(561)	(1,279)	(780)	(2,620)
Exchange realignment	(452)	–	(315)	–	(767)
At 31 December 2024	64,584	2,155	9,557	6,565	82,861

15 INTANGIBLE ASSETS (continued)

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 2024, the Group's goodwill of HK$26,139,000 and HK$34,258,000 are attributable to the acquisition of Jefferine Macau Limited ("**Jefferine**") and HNH, respectively (2023: same).

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

Impairment test for goodwill arising from acquisition of Jefferine

The key assumptions are as follows:

	2024	2023
Sales growth rate	3.6%	3.6%
Gross profit margin	23.7%	18.0%
Discount rate	19.3%	20.6%
Terminal growth rate	1.5%	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.

Impairment test for goodwill arising from acquisition of HNH

The key assumptions are as follows:

	2024	2023
Sales growth rate	5.4%	6.4%
Gross profit margin	10.0%	9.5%
Discount rate	17.3%	17.3%
Terminal growth rate	2.0%	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:

	2024	2023
Cost of sales	871	541
Selling and distribution expenses	1,749	1,833
	2,620	2,374

16 SUBSIDIARIES

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

As at 31 December 2024

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 Chinese Medical Trading Pte. Ltd. ("**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%	Retail and distribution of pharmaceutical products and proprietary medicine

16 SUBSIDIARIES (continued)

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	MOP25,000 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%	Retail and distribution of pharmaceutical products and proprietary medicine

(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:

	2024	2023
Percentage of equity interest held by non-controlling interests:		
HNH	30%	30%
Profit for the year allocated to non-controlling interests (HK$'000):		
HNH	3,039	1,282
Accumulated balances of non-controlling interests at the reporting date (HK$'000):		
HNH	12,115	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 on a standalone basis for the year ended 31 December 2024. The amounts disclosed are before any inter-company eliminations:

	2024 HK$'000	2023 HK$'000
Revenue	177,745	116,873
Profit	11,437	5,011
Total comprehensive income	11,437	5,011
Current assets	110,080	86,250
Non-current assets	2,381	1,982
Current liabilities	(81,957)	(70,262)
Non-current liabilities	(686)	(89)
Net cash flows (used in)/generated from operating activities	(2,532)	1,467
Net cash flows used in financing activities	(2,095)	(1,720)
Net decrease in cash and bank balances	(4,603)	(253)

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 31 December 2024, the Group's investments accounted for using the equity method represent the investments in CWA (2023: CWA and Fancy Summit 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 2024

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

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

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Note a:

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

	2024 HK$'000	2023 HK$'000
Revenue for the year (2023: for the period since 1 October 2023 to 31 December 2023)	**401,007**	353,120
Profit for the year (2023: for the period since 1 October 2023 to 31 December 2023) (Note)	**2,241**	9,110
Current assets	**248,820**	319,933
Non-current assets	**28,367**	30,019
Current liabilities	**(256,411)**	(292,401)
Non-current liabilities	**(8,913)**	(11,502)
Net assets	**11,863**	46,049
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate	**5,813**	22,564
Intangible assets including goodwill, net of deferred tax liabilities	**75,244**	79,639
Carrying amount of the investment in CWA	**81,057**	102,203

Note: The share of loss of investment accounted for using the equity method of HK$3,297,000 primarily consists of 49% of the CWA's profit for the year of HK$2,241,000 less CWA's amortisation expense of intangible assets, net of deferred tax liabilities, of HK$8,969,000, being the net loss shared by the Group for the year ended 31 December 2024.

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 34(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.

	2024 HK$'000	2023 HK$'000
Aggregate carrying amount of individually immaterial joint ventures	–	–
Aggregate amounts of the Group's share of:		
– Loss from continuing operations	–	–

During the year ended 31 December 2024, Fancy Summit was disposed to CWA at a consideration of HK$1. 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.

The Group's balance with the joint ventures are disclosed in Note 34(b) to the consolidated financial statements.

18 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 HK$'000	2023 HK$'000
Listed equity investment in Hong Kong *(Note a)*	–	57,750
	–	57,750

Notes:

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

The investment was disposed at consideration of HK$58,587,000 during the year ended 31 December 2024.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Prepayments	138,988	82,879
Deposits	3,806	1,328
Receivable from disposal of subsidiaries *(Note (b))*	60,000	60,000
Other receivables	51,002	18,469
	253,796	162,676
Less: Provision for impairment	(807)	(520)
	252,989	162,156
Less: Prepayments and deposits classified as non-current assets	(477)	(862)
	252,512	161,294

Notes:

(a) Prepayments, deposits and other receivables mainly represent rental deposits and prepayment to suppliers. As at 31 December 2024, included in deposits was HK$579,000 (2023: 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 34(a)).

(b) The amount represents the remaining consideration receivable from the Disposal of CWA on 30 September 2023 (Note 33).

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.

	2024 HK$'000	2023 HK$'000
Finished goods	167,027	141,345

During the year ended 31 December 2024, the Group has written down inventories of HK$5,989,000 (2023: HK$5,010,000) in the consolidated statement of profit or loss and other comprehensive income, which includes net provision for inventories of HK$3,169,000 (2023: HK$249,000).

21 AMOUNTS DUE FROM RELATED PARTIES

(a) Amounts due from related parties

	2024 HK$'000	2023 HK$'000
Amounts due from related parties *(Note 34(b))*	49,510	88,206
Less: Provision for impairment	(486)	–
	49,024	88,206

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.

22 TRADE RECEIVABLES (continued)

Material accounting policy (continued)

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).

	2024 HK$'000	2023 HK$'000
Trade receivables	272,117	236,612
Less: Provision for impairment	(1,482)	–
	270,635	236,612

Included in the Group's trade receivables were amounts due from related parties of the Group of HK$18,495,000 (2023: HK$27,008,000) as at 31 December 2024 (Note 34(b)).

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

	2024 HK$'000	2023 HK$'000
Trade receivables:		
Within 90 days	192,253	153,289
91 to 180 days	26,182	28,159
Over 180 days	53,682	55,164
	272,117	236,612

23 CASH AND CASH EQUIVALENTS

	2024 HK$'000	2023 HK$'000
Cash and cash equivalents	34,020	39,101

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:

	2024 HK$'000	2023 HK$'000
Within 30 days	29,110	19,493
31 to 60 days	24,791	25,178
61 to 120 days	25,741	36,981
Over 120 days	52,679	75,062
	132,321	156,714

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$10,876,000 (2023: HK$8,629,000) as at 31 December 2024 (Note 34(b)).

25 OTHER PAYABLES AND ACCRUALS

	2024 HK$'000	2023 HK$'000
Accruals	13,653	9,362
Refund liabilities	8,372	4,036
Interest payables	–	150
Consideration payable *(Note 32)*	–	3,648
Redemption liability *(Note 32)*	2,736	6,084
Other payables	25,247	46,791
	50,008	70,071

26 BANK BORROWINGS

	As at 31 December 2024		As at 31 December 2023	
	Contractual interest rate (%)	HK$'000	Contractual interest rate (%)	HK$'000
Current				
Bank loans – secured	Prime-2.75 to HIBOR + 2.40	68,930	Prime-1.25 to HIBOR + 3.25	37,397
Bank loans – unsecured	HIBOR + 2.40	39,000	HIBOR + 2.40	39,000
Invoice financing loans – secured	HIBOR + 1.90 to HIBOR + 2.48	162,366	HIBOR + 1.20 to HIBOR + 3.00	62,631
Total		270,296		139,028
Analysis into:				
Bank loans repayable:				
On demand		270,296		139,028

At 31 December 2024 and 2023, 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. Corporate guarantees provided by the Company of HK$170,971,000 (2023: HK$13,684,000); and

Except for the Group's bank borrowings of HK7,930,000 (2023: HK$8,397,000) as at 31 December 2024, that were denominated in MOP, the Group's bank borrowings are all denominated in HK$.

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 2024 and 2023, the balance was secured by all shares in HNH held by the Group, with interest bearing at HIBOR + 2.5% per annum (2023: same) and was repayable on 31 March 2025. At 31 December 2024, all of the Group's shares in HNH were pledged to secure a loan from a shareholder granted to the Group (2023: 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 2023	1,170
Acquisition of a subsidiary	2,590
Credited to profit or loss during the year	(364)
At 31 December 2023 and 1 January 2024	3,396
Credited to profit or loss during the year	(409)
As at 31 December 2024	2,987

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 2023	9,205
Disposal of subsidiaries	(3,342)
Debited to profit or loss during the year	(2,200)
As at 31 December 2023 and 1 January 2024	3,663
Credited to profit or loss during the year	764
As at 31 December 2024	4,427

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$6,650,000 (2023: HK$17,585,000) as at 31 December 2024 to offset against future taxable profits. Tax losses amounting to HK$3,700,000 (2023: HK$15,796,000) have no expiry dates. The remaining tax losses will expire from 2026 to 2029 (2023: 2026 to 2028).

29 ISSUED CAPITAL

Shares

	2024 HK$'000	2023 HK$'000
Issued and fully paid: 800,000,000 (2023: 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 2023, 31 December 2023, 1 January 2024 and 31 December 2024	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	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 2024 and 2023.

(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 11,010,000 (2023: 2,150,000) ordinary shares of the Company at an average price of HK$4.32 (2023: HK$4.37) per share at an aggregate consideration of HK$47,600,000 (2023: HK$9,400,000) through the Trustee for the Share Award Scheme. As at 31 December 2024, there were 33,160,000 (2023: 22,150,000) 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 2024, 10,000,000 awarded shares have been granted for the selected grantees under the Share Award Scheme (2023: Nil) 160,000 (2023: 1,160,000) awarded shares have been forfeited for the year. These shares had a grant date fair value of HK$3.84, which was the closing price of the Company's shares trading on the Hong Kong Stock Exchange on the grant date. These awarded shares shall vest within half year to two years from the grant date.

Movements in the number of awarded shares outstanding are as follows:

	2024 Share awards (thousands)	2023 Share awards (thousands)
At 1 January	5,610	7,744
Granted	10,000	–
Vested	(1,680)	(974)
Forfeited	(160)	(1,160)
At 31 December	13,770	5,610

During the year ended 31 December 2024, share-based payment expense of HK$20,574,000 (2023: HK$1,419,000) (Note 9) was recognised in the consolidated statement of profit or loss and other comprehensive income and was credited in equity.

31 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash used in operations

	Notes	2024 HK$'000	2023 HK$'000
Cash flow used in operating activities			
Profit before income tax		5,461	317,696
Adjustments for:			
Finance costs	*7*	21,238	23,416
Share of results of investments accounted for using the equity method		3,297	(4,562)
Finance income	*6*	(26)	(207)
Depreciation of property, plant and equipment, including leasehold land	*8*	3,706	5,390
Depreciation of right-of-use assets	*8*	8,935	12,093
Amortisation of intangible assets	*8*	2,620	2,374
Share-based payment expenses	*9*	20,574	1,419
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 on financial assets at fair value through profit or loss	*6*	(837)	(6,450)
Change in value of investment in an insurance contract	*6*	–	(148)
Gain on disposal of a joint venture	*6*	–	(10,000)
Gain on disposal of subsidiaries	*6*	–	(186,727)
Write down of inventories	*8*	5,989	5,010
Net impairment losses on financial assets		2,255	520
		73,212	158,798
Changes in working capital:			
Increase in inventories		(31,671)	(82,493)
Increase in trade receivables		(35,505)	(21,505)
Increase in prepayments, deposits and other receivables		(91,120)	(39,927)
Decrease in trade payables		(24,393)	(42,678)
Increase in other payables and accruals		3,519	7,887
Decrease in amounts due from related parties		46,775	36,954
		(59,183)	17,036

31 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
Net book amount	1,024
Loss on disposal of property, plant and equipment	(388)
Proceeds from sales of property, plant and equipment	636

31 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 2024	150	50,000	139,028	17,132	206,310
Changes from financing cash flows					
Interest paid	(20,948)	–	–	(440)	(21,388)
Proceeds from bank borrowings	–	–	573,794	–	573,794
Repayment of bank borrowings	–	–	(442,513)	–	(442,513)
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	–	–	–	(8,669)	(8,669)
Other changes					
Interest expenses	20,798	–	–	440	21,238
Additions to lease liabilities *(Note 14)*	–	–	–	2,174	2,174
Exchange realignment	–	–	(13)	46	33
At 31 December 2024	–	50,000	270,296	10,683	330,979
At 1 January 2023	804	50,000	278,368	13,230	342,402
Change From operating cash flows					
Disposal of subsidiaries	–	–	(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

32 BUSINESS COMBINATION

On 28 April 2023, Million Effort Investment Limited ("**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, net in the consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 December 2024, the outstanding consideration payable of HK$3,648,000 regarding the Acquisition of 12% HNH's equity interests was settled.

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 within 18^{th} month to 24^{th} month after the Acquisition. The exercise price of both options are the same at HK$6,840,000 in cash. 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 as at 31 December 2023.

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.

On 28 March 2024, Million Effort and the Seller further entered into another sale and purchase agreement pursuant to which the Seller sold all its remaining equity interests in HNH to Million Effort for an aggregate consideration of HK$6,840,000 and completed the transaction on the same day. During the year ended 31 December 2024, HK$4,104,000 of the balance was settled, and the remaining outstanding balance of HK$2,736,000 was recognised within other payables and accruals as at 31 December 2024.

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).

Consideration of HK$60,000,000 remained outstanding as at 31 December 2023 and 2024 and was recognised in "prepayments, deposits and other receivables" in the consolidated statement of financial position.

34 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	2024 HK$'000	2023 HK$'000
Sale of products:			
Associate:			
– Han Lam Tong	*(i)*	–	13,550
– CWA and its subsidiaries	*(vii)*	545	75
Shareholders:			
China Resources Pharmaceutical Group Limited ("**CR Pharmaceutical**") and its subsidiaries and an associate (together, the "**CR Pharmaceutical Group**")	*(ii)*	18,485	29,800
Companies controlled by the Controlling Shareholder:			
– Talent Smart Holdings Limited and its subsidiaries ("**Talent Smart Group**")	*(iii)*	28	136

34 RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	2024 HK$'000	2023 HK$'000
Purchase of products:			
Associate:			
– Han Lam Tong	*(i)*	–	3,065
– CWA and its subsidiaries	*(vii)*	–	193
Shareholders:			
The CR Pharmaceutical Group	*(ii)*	8,029	145,205
Companies controlled by the Controlling Shareholder:			
– Talent Smart Group	*(iii)*	9,808	2,400
Service expense:			
Associate:			
– CWA and its subsidiaries	*(viii)*	6,006	4,331
Joint venture:			
– JMM Healthcare Limited ("**JMM**")	*(iv)*	–	2,651
Service Income:			
Joint venture:			
– JMM	*(v)*	–	117
Payments made on behalf of:			
Associate:			
– Han Lam Tong	*(vi)*	–	15
Joint ventures:			
– JMM	*(vi)*	–	23
– Fancy Summit Inc. and its subsidiaries	*(vi)*	23	24

34 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$6,818,000 (2023: HK$10,227,000) and lease liabilities of HK$6,922,000 (2023: HK$10,227,000) in respect of the leases were recognised in the consolidated statement of financial position as at 31 December 2024.

During the year, depreciation of right-of-use assets of HK$3,409,000 (2023: HK$3,597,000) and an interest expense on the lease liabilities of HK$259,000 (2023: HK$49,000) 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, were made at a mutually agreed price.

(ii) During the year ended 31 December 2024, sales to and purchase of products from the CR Pharmaceutical Group were transacted pursuant to the terms and conditions mutually agreed between the Company and the CR Pharmaceutical Group.

(iii) Sales to and purchase of products from Talent Smart Group were transacted pursuant to the terms and conditions mutually agreed between the Company and Talent Smart Group.

(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.

34 RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(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 2024 and 2023.

(vii) The sales to and purchase from CWA and its subsidiaries during the period after it was disposed on 30 September 2023, were made at a mutually agreed price.

(viii) Service expense payable to CWA and its subsidiaries was transacted at a rate mutually agreed between the two parties.

(b) Outstanding balances with related parties

	Notes	2024 HK$'000	2023 HK$'000
Trade receivables			
Trade receivables due from			
– The CR Pharmaceutical Group	*(i)*	161	1,043
– Talent Smart Group	*(ii)*	8	13
– CWA and its subsidiaries	*(ii)*	18,326	25,952
		18,495	27,008
Amounts due from			
– Joint ventures	*(ii)*	–	103
– Talent Smart Group	*(ii)*	1,727	–
– CWA and its subsidiaries	*(ii)*	47,297	88,103
		49,024	88,206
Trade payables			
Trade payables due to			
– Talent Smart Group	*(ii)*	3,196	636
– CWA and its subsidiaries	*(ii)*	7,680	7,993
		10,876	8,629

Notes:

(i) As at 31 December 2024, the balances with the CR Pharmaceutical Group are unsecured, interest-free and repayable on demand (2023: same).

(ii) As at 31 December 2024, these balances are unsecured, interest-free and repayable on demand (2023: same).

34 RELATED PARTY TRANSACTIONS (continued)

(c) The Group and the CWA Group continue to share the utilisation of the existing banking facilities as agreed. At 31 December 2024, the CWA Group's bank borrowings of HK$141,696,000 (2023: HK$61,287,000) were secured by guarantees provided by the Group. Certain of the Group's property, plant and equipment with net carrying value of approximately HK$12,510,000 (2023: HK$33,882,000) were pledged to secure bank loans of HK$331,000 (2023: HK$69,782,000) granted to the CWA Group.

(d) The compensation of key management personnel of the Group during the year is disclosed in note 9 and note 35 to the consolidated financial statements.

35 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:

	2024 HK$'000	2023 HK$'000
Fees	540	660
Other emoluments:		
Salaries, allowances and benefits in kind	3,725	3,105
Pension scheme contributions (defined contribution scheme)	18	18
	3,743	3,123
	4,283	3,783

35 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:

	2024 HK$'000	2023 HK$'000
Mr. Chung Siu Wah	180	165
Ms. Chan Ka Lai Vanessa	180	165
Mr. Mak Chung Hong	180	165
	540	495

During the year ended 31 December 2024, none of the independent non-executive directors waived emoluments (2023: None).

There were no other emoluments payable to the independent non-executive directors during the year (2023: 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
2024				
Executive director and Chairman				
Mr. Wong Ka Chun, Michael	180	3,725	18	3,923
Non-executive directors				
Ms. Chong Yah Lien (resigned on 1 September 2024)	–	–	–	–
Ms. Liang Yan (appointed on 1 September 2024)	–	–	–	–
Mr. Cao Weiyong (resigned on 10 January 2025)	–	–	–	–
Ms. Li Ka Wa Helen	180	–	–	180
Mr. Lau Ka On David	180	–	–	180
	540	3,725	18	4,283

35 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
2023				
Executive director and Chairman				
Mr. Wong Ka Chun, Michael	165	3,105	18	3,288
Non-executive directors				
Ms. Chong Yah Lien				
(resigned on 1 September 2024)	165	–	–	165
Mr. Cao Weiyong				
(resigned on 10 January 2025)	–	–	–	–
Ms. Li Ka Wa Helen	165	–	–	165
Mr. Lau Ka On David	165	–	–	165
	660	3,105	18	3,783

During the year ended 31 December 2024, three (2023: one) of the directors waived emoluments in aggregate of HK$360,000 (2023: HK$165,000).

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 (2023: 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.

36 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Pursuant to the Disposal, 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.

The CWA Group was unable to meet the financial targets as set out the put option agreement. On 27 January 2025, the Company received a notice of exercise of the put option from the Purchaser, obligating the Group to repurchase all the Purchaser's interests in the CWA Group (the "**Reacquisition**"). The Reacquisition was completed on 28 February 2025.

The consideration for this transaction was HK$106,000,000, determined based on the mutually agreed fair value of CWA Group on the Acquisition date. The amount will be offset against the outstanding receivable of HK$60,000,000 due from the Purchaser.

The operating results and assets and liabilities of CWA have been consolidated from 1 March 2025. Management engaged an independent professional valuer in assessing the purchase price allocation of the Reacquisition. As of the date of this report, the purchase price allocation has not been completed.

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Investment in subsidiaries	*(i)*	480,000	480,000
Prepayments		12	25
		480,012	480,025
Current assets			
Prepayments, deposits and other receivables		3,914	3,022
Amounts due from subsidiaries		13,048	50,900
Amounts due from related parties		240,368	240,345
Cash and bank balances		2,003	2,025
Total current assets		259,333	296,292
Current liabilities			
Other payables and accruals		61	2,116
Bank borrowings		67,000	63,000
Total current liabilities		67,061	65,116
Net current assets		192,272	231,176
Total assets less current liabilities		672,284	711,201
Net assets		672,284	711,201
Equity			
Issued capital	*29*	8,000	8,000
Reserves	*(ii)*	664,284	703,201
Total equity		672,284	711,201

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 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 and 1 January 2024	231,772	479,899	(30,768)	6,215	16,083	703,201
Profit for the year	–	–	–	–	16,109	16,109
Final 2023 dividend *(Note 12)*	–	–	–	–	(28,000)	(28,000)
Acquisition of shares for share award scheme	–	–	(47,600)	–	–	(47,600)
Vesting of shares under share award scheme	(907)	–	3,562	17,919	–	20,574
As at 31 December 2024	230,865	479,899	(74,806)	24,134	4,192	664,284

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	2024 HK$'000	2023 HK$'000
Financial assets			
Financial assets at amortised cost			
– Deposits and other receivables	*19*	114,001	79,277
– Amounts due from related parties	*21*	49,024	88,206
– Trade receivables	*22*	270,635	236,612
– Cash and cash equivalents	*23*	34,020	39,101
		467,680	443,196
Financial assets at fair value through profit or loss	*18*	–	57,750
		467,680	500,946
Financial liabilities			
Liabilities at amortised cost			
– Trade payables	*24*	132,321	156,714
– Other payables and accruals	*25*	38,620	65,885
– Bank borrowings	*26*	270,296	139,028
– Loan from a shareholder	*27*	50,000	50,000
– Lease liabilities	*14*	10,683	17,132
		501,920	428,759

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 39.8.

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 gains, 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 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

39.9 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)

39.9 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 gains, 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 gains, net" in the profit or loss as applicable.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

39.9 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.

39.10 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.

39.11 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)

39.12 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.

39.13 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.

39.14 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)

39.15 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.

39.16 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.

39.17 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)

39.17 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)

39.18 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)

39.18 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.

39.19 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)

39.20 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.

39.21 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)

39.21 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.

39.22 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)

39.23 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.

39.24 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 28 March 2025.

Financial Summary

	Year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	876,037	1,198,649	1,186,185	888,872	505,991
GROSS PROFIT	232,655	321,102	261,538	151,701	53,308
Profit/(loss) before tax	5,461	317,696	50,367	(17,498)	(68,469)
Profit/(loss) for the year	6,027	297,323	43,631	(17,402)	(60,965)
Profit/(loss) attributable to:					
Equity holders of the Company	3,240	297,319	43,750	(18,816)	(61,134)
Non-controlling interests	2,787	4	(119)	1,414	169

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets	232,345	322,393	182,465	188,759	188,061
Current assets	773,218	666,558	829,652	692,704	431,849
Total assets	1,005,563	988,951	1,012,117	881,463	619,910
LIABILITIES					
Non-current liabilities	7,463	12,290	4,180	4,997	8,191
Current liabilities	509,143	433,115	714,777	615,204	321,280
Total liabilities	516,606	445,405	718,957	620,201	329,471
NET ASSETS	488,957	543,546	293,160	261,262	290,439