



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



INTERIM REPORT

2023

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Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Mr. Cao Weiyong
Ms. Chong Yah Lien
Ms. Li Ka Wa Helen
Mr. Lau Ka On David

Independent non-executive Directors

Mr. Chung Siu Wah
Ms. Chan Ka Lai Vanessa
Mr. Mak Chung Hong
(also known as Mak Tommy Chung Hong)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Ka Chun Michael (Chairman)
Mr. Chung Siu Wah
Mr. Mak Chung Hong

COMPANY SECRETARY

Mr. Cheung Yuk Chuen (CPA, ACCA)

AUTHORISED REPRESENTATIVES

Mr. Wong Ka Chun Michael
Mr. Cheung Yuk Chuen

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wah Wai Centre
38 – 40 Au Pui Wan Street
Shatin, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISER

LCH Lawyers LLP

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.tycoongroup.com.hk

STOCK CODE

3390

Financial Highlights

	Six months ended 30 June		
	2023	2022	Change
	HK\$'000	HK\$'000	
Revenue			
– Distribution	375,147	291,872	28.6%
– E-commerce	275,420	296,331	-7.1%
– Retail store	15,719	–	
Total	666,286	588,203	13.3%
Gross profit	173,128	128,385	34.9%
Gross profit margin (%)	26.0%	21.8%	
Profit attributable to equity holders of the Company	87,528	22,472	289.5%
Profit margin attributable to equity holders of the Company (%)	13.1%	3.8%	
EBITDA (<i>Note</i>)	117,749	42,353	178.0%
EBITDA margin (%)	17.7%	7.2%	
Return on equity (%)	22.6%	8.3%	
	As at	As at	
	30 June	31 December	
	2023	2022	Change
	HK\$'000	HK\$'000	
Total assets	1,187,794	1,012,117	17.4%
Total liabilities	801,017	718,957	11.4%
Total equity	386,777	293,160	31.9%

Note:

EBITDA is a non-HKFRS measure used by the management for monitoring the core business performance of the Group. EBITDA is calculated based on profit for the period (1H2023: HK\$87,047,000; 1H2022: HK\$22,795,000) before interest (1H2023: HK\$11,806,000; 1H2022: HK\$4,054,000), tax expense (1H2023: HK\$9,467,000; 1H2022: HK\$6,642,000), depreciation and amortisation (1H2023: HK\$9,429,000; 1H2022: HK\$8,862,000), where “interest” is regarded as including finance income and finance costs.

Non-GAAP measures

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

Management Discussion and Analysis

The board (“**Board**”) of directors (“**Directors**”) of Tycoon Group Holdings Limited (“**Company**” or “**Tycoon**”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**” or “**Tycoon Group**”) for the six months ended 30 June 2023 (“**Period**” or “**1H2023**”), together with the comparative figures for the corresponding period in 2022 (“**Last Period**” or “**1H2022**”).

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

MARKET REVIEW

In 2023, Hong Kong continued to be affected by geopolitical situations, a weak European economy and interest rate hikes in the United States. Early in the year, normal travel fully resumed between Hong Kong and Mainland China, with strong local consumer sentiment and a rebound in visitor arrivals. Hong Kong’s economic performance improved markedly in the first quarter of 2023, with real GDP growing by 2.7% year-on-year and having contracted by 4.1% as compared with the fourth quarter of 2022. On a seasonally adjusted quarter-to-quarter comparison, real GDP surged by 5.3%. The resumption of cross-border activities between Hong Kong and Mainland China has had a positive impact on the retail market. This, coupled with the two rounds of consumption vouchers issued by the HKSAR Government to stimulate the local economy, has provided further support to local consumption.

On the visitor front, according to the statistics of the Hong Kong Tourism Board, a total of about 13 million visitor arrivals were recorded in the first half of 2023, of which more than 70% came from Mainland China, with about 10 million arrivals. Compared to the first half of 2022, when there were only a total of approximately 76,000 visitors to Hong Kong, the number of visitors has rebounded significantly. Separately, data from the Census and Statistics Department showed that retail sales in Hong Kong in the first six months of this year amounted to HK\$205.1 billion, representing approximately 85% of the figure in the same period in 2019, i.e. before the outbreak of the epidemic, and the overall retail market is entering into the stage of recovery. Comparing the retail sales value performance of the Chinese drugs and herbs, and the medicines and cosmetics categories in the first 6 months of 2023, there was a year-on-year growth of 33% and 39% respectively from 2022, reflecting the pleasing performance of the retail sales of Chinese medicines and healthcare products, and the continuous improvement in the overall business environment of the retail market.

Although Mainland visitor arrivals have rebounded, there are still a long way from the normal level before the epidemic which was about 30 million visitor arrivals were recorded in the first half of 2018. Compared with the number of visitor arrivals in the first half of 2023, the number of visitor arrivals has only recovered to about 40% of the pre-epidemic level, and there is still room for substantial growth in the second half of the year. The Group expects that the consumer and service sectors will continue to drive Hong Kong's economic recovery in the second half of the year as overall visitor arrivals continue to rise. Coupled with the fact that the second half of the year is traditionally a peak season for consumer spending, with a large number of long holidays such as the summer holidays, the Mid-Autumn Festival and Christmas, as well as a number of international events, which is believed to be conducive to the boosting of local consumer spending and confidence, the Group is confident that its offline sales business will once again take off and lead the overall development of the Group to new heights under a host of favourable factors.

BUSINESS REVIEW

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

During the Period, the Group recorded revenue of approximately HK\$666.3 million, an increase of 13.3% from the Last Period of HK\$588.2 million. The Group's net profit reached a record high for the half-yearly results, surging to HK\$87.0 million (1H2022: HK\$22.8 million), representing an increase of 281.9% year-on-year. The Group's revenue is back on track and continues to generate profit, mainly due to a significant rebound in the number of Individual Visit Scheme ("IVS") travellers as a result of the full resumption of normal travel between Hong Kong and Mainland China, and the relaxation of anti-epidemic restrictive measures, as well as the Group's continuous optimisation of its product portfolio, which has led to an increase in overall revenue and gross profit.

In July 2023, the Group announced the sale of a 51% stake in Combo Win Asia Limited ("CWA"), which is principally engaged in the e-commerce business and distribution business of healthcare and wellbeing related products in the PRC, to an independent third party, Evolution Capital Fund, for a consideration of HK\$130 million. Upon completion of the transaction, the Group will hold 49% equity interest in CWA. The additional proceeds from this transaction will provide the Group with more resources to strengthen its distribution business in Hong Kong, Macau and Southeast Asia.

Distribution business

The sales environment of the Group's distribution business in Hong Kong and Macau has improved significantly as a result of the rebound in the number of travellers since the full resumption of travel between Hong Kong and Mainland China. In the first half of 2023, the Group's distribution sales in Hong Kong grew significantly by 28.0% year-on-year, while distribution sales in Macau also rose by 10.9%, with the growth attributable to the synergies under the resumption of normal travel between the three places. Apart from continuing to focus on the development of Hong Kong, Macau and Mainland China, the Group has also invested resources in recent years to step up its efforts in expanding the Southeast Asian market, with the Group's distribution sales in Southeast Asia rising significantly by 114.2% year-on-year in the first half of 2023.

In view of the fact that the Group's distribution business is growing rapidly and is expected to return to the pre-epidemic level, the Group will focus its resources on promoting the distribution business in the future. The Group plans to use the additional funds obtained from the sale of CWA stake to strengthen its investment in the distribution business, including the distribution business in Hong Kong, Macau, and Southeast Asia, and also the development of its own brands, so as to promote the Group's long-term development, continue to enrich its product portfolio, enhance its gross profit margins, and generate better results.

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

E-commerce business

The e-commerce business continued to make steady profit contributions to the Group as a result of the rising public health awareness caused by the epidemic as well as the trend of online shopping, which boosted demand for PCM, healthcare products and personal care products. During the Period, the segment result of the e-commerce business amounted to HK\$19.8 million (1H2022: HK\$14.1 million).

Retail store business

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

Omnichannel brand marketing and management services for brands

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

Under the Group's comprehensive strategy, the Group has acquired the distribution rights of a number of internationally renowned brands, including the sole distributorship in China for one of the global best-selling probiotic brands, Culturelle®, as well as the exclusive distribution rights in Hong Kong for Japanese anti-hair loss and hair protection brand, Kaminowa; leading French baby washing care brand, Biolane; and Korean anti-hair loss and hair protection brand, Dr Banggiwon. For Biolane, the Group also has exclusive distribution rights in Singapore and Malaysia. In addition, the Group has also secured exclusive distribution rights in Hong Kong and Macau for Nu-Prep, one of the best-selling star products of the Malaysian herbal health product brand from Biotropics Malaysia Berhad ("**Biotropics Malaysia**").

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

Active own-brand development

In addition to its brand agency business, the Group is also actively developing its own brands. The Group has established and developed its own well-received brands of healthcare products, including "Boost & Guard Pro (BG Pro 博健專研)", "Craft by Wakan (和漢匠心)", and "Kinmen Qiangxiao (金門強效)". The Group will also 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 of Mainland visitors travelling under the IVS after the reopening of the border, as well as the new trend of the PCM and healthcare products market as a whole.

Expanding international presence and tapping into the Southeast Asian market

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

In 2022, the Group entered into a strategic collaboration agreement with Biotropics Malaysia, a company wholly owned by Khazanah Nasional Berhad, a Malaysian state-owned sovereign fund. The Group leverages its extensive brand management and marketing experience to bring Biotropics Malaysia's premium natural health products to the Greater China region, building international awareness for the brand.

The Group's internationalisation strategies have also borne fruit. Last year, a subsidiary of the Company entered into a cooperation agreement with, among others, a company under JD Logistics, Inc. (HKEX Stock Code: 2618.HK). The cooperation agreement authorises Tycoon Group to operate operation centres and storage centres in France, allowing the Group to attract and source more European brands and products. It is believed to be conducive to the development of the Group's sourcing activities from the European region in the future, so as to optimise the Group's product portfolio.

Regarding business development in Southeast Asia, the Group has set up companies in Singapore and Malaysia before going public. With the passing of the epidemic, the Group will put more resources into the Southeast Asian market, focusing on strengthening the distribution business in Malaysia and Singapore, and making reference to the successful distribution model in Hong Kong by distributing products through large personal care product chains in Malaysia and Singapore, which is expected to become another major profit-contributing region for the Group in the future.

FUTURE OUTLOOK

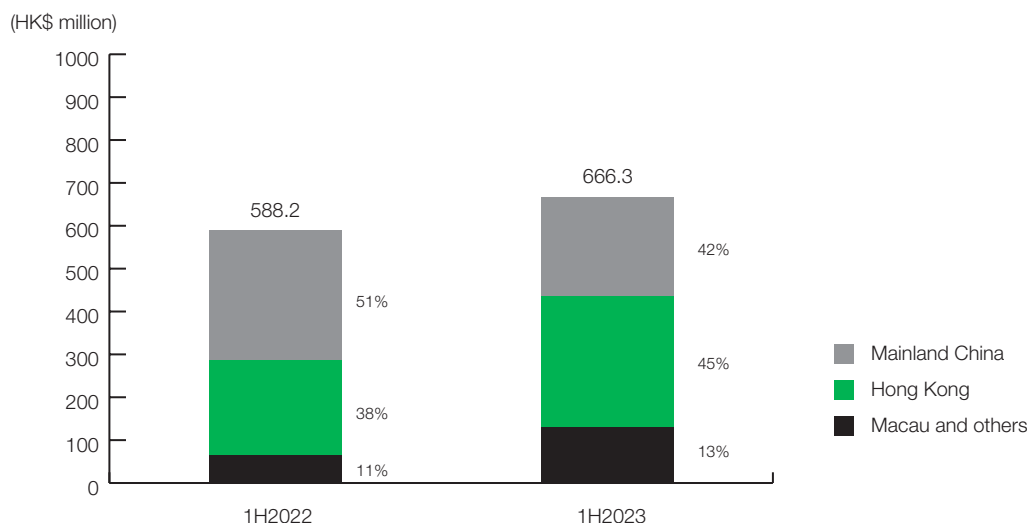
Hong Kong's economy has been recovering steadily since the full resumption of normal travel between Hong Kong and Mainland China in early 2023. The HKSAR Government expects the economy to continue to improve in the coming quarters and forecasts that the real GDP growth for the whole year of 2023 will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

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

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

FINANCIAL REVIEW

Revenue



Geographical markets	Revenue		Change
	1H2023 HK\$ million	1H2022 HK\$ million	
Hong Kong	301.0	223.0	▲35.0%
Mainland China	280.3	300.9	▼6.8%
Macau	60.1	54.2	▲10.9%
Others	24.9	10.1	▲146.5%
Total	666.3	588.2	▲13.3%

- The Group's total revenue for the Period was up by 13.3% to HK\$666.3 million (1H2022: HK\$588.2 million).
- In Hong Kong, revenue for the Period jumped by 35.0% to HK\$301.0 million (1H2022: HK\$223.0 million). In Macau, revenue for the Period increased by 10.9% to HK\$60.1 million (1H2022: HK\$54.2 million). It was due to the full resumption of normal traveller clearance between mainland China and Hong Kong and relaxation of the pandemic restrictive measures bringing more visitors under the Individual Visit Scheme since early 2023, resulting in the increase in revenue of the Group derived from Hong Kong and Macau markets.
- During the Period, revenue from Mainland China decreased by 6.8% to HK\$280.3 million (1H2022: HK\$300.9 million).
- In other markets such as Singapore, revenue for the Period increased by 146.5% to HK\$24.9 million (1H2022: HK\$10.1 million) as a result of continuous efforts in the development and expansion of sales in Singapore.

Profitability

The gross profit of the Group increased by 34.9% to HK\$173.1 million for the Period as compared to that of HK\$128.4 million for the Last Period, and the gross profit margin increased by 4.2 percentage points to 26.0%. Increase in gross profit and gross profit margin was primarily due to (i) the expansion of the Group's total revenue, (ii) the changes in product mix; and (iii) the improvement in the gross profit margin of certain products.

Selling and distribution expenses of the Group for the Period increased by 4.2% to HK\$55.0 million, as compared to HK\$52.8 million for the Last Period due to increase in promotional expense and marketing fee.

General and administrative expenses of the Group for the Period increased by 22.9% to HK\$44.0 million, as compared to HK\$35.8 million for the Last Period which was mainly due to the increase in staff costs, depreciation, amortisation and professional fees.

Finance costs of the Group for the Period increased by 194.5% to HK\$11.9 million as compared to HK\$4.1 million for 1H2022 due to the increase in interest-bearing bank borrowings and the general increase in interest rate.

Other gains/(losses), net

Other gains/(losses), net, of the Group for the Period was HK\$32.2 million (1H2022: other losses of HK\$3.5 million) which was mainly composed of the fair value gain on the investment in JBM (Healthcare) Limited ("**JBM**", HKEX Stock Code: 2161.HK) as at the period end due to its fluctuation in share price and the gain 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.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company ("**Shareholders**") for the Period was HK\$87.5 million as compared to HK\$22.5 million for the Last Period. The increase is primarily due to (i) the increase in revenue and gross profit which is partly offset with the increase in overall selling and distribution expenses, general and administrative expense, and finance costs as discussed above; (ii) the fair value gain on financial assets at fair value through profit or loss; and (iii) the gain on disposal of a joint venture.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, 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 30 June 2023, the Group had cash and cash equivalents of approximately HK\$70.5 million (31 December 2022: HK\$74.6 million), which were mainly denominated in Hong Kong dollars and Chinese Renminbi. The gearing ratio (defined as net debt divided by total equity plus net debt, where net debt includes interest-bearing bank borrowings, loan from a shareholder, lease liabilities less cash and cash equivalents) of the Group as at 30 June 2023 was 40.8% (31 December 2022: 47.6%). The decrease was mainly due to the percentage of increment of total equity is higher than the percentage of increment of net debt during the Period.

CAPITAL STRUCTURE

As at 30 June 2023, the borrowings included secured interest-bearing bank borrowings of approximately HK\$190.2 million (31 December 2022: HK\$239.4 million), unsecured interest-bearing bank borrowings of approximately HK\$78.4 million (31 December 2022: HK\$39.0 million) and loan from a shareholder with maturity date on 29 September 2023 of approximately HK\$50.0 million (31 December 2022: HK\$50.0 million). Except for the Group's interest-bearing bank borrowings of HK\$8.7 million (31 December 2022: HK\$9.2 million) which was denominated in MOP, the Group's interest-bearing bank borrowings are all denominated in Hong Kong dollars. All borrowings are at floating rates.

Maturity analysis of bank borrowings of the Group as at 30 June 2023 and 31 December 2022 is as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Within one year	238,066	242,012
In the second year	20,375	24,088
In the third to fifth years, inclusive	2,214	4,049
Beyond five years	7,950	8,219
	268,605	278,368

As at 30 June 2023, the Company's issued share capital was HK\$8.0 million and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's reporting currency is Hong Kong dollars. The Group is exposed to currency risk primarily through sales and purchases, which give rise to receivables, payables and cash balances that are denominated in a foreign currency. The currency giving rise to this risk is primarily Chinese Renminbi. During the Period, 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 30 June 2023, (i) certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK\$52.0 million (31 December 2022: HK\$53.3 million) were pledged to secure certain bank loans granted to the Group; and (ii) all the Group's equity interest in HNH were pledged to secure a loan from a shareholder granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

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

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

Save as disclosed in this Interim Report, the Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the Period.

SIGNIFICANT INVESTMENT HELD

As of 30 June 2023, the Group's investment in JBM was regarded as a significant investment of the Group as the value of the Group's investment in JBM amounted to 5% or more of the Group's total assets. Details of the Group's investment in JBM are as follows:

- | | | |
|-------|--|---|
| (i) | Details of the investment in JBM: | 55,000,000 ordinary shares in JBM, representing 6.02% equity interests in JBM. The cost of the Group's investment in JBM is HK\$52.3 million. |
| (ii) | Fair value of the investment in JBM as at 30 June 2023: | HK\$70.4 million |
| (iii) | The investment's size relative to the Group's total assets as at 30 June 2023: | 5.7% |
| (iv) | The performance of the investment in JBM: | Fair value gain on financial assets at fair value through profit or loss of HK\$19.1 million for the six months ended 30 June 2023 |
| | | A final dividend of HK2.5 cents per share for the year ended 31 March 2023 was declared and approved by JBM. |
| (v) | Principal activity of JBM and its subsidiaries: | The principal activity of JBM is investment holding. The subsidiaries of JBM are principally engaged in manufacturing and trading of branded medicines, health and wellness products and PCM. |

(vi) Future prospects of JBM:

JBM has a compelling product portfolio consisting of leading brands and science-based technology. COVID-19 intensified health awareness and consumer urgency to proactively manage well-being, along with aging populations, sedentary lifestyles and growing health consciousness amid rising living standards, fueling the growth momentum of the consumer healthcare market. Meanwhile, with the favorable policy support for the development of PCM in the Greater Bay Area, as a prominent player in the PCM and concentrated Chinese medicine Granules market in Hong Kong, JBM is well-positioned to capitalise on the potential of the thriving market, which boasts a substantial population of over 70 million in the Greater Bay Area.

(vii) The Group's investment strategy:

Long term and strategic investment on business partner.

Save for those disclosed above, the Group did not hold any significant investments during the Period.

CAPITAL COMMITMENT

As at 30 June 2023, the Group had no material capital commitment (31 December 2022: Nil).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

UPDATE ON THE PRE-IPO SHAREHOLDERS AGREEMENT

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

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

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

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

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

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total of 208 employees in Hong Kong, Mainland China, Macau, Singapore, Malaysia, Australia, Japan and Thailand (30 June 2022: 174). During the Period, the total staff costs incurred was approximately HK\$30.9 million (Last Period: HK\$27.8 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 a Share Option Scheme.

DIVIDEND

The Directors has resolved to declare the payment of an interim dividend of HK3.5 cents (Last Period: Nil) per ordinary share for the six months ended 30 June 2023 to the Shareholders. The interim dividend will be paid on or about 30 October 2023 to the Shareholders whose names appear on the register of members of the Company on 13 October 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the Shareholders to the interim dividend, the register of members of the Company will be closed from Thursday, 12 October 2023 to Friday, 13 October 2023 (both days inclusive). During such period, no transfer of the shares of the Company will be registered. In order to be eligible to qualify for the interim dividend, unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 11 October 2023.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Disposal of 51% interest in CWA

On 7 July 2023, Dynasty Garden Limited ("**Vendor**"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with the purchaser ("**SP Agreement**"), Evolution Capital Fund ("**Purchaser**"), to dispose of 51% of the issued shares of CWA ("**Sale Shares**") at an aggregate consideration of HK\$130,000,000 ("**Disposal**"). The completion of the Disposal is conditional upon the fulfilment of conditions precedent. Upon completion, each of CWA and its subsidiaries ("**Target Group**") will cease to be a subsidiary of the Company and their financial results will not be consolidated into the Group's financial statements but the Vendor will continue to hold 49% equity interest in each member of the Target Group.

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

In order to avoid unnecessary disruption to the operations of CWA, certain transitional financial assistances are expected to continue to exist for a certain period after the completion and such arrangement therefore, constituted provision of financial assistance by the Group (other than the members of the Target Group) to the Target Group under the Listing Rules ("**Provision of Financial Assistance**").

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.

As at the date of this Interim Report, conditions precedent to the SP Agreement have not been satisfied and completion of the Disposal has not taken place.

For details, please refer to the announcement of the Company dated 7 July 2023.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules.

To the best of the knowledge of the Board, the Company has fully complied with the requirements under the CG Code during the Period, except for the deviation from code provisions C.2.1 of the CG code.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer 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.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with the Directors, all the Directors confirmed that they had complied with the Securities Dealing Code during the Period.

CHANGE IN INFORMATION OF DIRECTORS

The change in information of the Directors during the Period and up to the date of this Interim Report is set out below:

Since January 2023, Mr. Wong Ka Chun Michael has been appointed as a member of the 13th Committee of the Chinese People’s Political Consultative Conference of Guizhou Province.

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

As at 30 June 2023, the interests and short positions of the Directors and chief executives 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, were as follows:

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

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

Notes:

- (1) The letter "L" denotes the Director's long position in such Shares and the letter "S" denotes the Director's short position in such Shares.
- (2) The 448,096,326 Shares and the short position in the 200,000,000 Shares are registered in the name of Tycoon Empire, a company wholly owned by Mr. Wong Ka Chun Michael. By virtue of the provisions of Part XV of the SFO, Mr. Wong Ka Chun Michael is deemed to be interested in all the Shares held by Tycoon Empire.
- (3) The 200,000,000 Shares are charged by Tycoon Empire in favour of CR Pharma. For details, please refer to the Prospectus and the announcement of the Company dated 18 June 2021.

(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 30 June 2023, none of the Directors or the chief executives 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 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) 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 30 June 2023, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) and entities had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

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 30 June 2023 has been used for calculation of the approximate percentage.
- (2) The 200,000,000 Shares are charged by Tycoon Empire in favour of CR Pharma Retail. For details, please refer to the Prospectus and the Company’s announcement dated 18 June 2021.
- (3) The 448,096,326 Shares and the short position in the 200,000,000 Shares are registered in the name of Tycoon Empire, a company wholly owned by Mr. Wong Ka Chun Michael. Ms. Ngai Sze Kei is the spouse of Mr. Wong Ka Chun Michael. By virtue of the provisions in Part XV of the SFO, Ms. Ngai Sze Kei is deemed to be interested in all the Shares which Mr. Wong Ka Chun Michael is interested in or is deemed to be interested in.
- (4) These interests in Shares comprise the 151,895,000 Shares held by CR Pharma Retail and the 200,000,000 Shares under the Share Charge in favour of CR Pharma Retail (see Note 2 above). CR Pharma Retail is a company wholly-owned by CR Pharma. Based on the notices of disclosure of interests dated 21 November 2016 of CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Inc. (formerly known as China Resources Co., Limited) and China Resources Company Limited (formerly known as China Resources National Corporation) filed with the Stock Exchange in relation to CR Pharma, CR Pharma is owned as to approximately 53.05% by CRH (Pharmaceutical) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited, which is wholly-owned by CRC Bluesky Limited, which in turn is wholly-owned by China Resources Inc., which in turn is wholly-owned by China Resources Company Limited. By virtue of the provisions of Part XV of the SFO, each of CR Pharma, CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Inc. and China Resources Company Limited is deemed to be interested in all the Shares held by CR Pharma Retail.
- (5) These interests in Shares are held by Jacobson Group Treasury Limited, which is a direct wholly-owned subsidiary of Jacobson Pharma Group (BVI) Limited, which in turn is a wholly-owned subsidiary of Jacobson Pharma Corporation Limited, in which 43.98% of the issued share capital of Jacobson Pharma Corporation Limited is owned by Kingshill Development Limited, a wholly-owned subsidiary of Kingshill Development Group Inc., which in turn is wholly-owned by UBS Trustees (B.V.I.) Limited, the trustee of The Kingshill Trust, a discretionary trust established by Mr. Sum Kwong Yip, Derek (as the settlor) with Mr. Sum and his family members as the discretionary beneficiaries. By virtue of the provisions of Part XV of the SFO, each of Jacobson Pharma Group (BVI) Limited, Jacobson Pharma Corporation Limited, Kingshill Development Limited, Kingshill Development Group Inc., Mr. Sum Kwong Yip, Derek and UBS Trustees (B.V.I.) Limited is deemed to be interested in all the Shares held by Jacobson Group Treasury Limited.

Save as disclosed above, as at 30 June 2023, so far as the Directors were aware, no other persons (other than the Directors or chief executives 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 Period and up to the date of this Interim 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 accordingly (effective from 1 January 2023).

Since its adoption and up to 30 June 2023, 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 the Period and there were no outstanding options under the Share Option Scheme as at 30 June 2023. As at the date of this Interim 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, representing 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**”) in which 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 Persons**”) will be entitled to participate. From 1 January 2023, the Company has relied on the transitional arrangements provided for the existing Share Scheme and has complied with the new Chapter 17 accordingly (effective from 1 January 2023).

The Share Award Scheme is for the purposes of (i) recognizing 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.

The Share Award Scheme will remain in force for a period of 10 years commencing from its adoption date.

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. 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.

During the Period, no awarded shares (1H2022: Nil) had been granted, pending vesting, under the Share Award Scheme to the employees of the Group (none of them are Directors or connected persons of the Company) 974,000 awarded shares have been vested and 1,160,000 awarded shares have been forfeited. The vesting period of such awarded shares ended ranges from 1 April 2022 to 1 April 2026.

For details of the movements in the number of outstanding awarded shares during the Period, please refer to Note 19 to the interim condensed 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 30 June 2023
				Outstanding as at 1 January 2023	Granted during the Period	Vested during the Period	Lapsed/ expired during the Period	Cancelled/ forfeited during the Period	
Directors ^(Note 1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Five highest paid individuals in aggregate	1 April 2021	1 April 2024-1 April 2026	HK\$1.58	4,110,000	-	-	-	750,000 ^(Note 3)	3,360,000
Other Grantees in aggregate	1 April 2021	1 April 2022-1 April 2026	HK\$1.58	3,634,000	-	974,000 ^(Note 2)	-	410,000 ^(Note 3)	2,250,000
Total				7,744,000	-	974,000	-	1,160,000	5,610,000

- Notes:**
1. Pursuant to the rules of the Share Award Scheme, an Eligible Person shall mean any employee or consultant of any Group company other than any person being a connected person of the Company or an associate of any such connected person. As such, no Director is/will be eligible for participation in the Share Award Scheme.
 2. The weighted average closing price of the shares immediately before the dates on which the awards to Other Grantees in aggregate were vested was HK\$5.27.
 3. The purchase price of the cancelled/forfeited awards was nil.

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

	As of 1 January 2023	As of 30 June 2023
Total number of options and awards available for grant under the scheme mandate	80,000,000	80,000,000

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

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the six months ended 30 June 2023 divided by the weighted average number of shares of the relevant class in issue for the six months ended 30 June 2023 is nil.

Information on the accounting policy for share awards granted and the fair value of awards at the date of grant are provided in Note 19(b) to the interim condensed consolidated financial statements respectively. The fair value of awards at the date of grant are provided in Note 19(b) to the interim condensed consolidated financial statements.

AUDIT COMMITTEE

The Board has established an audit committee (“**Audit Committee**”) with written terms of reference in compliance with the CG Code. The Audit Committee 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, re-appointment and removal of the external auditor, reviewing the Group’s financial information, financial controls, internal control and risk management systems.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the Company’s management, the accounting principles and practices adopted by the Group, has discussed internal control and financial reporting matters and has reviewed the unaudited condensed consolidated financial statements of the Group for the Period.

The Audit Committee is satisfied that the unaudited condensed consolidated financial statements of the Group for the Period were prepared in accordance with the applicable accounting standards and fairly present the Group’s financial position and results for the Period.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Unaudited	
		Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenue	7	666,286	588,203
Cost of sales	8	(493,158)	(459,818)
Gross profit		173,128	128,385
Other gains/(losses), net	7	32,213	(3,491)
Selling and distribution expenses	8	(55,001)	(52,766)
General and administrative expenses	8	(43,996)	(35,784)
Operating profit		106,344	36,344
Finance costs		(11,946)	(4,057)
Share of results of investments accounted for using the equity method		2,116	(2,850)
Profit before income tax		96,514	29,437
Income tax expense	9	(9,467)	(6,642)
Profit for the period		87,047	22,795
Other comprehensive loss			
<i>Item that has been reclassified or may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of the financial statements of foreign subsidiaries		(1,513)	(2,359)
Total comprehensive profit for the period		85,534	20,436
Profit attributable to:			
Equity holders of the Company		87,528	22,472
Non-controlling interests		(481)	323
		87,047	22,795
Total comprehensive income attributable to:			
Equity holders of the Company		86,015	20,113
Non-controlling interests		(481)	323
		85,534	20,436
Earnings per share attributable to equity holders of the Company			
Basic and diluted (HK cents per share)	10	11	3

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Non-current assets			
Property, plant and equipment	12	60,434	60,954
Right-of-use assets	13	14,123	13,101
Intangible assets		87,762	38,664
Investments accounted for using the equity method	14	–	33,710
Prepayments and deposits		1,348	996
Financial assets at fair value through profit or loss		70,400	19,000
Deferred income tax assets		8,310	9,205
Other non-current asset		6,983	6,835
Total non-current assets		249,360	182,465
Current assets			
Inventories		426,204	341,818
Prepayments, deposits and other receivables		162,463	147,651
Amounts due from related parties	22	2,035	9,367
Trade receivables	15	277,221	256,213
Cash and cash equivalents		70,511	74,603
Total current assets		938,434	829,652
Total assets		1,187,794	1,012,117
Non-current liabilities			
Lease liabilities	13	3,857	3,010
Deferred income tax liabilities		3,638	1,170
Other non-current liability	23	6,084	–
Total non-current liabilities		13,579	4,180

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Current liabilities			
Trade payables	16	345,968	302,764
Other payables and accruals		100,137	68,101
Bank borrowings	17	268,605	278,368
Loan from a shareholder		50,000	50,000
Amounts due to related parties	22	8	8
Lease liabilities	13	10,129	10,220
Current tax liabilities		12,591	5,316
Total current liabilities		787,438	714,777
Total liabilities		801,017	718,957
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	8,000	8,000
Reserves		371,944	285,640
		379,944	293,640
Non-controlling interests		6,833	(480)
Total equity		386,777	293,160
Total equity and liabilities		1,187,794	1,012,117

Wong Ka Chun Michael
Director

Li Ka Wa Helen
Director

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Unaudited Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium account HK\$'000	Merge reserve HK\$'000	Other reserve HK\$'000	Share held under share award plan HK\$'000	Share-based payment reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000	Non-Controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2022	8,000	230,967	(80)	-	(23,824)	4,126	278	173	38,278	257,918	3,344	261,262
Profit for the period	-	-	-	-	-	-	-	-	22,472	22,472	323	22,795
Other comprehensive loss:												
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	-	(2,359)	-	(2,359)	-	(2,359)
Total comprehensive (loss)/profit for the period	-	-	-	-	-	-	-	(2,359)	22,472	20,113	323	20,436
Transactions with owners in their capacity as owners:												
Acquisition of non-controlling interests of a subsidiary	-	-	-	(8,065)	-	-	-	-	-	(8,065)	(1,762)	(9,827)
Dividends paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,942)	(1,942)
Vesting of shares under share award scheme	-	-	-	-	-	2,094	-	-	-	2,094	-	2,094
Vested of shares under share award scheme	-	-	-	425	1,297	(1,722)	-	-	-	-	-	-
Balance at 30 June 2022	8,000	230,967	(80)	(7,640)	(22,527)	4,498	278	(2,186)	60,750	272,060	(37)	272,023
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/(loss) for the period	-	-	-	-	-	-	-	-	87,528	87,528	(481)	87,047
Other comprehensive loss:												
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	-	-	(1,513)	-	(1,513)	-	(1,513)
Total comprehensive (loss)/profit for the period	-	-	-	-	-	-	-	(1,513)	87,528	86,015	(481)	85,534
Transactions with owners in their capacity as owners:												
Acquisition of a subsidiary (Note 23)	-	-	-	-	-	-	-	-	-	-	7,794	7,794
Vesting of shares under share award scheme	-	-	-	-	-	289	-	-	-	289	-	289
Vested of shares under share award scheme	-	380	-	-	1,159	(1,539)	-	-	-	-	-	-
Balance at 30 June 2023	8,000	231,772	(80)	(8,066)	(21,368)	5,085	278	(5,233)	169,556	379,944	6,833	386,777

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	Unaudited	
		Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
Cash flows from operating activities		36,430	(227)
Income taxes refunded		112	–
Net cash generated from/(used in) operating activities		36,542	(227)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(2,564)	(242)
Purchase of financial assets at fair value through profit or loss		(15,300)	–
Interest received		140	3
Acquisition of a subsidiary	23	6,005	–
Addition of a non-current asset		–	(8,159)
Net cash used in investing activities		(11,719)	(8,398)
Cash flows from financing activities			
Interest paid		(11,946)	(4,057)
Acquisition of non-controlling interests of a subsidiary		–	(1,000)
Dividends paid to non-controlling interests of a subsidiary		–	(1,942)
Proceeds from bank borrowings		267,849	158,219
Repayment of bank borrowings		(277,612)	(110,250)
Principal elements of lease payments		(6,193)	(5,335)
Proceeds from loan from a shareholder		50,000	50,000
Repayment of loan from a shareholder		(50,000)	(50,000)
Net cash (used in)/generated from financing activities		(27,902)	35,635
Net (decrease)/increase in cash and cash equivalents		(3,079)	27,010
Cash and cash equivalents at beginning of the period		74,603	71,625
Effects of exchange rate changes on cash and cash equivalents		(1,013)	(2,062)
Cash and cash equivalents at end of the period		70,511	96,573

Major non-cash transaction

On 17 March 2023, Million Effort Investment Limited (“**Million Effort**”), an indirect wholly-owned subsidiary of the Company, disposed its entire 50% interests in Five Ocean Inc. (“**Five Ocean**”) and its liabilities, to JBM (BVI) Limited (“**JBM BVI**”), a wholly-owned subsidiary of JBM (Healthcare) Limited (“**JBM**”) at a consideration of HK\$17,000,000. The consideration was settled by 20,000,000 shares issued by JBM at the issue price of HK\$0.85 each (Note 7).

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

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

Tycoon Group Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”) 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 (“**Stock Exchange**”) by way of global offering (“**Global Offering**”) since 15 April 2020.

The Company is an investment holding company. During the period, the Company’s subsidiaries were 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 was incorporated in the British Virgin Islands (“**BVI**”).

This interim condensed consolidated financial information is presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the board of directors of the Company (“**Board**”) on 30 August 2023.

This interim condensed consolidated financial information are unaudited and have been reviewed by the audit committee of the Board and approved for issue by the Board on 30 August 2023.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information is for the Group consisting of the Company and its subsidiaries. This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in the annual consolidated financial statements, except for the estimation of income tax, the adoption of new and amended standards as set out below. Income tax expenses for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

(b) Impact of new and amended standards issued but not yet applied by the Group

Certain new and amended standards have been issued but are not mandatory for application in the current reporting period. The Group did not early adopt these new and amended standards in the current reporting period. The Group is in the process of assessing the impact of adopting these standards on its current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

Compared to the year ended 31 December 2022, there was no material change in the contractual undiscounted cash flows for financial liabilities.

There have been no significant changes in the Group's risk management policies since 31 December 2021.

5.2 Fair value estimation

The fair value of the Group's assets and liabilities are classified into 3 levels of the fair value measurement hierarchy prescribed under the accounting standards and disclosed as below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – 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 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2023.

	Unaudited			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through profit or loss				
– Listed securities	70,400	–	–	70,400
Total	70,400	–	–	70,400

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

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

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

5.3 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:

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

6 SEGMENT INFORMATION

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

- (a) the distribution segment, which includes the operation of distributing products to chain retailers, non-chain retailers and traders;
- (b) the e-commerce segment, which includes the operation of online stores and wholesale to e-commerce customers; and
- (c) the retail store segment, which includes the operation of a retail store after the acquisition of a subsidiary (Note 23).

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

The adjusted profit before tax is measured consistently with the Group's profit before tax except that share of results of investments accounted for using the equity method, gain on disposal of a joint venture, gain on remeasurement of previously held interests in an associated company, fair value gain/(loss) on financial assets at fair value through profit or loss, foreign exchange differences, net, finance income, finance costs (other than interest on lease liabilities), corporate and other unallocated expenses and income tax expense are excluded from such measurement.

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

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

6 SEGMENT INFORMATION (continued)

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

	Six months ended 30 June (Unaudited)							
	Distribution		E-commerce		Retail Store		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	375,147	291,872	275,420	296,331	15,719	-	666,286	588,203
Inter-segment revenue	23,418	98,110	-	-	-	-	23,418	98,110
Reportable segment revenue	398,565	389,982	275,420	296,331	15,719	-	689,704	686,313
Reportable segment results	64,803	34,594	19,772	14,071	497	-	85,072	48,665
Share of results of investments accounted for using the equity method							2,116	(2,850)
Gain on disposal of a joint venture							10,000	-
Gain on remeasurement of previously held interests in an associated company							1,414	-
Fair value gain/(loss) on financial assets at fair value through profit or loss							19,100	(4,600)
Foreign exchange differences, net							(336)	95
Finance income							140	3
Finance costs (other than interests on lease liabilities)							(11,736)	(3,785)
Corporate and other unallocated expenses							(9,256)	(8,091)
Profit before income tax							96,514	29,437
Income tax expense							(9,467)	(6,642)
Profit for the period							87,047	22,795

6 SEGMENT INFORMATION (continued)

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

	Distribution		E-commerce		Retail Store		Total	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	440,029	367,263	456,337	472,530	111,578	-	1,007,944	839,793
Investments accounted for using the equity method							-	33,710
Financial assets at fair value through profit or loss							70,400	19,000
Investment in an insurance contract							6,983	6,835
Deferred income tax assets							8,310	9,205
Amounts due from related parties							2,035	9,367
Cash and cash equivalents							70,511	74,603
Corporate and other unallocated assets							21,611	19,604
Total							1,187,794	1,012,117
Segment liabilities	(130,821)	(164,920)	(229,515)	(208,081)	(53,537)	-	(413,873)	(373,001)
Deferred income tax liabilities							(3,638)	(1,170)
Bank borrowings							(268,605)	(278,368)
Loan from a shareholder							(50,000)	(50,000)
Amounts due to related parties							(8)	(8)
Current tax liabilities							(12,591)	(5,316)
Corporate and other unallocated liabilities							(52,302)	(11,094)
Total							(801,017)	(718,957)

6 SEGMENT INFORMATION (continued)

	Six months ended 30 June (Unaudited)				Total HK\$'000
	Distribution HK\$'000	E-commerce HK\$'000	Retail Store HK\$'000	Unallocated HK\$'000	
2023					
Other segment information					
Depreciation of property, plant and equipment, including leasehold land	1,576	1,201	2	73	2,852
Depreciation of right-of-use assets	3,058	2,172	-	487	5,717
Amortisation of intangible assets	729	-	131	-	860
Addition to non-current assets	5,090	37	53,407	860	59,394
2022					
Other segment information					
Depreciation of property, plant and equipment, including leasehold land	2,126	781	-	73	2,980
Depreciation of right-of-use assets	2,123	2,582	-	448	5,153
Amortisation of intangible assets	729	-	-	-	729
Addition to non-current assets	6,977	1,598	-	8,317	16,892

7 REVENUE, OTHER GAINS/(LOSSES), NET

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue		
Sale of goods	666,286	588,203
Disaggregated revenue information		
Geographical markets		
Hong Kong	301,011	222,951
Mainland China	280,315	300,909
Macau	60,117	54,192
Singapore	21,489	10,032
Others	3,354	119
Timing of revenue recognition		
Goods transferred at a point of time	666,286	588,203
Other gains/(losses), net		
Fair value gain/(loss) on financial assets at fair value through profit or loss	19,100	(4,600)
Loss on disposal of subsidiaries	–	(8)
Gain on disposal of a joint venture (<i>Note</i>)	10,000	–
Gain on remeasurement of previously held interests in an associated company	1,414	–
Government subsidies	539	565
Change in value of investment in an insurance contract	148	–
Others	1,012	552
	32,213	(3,491)

Note:

On 17 March 2023, Million Effort, an indirect wholly-owned subsidiary of the Company, disposed its entire 50% interests in Five Ocean and its liabilities, to JBM (BVI), a wholly-owned subsidiary of JBM at a consideration of HK\$17,000,000. The consideration was settled by 20,000,000 shares issued by JBM at the issue price of HK\$0.85 each. This is presented as a non-cash transaction in the interim condensed consolidated statement of cash flows for the six months ended 30 June 2023.

8 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cost of inventories sold	493,283	457,570
(Written back)/written-down of inventories	(125)	2,248
Depreciation of property, plant and equipment	2,852	2,980
Depreciation of right-of-use assets	5,717	5,153
Amortisation of intangible assets	860	729
Employee benefit expenses	30,898	27,841
Share-based payment expense	289	2,094
Expenses under short-term leases	1,264	1,151
Service expenses paid to a related party	2,651	10,315
Advertising fee	14,457	12,394

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at 16.5% (six months ended 30 June 2022: same) of the estimated assessable profits for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current tax – Hong Kong	7,353	–
Current tax – Macau and others	1,342	637
Deferred tax	772	6,005
Total income tax expense for the period	9,467	6,642

10 EARNINGS PER SHARE

Basic

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
Profit attributable to equity holders of the Company (HK\$'000)	87,528	22,472
Weighted average number of ordinary shares in issue (in thousands)	781,577	780,548
Basic earnings per share (HK cents)	11	3

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 category of potentially dilutive ordinary shares: share awards. 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 share price of the Company's shares for the period) 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 six months ended 30 June 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:

10 EARNINGS PER SHARE (continued)

Diluted (continued)

	Unaudited Six months ended 30 June 2023
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	87,528
Weighted average number of ordinary shares in issue (thousand shares)	781,577
Adjustment for share awards (thousand shares)	6,005
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	787,582
Diluted earnings per share attributable to the equity holders of the Company (HK cents per share)	11

For the six months ended 30 June 2022, the diluted earnings per share was the same as the basic earnings per share as the share awards would result in an antidilutive impact to the basic earnings per share.

11 DIVIDEND

The Directors has resolved to declare the payment of an interim dividend of HK3.5 cents (six months ended 30 June 2022: Nil) per ordinary share for the six months ended 30 June 2023 to the Shareholders.

12 PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2023 HK\$'000	Unaudited As at 30 June 2022 HK\$'000
Net book value as at 1 January	60,954	65,673
Addition	2,564	242
Acquisition of a subsidiary	58	–
Depreciation	(2,852)	(2,980)
Exchange differences	(290)	(281)
Net book value as at 30 June	60,434	62,654

At 30 June 2023, certain of the Group's property, plant and equipment with a net carrying values of approximately \$51,996,000 (31 December 2022: HK\$53,282,000), were pledged to secure bank loans of the Group (Note 17).

13 LEASES

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Right-of-use assets		
Properties	14,123	13,101
Lease liabilities		
Non-current	3,857	3,010
Current	10,129	10,220
	13,986	13,230

During the six months ended 30 June 2023, the additions to right-of-use assets amounted to HK\$6,814,000 (six months ended 30 June 2022: HK\$8,492,000) and the depreciation expense incurred for the period amounted to HK\$5,717,000 (six months ended 30 June 2022: HK\$5,153,000).

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As at 30 June 2023, the Group's investments accounted for using the equity method represent the investment, Fancy Summit Inc. ("**Fancy Summit**") (31 December 2022: Hong Ning Hong Limited ("**HNH**"), Fancy Summit and Five Ocean).

Name of company	Place of incorporation	Place of operation	Percentage of ownership interest attributable to the Group	Nature of relationship	Principal activities	Measurement method
Fancy Summit	The BVI	The BVI	50%	Joint venture	Investment holding	Equity method

15 TRADE RECEIVABLES

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Trade receivables	272,207	238,313
Amounts due from related parties	5,014	17,900
Total	277,221	256,213

The Group's credit terms to trade debtors range generally from 30 to 120 days. As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade receivables (including amounts due from related parties in trade nature) based on invoice date is as follows:

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Trade receivables		
Within 90 days	169,104	202,101
91 to 180 days	60,473	29,587
Over 180 days	47,644	24,525
Total	277,221	256,213

16 TRADE PAYABLES

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Trade payables	220,288	184,907
Amounts due to related parties	125,680	117,857
Total	345,968	302,764

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date is as follows:

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Within 30 days	86,150	140,208
31 to 60 days	43,936	48,099
61 to 120 days	109,985	42,731
Over 120 days	105,897	71,726
Total	345,968	302,764

17 BANK BORROWINGS

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Current:		
Bank borrowings – Secured	89,998	84,513
Invoice financing loans – Secured	100,253	154,855
Invoice financing loans – Unsecured	39,354	–
Bank borrowings – Unsecured	39,000	39,000
	268,605	278,368

18 SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised: At 31 December 2022, 1 January 2023 and 30 June 2023	10,000,000,000	100,000
Issued and fully paid: At 31 December 2022, 1 January 2023 and 30 June 2023	800,000,000	8,000

19 SHARE-BASED SCHEME

(a) Share option scheme

The Company has adopted a share option scheme (“**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.

19 SHARE-BASED SCHEME (continued)

(a) Share option scheme (continued)

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 (i.e. 80,000,000 shares). 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.

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, under the Share Option Scheme during the current and prior period.

19 SHARE-BASED SCHEME (continued)

(b) Share award scheme

On 25 May 2020, the Board 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 (“**Share Award Scheme**”).

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 (“**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 (“**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.

19 SHARE-BASED SCHEME (continued)

(b) Share award scheme (continued)

The Company purchased 20,000,000 ordinary shares of the Company at an average price of HK\$1.19 per share at an aggregate consideration of HK\$23,824,000 through the Trustee for the Share Award Scheme in the prior years. No shares were purchased by the Group on the Stock Exchange during the six months ended 30 June 2022.

During six months ended 30 June 2023, no awarded shares have been granted to the selected grantees under the Share Award Scheme (six months ended 30 June 2022: Nil).

Movements in the number of share award outstanding are as follows:

	2023 Share awards (thousands)	2022 Share awards (thousands)
At 1 January	7,744	9,364
Vested	(974)	(1,090)
Forfeited	(1,160)	(490)
At 30 June	5,610	7,784

The share awards will be vested to the selected grantees during the vesting periods up to five years. For the six months ended 30 June 2023, the weighted average fair value of share awards granted was HK\$1.58 (six months ended 30 June 2022: HK\$1.58). The fair value is the same with the closing share price of the Company quoted on the Stock Exchange on the date of grant.

974,000 awarded shares were vested during the six months ended 30 June 2023 (six months ended 30 June 2022: 1,090,000 awarded shares). During the six months ended 30 June 2023, share-based payment expense of HK\$289,000 (six months ended 30 June 2022: HK\$2,094,000) was recognised in the interim condensed consolidated profit or loss and other comprehensive income and was credited to equity.

20 CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no contingent liabilities (31 December 2022: Nil).

21 CAPITAL COMMITMENT

Save as disclosed elsewhere in the interim condensed consolidated financial information, the Group had no material capital commitment as at 30 June 2023 (31 December 2022: Nil).

22 RELATED PARTIES TRANSACTIONS

In addition to the transactions set out elsewhere in the interim condensed consolidated financial information, the Group had the following transactions with related parties during the period:

(a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Sale of products:		
– Hong Kong Han Lam Tong Medicine Limited (“ Han Lam Tong ”) (note (i))	13,550	10,357
– China Resources Pharmaceutical Group Limited (“ CR Pharma ”) and its subsidiaries (together, the “ CR Pharma Group ”) (note (ii))	11,608	2,742
– Talent Smart Holdings Limited and its subsidiaries (“ Talent Smart Group ”) (note (iii))	64	–
Purchase of products:		
– Han Lam Tong (note (i))	3,179	8,337
– The CR Pharma Group (note (ii))	136,639	145,180
– Talent Smart Group (note (iii))	336	–
– TJ-TYT Pharmaceutical (M) Sdn. Bhd. (“ TJ-TYT ”) (note (iii))	248	–
Service expenses:		
– JMM Healthcare Limited (“ JMM ”) (note (iv))	2,651	10,315
Services income:		
– JMM (note (v))	117	226
Payment made on behalf of:		
– JMM (note (vii))	21	19
– Fancy Summit and its subsidiaries (note (vi))	13	24

22 RELATED PARTIES TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

During the period ended 30 June 2023, the Group leased properties from Mr. Wong Ka Chun Michael, the controlling shareholder of the Company, (“**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 at the time when the lease agreement was entered into. Right-of-use assets of HK\$1,687,000 (31 December 2022: HK\$3,574,000) and lease liabilities of HK\$1,726,000 (31 December 2022: HK\$3,425,000) in respect to the leases were recognised in the interim condensed consolidated statement of financial position as at 30 June 2023.

During the period ended 30 June 2023, depreciation of right-of-use assets of HK\$1,687,000 (six months ended 30 June 2022: HK\$1,687,000) and interest expense on the lease liabilities of HK\$37,000 (six months ended 30 June 2022: HK\$89,000) was charged to the interim condensed consolidated statement of profit or loss and other comprehensive income.

Notes:

- (i) The sales to and purchase from Han Lam Tong, a wholly-owned subsidiary of HNH, an associate of the Company during the period before it became a non wholly-owned subsidiary of the Group from 31 May 2023 onwards (Note 23), were made at a mutually agreed price.
- (ii) Sales to and purchase from CR Pharma Group, a shareholder of the Company, were transacted pursuant to terms and conditions set out in the master agreement entered into by the Company and CR Pharma on 8 February 2021. These transactions were continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements under Chapter 14A of the Listing Rules during the period under review in respect of these transactions.
- (iii) Sales to and purchase of products from Talent Smart Group and TJ-TYT, companies controlled by the Controlling Shareholder, were transacted pursuant to the terms and conditions set out in the master agreements entered into by the Company, Talent Smart Group and TJ-TYT on 1 July 2022. These transactions were continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules as detailed in the section headed “Non-Exempt Continuing Connected Transactions” in the Directors’ Report in respect of these transactions.
- (iv) Service expenses to JMM, a wholly owned subsidiary of Five Ocean, a joint venture of the Company during the period before it was disposed on 23 March 2023, were transacted pursuant to the terms and conditions set out in the service agreement entered into by the Company and JMM on 8 April 2021.
- (v) Service income from JMM during the period before it was disposed on 23 March 2023, was charged at a rate mutually agreed between the two parties.
- (vi) The amounts represent expenses paid on behalf of the related parties during the six months ended 30 June 2023 and 2022.
- (vii) The amount represents expenses paid on behalf of JMM during the period before it was disposed on 23 March 2023.

22 RELATED PARTIES TRANSACTIONS (continued)

(b) Outstanding balances with related parties

		Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Trade and other receivables			
Trade receivables due from			
– CR Pharma Group	(i)	5,013	1,849
– Han Lam Tong		–	15,766
– Talent Smart Group	(ii)	1	285
		5,014	17,900
Amounts due from			
– Han Lam Tong		–	486
– Joint ventures	(ii)	2,012	8,858
– Controlling Shareholder	(ii)	23	23
		2,035	9,367
Trade and other payables			
Trade payable due to			
– CR Pharma Group	(i)	124,994	96,766
– Han Lam Tong		–	17,098
– Talent Smart Group	(ii)	529	3,424
– TJ-TYT	(ii)	157	569
		125,680	117,857
Amounts due to			
– Joint ventures	(ii)	8	8

Note:

- (i) As at 30 June 2023, the balances with the CR Pharma Group are unsecured, interest-free and with a credit period of 30 to 120 days.
- (ii) As at 30 June 2023, these balances are unsecured, interest-free and repayable on demand.

23 BUSINESS COMBINATION

On 28 April 2023, Million Effort, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with an indirect wholly-owned subsidiary of Jacobson Pharma corporation Limited (the “**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**”). Upon the completion of the Acquisition on 31 May 2023, HNH became a non wholly-owned subsidiary of the Group. The equity interests in HNH held by the Seller reduced to 9%.

In connection with the Acquisition, Million Effort and the Seller also entered into a call option and put option arrangement, pursuant to which Million Effort has the right to require the Seller to sell up to all its remaining equity interests, and the Seller has the right to require Million Effort to purchase up to all its remaining equity interests. The exercise price of both options are the same at HK\$6,840,000 in cash, and both options are exercisable from 18th months to 24th months after the completion date of the Acquisition. The present value of the redemption liability of HK\$6,084,000 has been recognised in the interim condensed consolidated balance sheet within other non-current liability.

The call option and the put option would result in a transfer of the risks and rewards of ownership of the 9% equity interests in HNH from the Seller to Million Effort. Hence, the Group consolidated HNH based on 70% equity interests after the Acquisition, being 61% equity interests held by Million Effort and 9% equity interests to be acquired upon exercise of the option.

Acquisition-related costs of HK\$146,000 have been charged to the general and administrative expense in the interim condensed consolidated statement of profit or loss and other comprehensive income.

23 BUSINESS COMBINATION (continued)

The provisional fair values of the identifiable assets and liabilities of HNH assumed, the consideration paid as at the date of Acquisition were as follows:

	HK\$'000
Consideration	
Cash paid	1,824
Consideration payable	7,296
Total Consideration	9,120
Fair value of the previously held interests in HNH	37,240
Redemption liability	6,084
	52,444
Intangible assets	15,700
Property, plant and equipment	58
Trade receivables	34,040
Prepayments, deposits and other receivables	1,690
Inventories	17,670
Cash and cash equivalents	7,829
Tax recoverable	1,531
Trade payables	(42,614)
Other payables and accruals	(7,334)
Deferred tax liabilities	(2,590)
Total fair value of identifiable net assets acquired	25,980
Non-controlling interests	(7,794)
Goodwill recognised	34,258
	52,444
Cash consideration paid	(1,824)
Cash and cash equivalents acquired	7,829
Net cash inflow on Acquisition for the period	6,005

23 BUSINESS COMBINATION (continued)

The goodwill is attributable to a number of factors, amongst others, the synergies expected to arise after the Group's acquisition of HNH. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of trade receivables is HK\$34,040,000. The gross contractual amount for trade receivables due is HK\$34,040,000, all of which is expected to be collectible. The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations of those assets. Deferred income tax liabilities of HK\$2,590,000 have been provided in relation to the fair value adjustments.

The revenue included in the interim condensed consolidated statement of profit or loss and other comprehensive income since 31 May 2023 contributed by HNH was HK\$15,719,000. It had net profit of HK\$511,000 over the same period. Had HNH been consolidated from 1 January 2023, the interim condensed consolidated statement of profit or loss and other comprehensive income would show pro-forma revenue of HK\$746,204,000 and net profit of HK\$92,251,000.

24 EVENT OCCURRING AFTER THE REPORTING PERIOD

On 7 July 2023, Dynasty Garden Limited ("**Vendor**"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with the purchaser ("**SP Agreement**"), Evolution Capital Fund ("**Purchaser**"), to dispose of 51% of the issued shares ("**Sales Shares**") of Combo Win Asia Limited ("**CWA**") at an aggregate consideration of HK\$130,000,000 ("**Disposal**"). The completion of the Disposal is conditional upon the fulfilment of conditions precedent. Upon completion, the Vendor will hold 49% equity interest in CWA, and each of CWA and its subsidiaries ("**Target Group**") will cease to be a subsidiary of the Company and their financial results will not be consolidated into the Group's financial statements. The Target Group would become an associated company of the Group.

Pursuant to the SP Agreement, the Vendor has granted to the Purchaser a put option, pursuant to which the Purchaser is entitled, subjected to completion of the Disposal, to 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.

The conditions precedent to the SP Agreement have not been satisfied and completion of the Disposal has not taken place as at the date of this report.