



# 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

**GLOBAL OFFERING**

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



## IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



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

(Incorporated in the Cayman Islands with limited liability)

## GLOBAL OFFERING

Number of Offer Shares	: 192,420,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 19,242,000 Shares (subject to reallocation)
Number of International Offer Shares	: 173,178,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price (subject to a Downward Offer Price Adjustment)	: HK\$1.48 to HK\$1.52 per Offer Share (payable in full at the maximum Offer Price on application in Hong Kong dollars, subject to refund on final pricing, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the minimum Offer Price will be HK\$1.34 per Offer Share)
Nominal value	: HK\$0.01 per Share
Stock code	: 3390

### Sole Sponsor



### Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



### Joint Bookrunners and Joint Lead Managers



### Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus. The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 6 April 2020 and, in any event, not later than 12:00 noon on Wednesday, 8 April 2020. The Offer Price will be not more than HK\$1.52 and is currently expected to be not less than HK\$1.48 (subject to any Downward Offer Price Adjustment), unless otherwise announced. If, for any reason, the Offer Price is not agreed by 12:00 noon on Wednesday, 8 April 2020 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.52 for each Hong Kong Offer Share, together with a 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price is lower than HK\$1.52 as finally determined.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For more details, please see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Please also see "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreements to subscribe for, and to procure the applicants for the subscription for, the Offer Shares, are subject to termination by the Sole Sponsor (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

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## EXPECTED TIMETABLE

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We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website at [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) if there is any change in the following expected timetable of the Hong Kong Public Offering:

- Latest time to complete electronic applications under **HK eIPO White Form** service through (1) the IPO App which can be downloaded by searching "IPO App" in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp) (2) the designated website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> ..... 11:30 a.m. on Friday, 3 April 2020
- Application lists open<sup>(3)</sup> ..... 11:45 a.m. on Friday, 3 April 2020
- Latest time for lodging **WHITE** and **YELLOW** Application Forms ..... 12:00 noon on Friday, 3 April 2020
- Latest time to give **electronic application instructions** to HKSCC<sup>(4)</sup> ..... 12:00 noon on Friday, 3 April 2020
- Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) ..... 12:00 noon on Friday, 3 April 2020
- Application lists close<sup>(3)</sup> ..... 12:00 noon on Friday, 3 April 2020
- Expected Price Determination Date<sup>(5)</sup> ..... Monday, 6 April 2020
- Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (please see "Structure of the Global Offering – Price Determination of the Global Offering – Announcement of Offer Price Reduction" for further details) on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) on or before. .... Thursday, 9 April 2020
- Announcement of the Offer Price, the indication of the levels of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) on or before ..... Tuesday, 14 April 2020

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## EXPECTED TIMETABLE

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Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, as described in "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" in this prospectus from . . . . . Tuesday, 14 April 2020

Results of allocations in the Hong Kong Public Offering will be available at "Allotment Result" in the IPO App or at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a "search by ID" function . . . . . Tuesday, 14 April 2020

Despatch of Share certificates in respect of wholly or partially successful applications and e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful or wholly successful (if applicable) applications on or before<sup>(6)</sup> . . . . . Tuesday, 14 April 2020

Dealings in Shares on the Stock Exchange to commence on . . . . . Wednesday, 15 April 2020

The application for the Offer Shares will commence on Monday, 30 March 2020 through Friday, 3 April 2020. Such time period is longer than the normal market practice of three and a half days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, 14 April 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, 15 April 2020.

*Notes:*

- (1) All times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.
- (2) Applicants will not be permitted to submit their application to the designated **HK eIPO White Form** Service Provider through the IPO App or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If an applicant has already submitted its application and obtained an application reference number from the designated website prior to 11:30 a.m., the applicant will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 April 2020, the application lists will not open or close on that day. Please see "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for the Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
- (5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 6 April 2020 and, in any event, not later than 12:00 noon on Wednesday, 8 April 2020. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Wednesday, 8 April 2020, the Global Offering will not proceed and will lapse.

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## EXPECTED TIMETABLE

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- (6) Applicants who have applied on **WHITE** Application Forms or **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by their Application Forms may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 14 April 2020 or any other date notified by us in the newspapers as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post to the addressees specified in the relevant Application Forms at the applicants' own risk. Further information is set out in "How to Apply for the Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

- (7) e-Auto Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications if the Offer Price is less than the initial price payable on application.

**Share certificates will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.**

You should read carefully the "Underwriting", "How to Apply for the Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for the Hong Kong Offer Shares, the expected timetable, the effects of bad weather and the despatch/collection of Share certificates and refund of your application monies.

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

*This prospectus is issued by our Company solely in connection with the Global Offering and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information not given or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering. Information contained in our website, located at [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk), does not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus, which does not contain all the information that may be important to you. You should read the entire prospectus (including “Risk Factors” in this prospectus) before you decide whether you want to invest in the Offer Shares.*

### OUR MISSION

We aim to become a leading and reputable provider of a suite of health and well-being related products through diversified online and offline sales channels with the mission of bringing health and vitality to consumers.

### OVERVIEW

We are a provider of a variety of PCM (i.e. “proprietary Chinese medicine” as defined in the Chinese Medicine Ordinance), health supplement, skin care, personal care and other healthcare products, predominantly selling and distributing such products in Hong Kong. PCM and health supplement products have been our top-selling product categories, the revenue from the sales of which amounted to over 79.0% of our total revenue altogether throughout the Track Record Period. In FY2019, our revenue from the sales of health supplement products exceeded our revenue from the sales of PCM products for the first time, where the former accounted for approximately 41.0% of our total revenue and the latter accounted for approximately 38.2% of our total revenue for the year. According to the Ipsos Report, we ranked third (3rd) in the PCM distribution market in Hong Kong in FY2018 in terms of revenue with a market share of about 8.1%, whilst the top five (5) market players in aggregate held a market share of approximately 43.3%. On the other hand, the health supplement distribution market in Hong Kong is highly fragmented with no dominant players, in which market players primarily compete with one another on product quality, popularity and pricing, etc.

We bring our products to consumers through our two operating segments, namely the Distribution Business and the Retail Business. Set forth below is an analysis of our total revenue by sales channel during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %
<b><u>Distribution Business</u></b>						
Chain retailers	347,654	94.9	625,879	90.3	586,243	83.7
Non-chain retailers and traders	18,769	5.1	47,512	6.9	80,699	11.5
	<u>366,423</u>	<u>100.0</u>	<u>673,391</u>	<u>97.2</u>	<u>666,942</u>	<u>95.2</u>
<b><u>Retail Business</u></b>						
Online stores	55	0.0	12,664	1.8	15,279	2.2
Retail stores in Macau	–	–	7,271	1.0	18,534	2.6
	<u>55</u>	<u>0.0</u>	<u>19,935</u>	<u>2.8</u>	<u>33,813</u>	<u>4.8</u>
<b>Total</b>	<u>366,478</u>	<u>100.0</u>	<u>693,326</u>	<u>100.0</u>	<u>700,755</u>	<u>100.0</u>

### Our Distribution Business

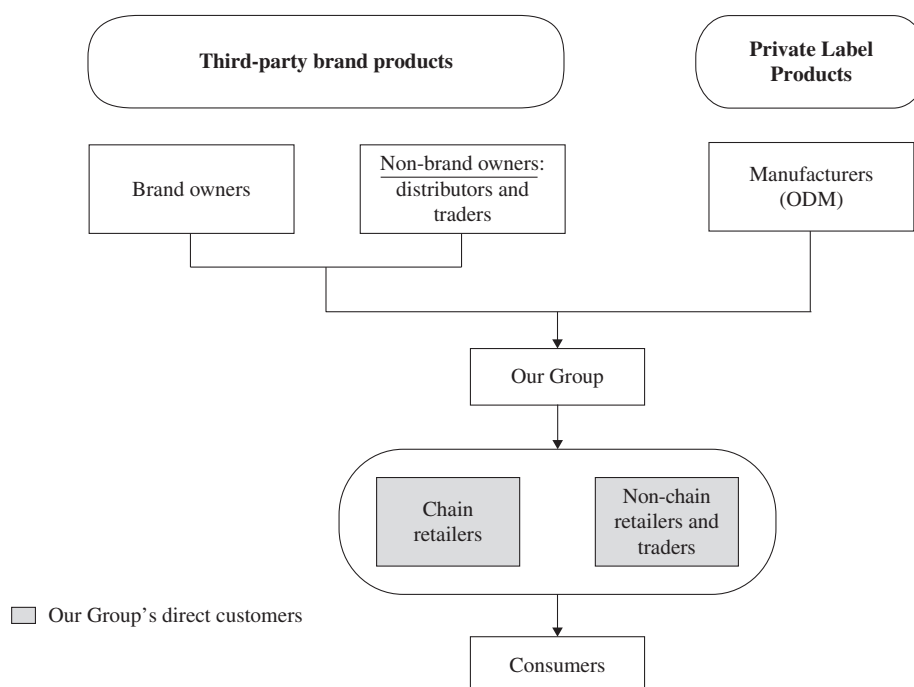
The Distribution Business is our major operating segment, which brought in over 95.0% of the total revenue of our Group throughout the Track Record Period. In our Distribution Business, we distribute our products to chain retailers, non-chain retailers (which are mostly pharmacies) and traders. The products distributed by us include products bearing the brands of third-party brand owners, which are sourced from the brand owners and/or distributors and traders, and Private Label Products, i.e. products developed and marketed under the brands of our Group and produced by external manufacturers engaged by us on an ODM basis.



## SUMMARY

As a distributor, we play a pivotal role in the value chain in the distribution of PCM, health supplement, skin care, personal care and other healthcare products. On the upstream side of the supply chain, according to the Ipsos Report, brand owners tend to distribute their products through distributors to, among others, chain retailers to take advantage of their extensive retail network so as to maximise the market coverage without having to incur substantive costs for conducting local market research, establishing its sales networks and marketing their products on their own. In addition, from the perspective of the brand owners, distributors also help to take care of retailer relationship management and the distribution workflow and to serve additional functions including storage, logistics, marketing and brand building. As regards the downstream side of the supply chain, according to the Ipsos Report, retailers also tend to rely on a range of services including sourcing, storage, logistics, product labelling and packaging and marketing services provided by their distributors as it may not be cost-effective for them to establish a sizeable procurement and/or product development team to deal with numbers of local or global suppliers or potential suppliers directly and perform these functions on their own. As such, distributors perform a wide range of value-adding functions in the supply chain. Brand owners and retailers, especially those which are more resource-constrained, have generally opted to distribute and source their products through distributors, including us, rather than dealing with each other directly, such that they could dedicate their manpower and resources to product development and manufacturing and to retail management respectively and improve the cost-effectiveness and efficiency of their operations. Among others, our Directors believe that the wide range of marketing and promotional activities performed by our Group are effective in increasing the exposure and recognition of our products and highly valued by both the third-party brand owners and our chain retailer customers, and have been instrumental in bringing about our growth since our inception.

Set forth below is a diagram depicting the model of our Distribution Business:



In particular, throughout the Track Record Period, over 83.0% of our total revenue came from the sales of our products to chain retailers. Leading chain retailers are characterised by their extensive network of POS with a wide geographical coverage and direct access to the mass of consumers. As at 31 December 2019, Ipsos estimated that our top two (2) customers, which are both chain retailers, operated 359 stores and 232 stores in Hong Kong respectively. Given that the major chain retailers in Hong Kong are our direct customers, we are in a competitive position in distributing, selling and marketing our products to the consumers leveraging the widespread POS network in Hong Kong of such chain retailers. We consider that our relationship with the chain retailers is mutual. On one hand, we avail ourselves of the chain retailers' sales network to enable our suppliers, which are mostly the brand owners of our third-party brand products, to break the entry barriers and gain access to the market, so as to establish ourselves as the preferred sales channel of our suppliers. On the other hand, we are a distributor offering 120 Hong Kong and overseas brands of health and well-being related products during FY2019 that are sought-after by consumers to the chain retailers and providing supply chain support in areas such as warehousing and logistics. As such, by

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## SUMMARY

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procuring products from us, the chain retailers could gain instant access to a wide variety of products without the need to deal with each brand owner individually or attend to certain major supply chain operations and could thus minimise their administrative and operational burden and costs.

### Our Retail Business

In our Retail Business, we sell our third-party brand products and our Private Label Products directly to the general public. With a vision of making our products available through diversified sales channels, we have been developing both online and offline sales of our products to consumers. Our Retail Business is in an early stage of development: for FY2019, our revenue from online and offline sales to consumers accounted for approximately 2.2% and 2.6% of our total revenue, respectively.

We consider that e-commerce provides a sales channel which enables us to reach consumers on a borderless and 24/7 basis. As such, we commenced online sales of our products to consumers in FY2017. During the Track Record Period, online sales of our products to consumers were conducted primarily through two (2) e-commerce portals, namely JD.hk (海囤全球 京東旗下全球直購平台) and Tmall.hk (天貓國際). As regards the offline limb of our Retail Business, offline sales of our products to consumers have been conducted at our two (2) brick-and-mortar retail stores under the trading name of Tianyi (天一) since July and November 2018 respectively in Macau, which market, as compared to Hong Kong, is less dominated by leading chain retailers according to the Ipsos Report.

While our Retail Business is still in its early development phase, it allows us to reach and interact with a broader spectrum of customers directly, so as to observe and understand the consumer needs and preference, market trend and general retail environment. The data and information collected will be of high reference value as we seek to identify and introduce new products. In addition, through our retail channels, we could test the market acceptance and popularity of our new products, which we may launch in our Distribution Business upon receiving favourable market response. At the same time, our online stores and retail stores also serve as a brand and product promotion platform so as to increase consumers' awareness of our brands and products. As such, we believe that the expansion of our Retail Business, both online and offline, is conducive to the overall development of our business, as it facilitates the operation of our Distribution Business and inspires confidence in our capability as a distributor among our suppliers of third-party brand products and our customers sourcing products from us.

### OUR PRODUCTS

In both our Distribution Business and our Retail Business, we sell and distribute (i) PCM, health supplement, skin care, personal care and other healthcare products bearing the brands of third-party brand owners; and (ii) our Private Label Products, which are mostly health supplement products.

During FY2017, FY2018 and FY2019, we recorded revenue in the amount of approximately HK\$357.7 million, HK\$648.9 million and HK\$640.1 million from the distribution of 74, 100 and 112 brands of third-party brand products in our Distribution Business, representing 97.6%, 93.6% and 91.3% of our total revenue, respectively.

With a vision of establishing our own brands of products, we have engaged independent manufacturers to develop and produce on an ODM basis our Private Label Products under our own brands, including the brands of "Boost & Guard (BG博健科研)", "和漢 (Wakan)" and "金門 (Kinmen)". We have registered or made applications for registration of the trademarks used for all of our Private Label Products. For FY2017, FY2018 and FY2019, our revenue from the sales of Private Label Products in our Distribution Business amounted to approximately HK\$8.8 million, HK\$24.5 million and HK\$26.9 million, representing 2.4%, 3.6% and 3.9% of our total revenue, and was attributable to 10, 8 and 8 brands of Private Label Products respectively.

With a view to keeping our product portfolio relevant to the market needs, we rolled out new products to our customers every year since we were founded. For each of FY2017 and FY2018, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$51.3 million and HK\$101.8 million, representing 32.3% and 33.2% of the increase in our Distribution Business revenue on the previous year, respectively. For FY2019, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$50.4 million, representing 7.2% of our total revenue. Among all product categories, our health supplement products recorded the largest amount of additional revenue generated from the sales of new products in our Distribution Business during each year in the Track Record Period and contributed approximately 37.7%, 74.0% and 55.2% of such additional revenue for FY2017, FY2018 and FY2019 respectively.

Thanks to our effort in broadening our product portfolio in terms of the number of products offered, the proportion of our total revenue for our Distribution Business attributable to the top 10 products decreased from approximately 61.5% for FY2017 to 41.6% for FY2019. There was no single product whose sales accounted for more than 10% of our total revenue in FY2019.

## SUMMARY

Set forth below is an analysis of our revenue, gross profit and gross profit margin by product categories during the Track Record Period:

Products	FY2017			FY2018			FY2019		
	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %
<b>Distribution Business</b>									
PCM	219,347	60,674	27.7	293,816	83,200	28.3	267,377	65,330	24.4
Health supplement	85,143	30,468	35.8	261,109	87,595	33.5	287,523	87,712	30.5
Skin care	17,020	4,189	24.6	40,133	9,079	22.6	39,482	7,699	19.5
Personal care	11,953	3,340	27.9	20,971	6,226	29.7	21,183	4,631	21.9
Other healthcare	32,960	9,812	29.8	57,362	21,101	36.8	51,377	20,185	39.3
	<u>366,423</u>	<u>108,483</u>	29.6	<u>673,391</u>	<u>207,201</u>	30.8	<u>666,942</u>	<u>185,557</u>	27.8
<b>Retail Business<sup>(Note)</sup></b>	<u>55</u>	<u>8</u>	14.5	<u>19,935</u>	<u>3,098</u>	15.5	<u>33,813</u>	<u>5,584</u>	16.5
<b>Total/Overall</b>	<u>366,478</u>	<u>108,491</u>	29.6	<u>693,326</u>	<u>210,299</u>	30.3	<u>700,755</u>	<u>191,141</u>	27.3

*Note:* Please see “Business – Our Retail Business” in this prospectus for products sold through our online and offline sales channels, which included a handful of products from our Distribution Business as well as those typically sold at third-party pharmacies.

During the Track Record Period, we recorded our revenue growth at a CAGR of 38.3% primarily due to, among others, (i) our ability to identify and source a broad range of products in demand from brand owners and other suppliers who leveraged the widespread network of POS of chain retailers through us to distribute their products competitively; and (ii) our ability to sustain and scale up the sales of our existing products rolled out in previous years thanks to (a) our efforts to increase the market penetration of our existing products; (b) the increased brand and product awareness resulting from our marketing and promotional initiatives; (c) the scale-up of purchases by our existing chain retailer customers as they sought to increase the product availability at their POS; (d) the growing acceptance of our existing products by consumers after trial; and (e) the fine-tuning of the relevant distribution and sale strategies based on insights gained into the consumption patterns. Among the increased sales of our products, there were sales of new products each year. For each of FY2017 and FY2018, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$51.3 million and HK\$101.8 million respectively, which contributed to 32.3% and 33.2% of the increase in the revenue of our Distribution Business in FY2017 and FY2018 as compared with that for the previous year respectively. For FY2019, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$50.4 million, representing 7.2% of our total revenue. During the Track Record Period, over 60.2% of our revenue generated from the sales of new products in our Distribution Business was from the sales of health supplement products. Set out in “Business – Rollout of New Products” in this prospectus is an analysis of how our new products rolled out in each year contributed to our revenue during the Track Record Period.

PCM and health supplement products have been our top-selling product categories, the revenue from the sales of which amounted to over 79.0% of our total revenue altogether throughout the Track Record Period. In FY2019, our revenue from the sales of health supplement products exceeded our revenue from the sales of PCM products for the first time, where the former accounted for approximately 41.0% of our total revenue and the latter accounted for approximately 38.2% of our total revenue for the year.

For each of FY2017, FY2018 and FY2019, our gross profit margin was approximately 29.6%, 30.3% and 27.3% respectively. In developing our business, we have been striving to source an appropriate suite of products that meet the consumers’ demand. During the Track Record Period, our revenue from the sales of health supplement products grew at a CAGR of 83.8%, compared to our revenue from the sales of PCM products that grew at 10.4%. In broadening our suite of product offerings, we had procured relatively more health supplement products (which had a lower level of profit margins) in order to satisfy our customers’ demand and market needs, which was one of the reasons for our decreased gross profit margin (as the case may be) during the Track Record Period. Further, as part of our strategy of incentivising chain retailers to assist us in promoting our products, we offered them discounts and rebates in respect of our products sold by them. Please see “Business – Our Customers – Chain Retailers” for further details. For each of FY2017, FY2018 and FY2019, the aggregate amount of discounts and rebates offered to the chain retailers represented approximately 4.4%, 5.9% and 9.4% of our total revenue respectively. With the increased efforts of chain retailers in promoting our products, our discounts and rebates offered to them increased as

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## SUMMARY

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a percentage to our total revenue in FY2019, which therefore exerted some downward pressure on our gross profit margin for the same year when our selling prices were not all set to cover such discounts and rebates to the full extent in order to maintain our historical gross profit margins.

In other words, our gross profit margin decreased from 30.3% for FY2018 to 27.3% for FY2019 primarily due to (i) the product mix as a result of relatively more health supplement products with a lower level of profit margins having been procured by us in broadening our suite of products, where the gross profit of this product category accounted for a relatively larger portion of our total gross profit in FY2019 compared to other product categories on a year-to-year basis; and (ii) an increase in discounts and rebates offered by us to our chain retailer customers in incentivising them to promote our products.

### OUR CUSTOMERS

Our products are all consumer products in nature. Chain retailers in Hong Kong, which are our major customers in the Distribution Business, have formed the largest customer segment of our Group. For each of FY2017, FY2018 and FY2019, our revenue generated from the sales to chain retailers amounted to approximately HK\$347.7 million, HK\$625.9 million and HK\$586.2 million, representing 94.9%, 90.3% and 83.7% of our total revenue respectively. Other customers in our Distribution Business include non-chain retailers (which are mostly pharmacies) and traders. Our customers in the Retail Business conducted through online and offline sales channels are individual customers from the general public.

For each of FY2017, FY2018 and FY2019, our revenue generated from the sales to Customer A amounted to approximately HK\$242.5 million, HK\$470.1 million and HK\$427.1 million, representing 66.2%, 67.8% and 60.9% of our total revenue, respectively. According to the Ipsos Report, Customer A is the largest health and beauty retail chain in Hong Kong in terms of the number of retail stores. By selling our products through the extensive sales network of Customer A, we are able to effectively make our products available to all groups of target customers in Hong Kong and also tourists from the PRC. From the perspective of our Group, Customer A is one of our selling platforms through which our products are brought to target consumers; essentially, Customer A's demand for our products originates from and is backed by the consumers. In addition, we have the proven ability to provide a wide variety of products and comprehensive supply chain services to Customer A and meet its stringent supplier selection criteria. On the basis of the above, our Directors are of the view that our business relationship with Customer A is mutual in nature and see no compelling reasons for Customer A to terminate our business relationship in the foreseeable future, barring any unforeseen circumstances. As such, our Directors consider that the risks associated with the relatively high proportion of revenue generated by our sales to Customer A during the Track Record Period are not excessive, and we do not have any undue *de facto* reliance on Customer A which may have a material adverse impact on our suitability for Listing.

For each of FY2017, FY2018 and FY2019, our revenue generated from the sales to the top five customers of our Group amounted to approximately HK\$332.7 million, HK\$628.8 million and HK\$591.2 million, representing 90.8%, 90.7% and 84.4% of our total revenue, respectively. To the best of the knowledge of our Directors, other than CR Care, all the top five customers of our Group during the Track Record Period were Independent Third Parties.

### OUR SUPPLIERS

Brand owners constitute our largest supplier group. Our third-party brand products are primarily sourced from the third-party brand owners directly. For FY2017, FY2018 and FY2019, our revenue from the sales of products sourced from brand owners accounted for approximately 82.6%, 64.7% and 62.7% of our total revenue respectively. We have entered into distribution agreements with and/or received authorisation letters in respect of our distribution rights from some of the brand owners. Some of the agreements and letters provide that we shall act as the exclusive or designated distributor in relation to the distribution of the relevant third-party brand products to the specified chain retailers, while the other agreements and letters may specify that our distribution rights are non-exclusive or otherwise contain no undertaking from the brand owners not to supply their products to or appoint any other distributor in the relevant territory(ies). For each of FY2017, FY2018 and FY2019, our revenue generated from the sales of third-party brand products for our Distribution Business in respect of which we enjoyed the exclusive rights of distribution to the specified chain retailers amounted to approximately HK\$193.5 million, HK\$277.4 million and HK\$262.1 million, representing 52.8%, 40.0% and 37.4% of our total revenue respectively.

In particular, we are an authorised distributor for a number of non-pharmaceutical products (including health supplement, skin care and personal care products) sourced from overseas brand owners. We believe the fact that we are headquartered in Hong Kong appeals to overseas suppliers and is favourable for our business development, since Hong Kong, unlike certain other jurisdictions such as the PRC, is a free port pursuing a free trade policy with no trade barrier and relatively simple licensing procedures for the import and export of goods.

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Where we are unable to procure these third-party brand products directly from the brand owners, we may turn to their authorised distributors or other distributors and traders. Our Private Label Products are produced on an ODM basis and supplied by our external manufacturers.

For each of FY2017, FY2018 and FY2019, our purchases from the top five suppliers of our Group amounted to approximately HK\$114.2 million, HK\$195.7 million and HK\$200.0 million, representing 44.2%, 37.4% and 38.6% of our total purchase, respectively. To the best of the knowledge of our Directors, all the top five suppliers of our Group during the Track Record Period were Independent Third Parties.

### OUR PRICING POLICY

In our Distribution Business, the prices at which our products are sold to the customers are determined on a case-by-case basis based on negotiations between the customers and us. Factors that are taken into account include, among others, the wholesale and/or retail prices suggested by the brand owners for their products (which are provided for the reference of the customers only, if any), the volume of orders, the services and support to be provided by us (such as marketing support and promotion), the expected profit margins of us and of our customers, the intended market positioning of the products, and the market response from time to time.

As regards our Retail Business, when determining the prices for sales of our products to our consumers, the major relevant factors include our procurement costs, our target market positioning and operating profit margin in respect of each product, and the market response from time to time.

### OUR TEAM

According to the Ipsos Report, establishing relationships with brand owners and retailers and distribution networks is one of the major barriers in respect of the distribution of PCM and health supplement products in Hong Kong. Mr. Wong, our founder, chairman, executive Director, chief executive officer and one of our Controlling Shareholders, has over 20 years of experience in the healthcare and personal care products industry and was appointed as an honorary president of the Hong Kong Medicine Dealers' Guild in 2018. Mr. Wong had been working at Hengan Pharmacare, a Hong Kong-based company principally engaged in the sales of personal care and pharmaceutical products mainly in Hong Kong, from April 1999 until June 2014 and held several positions in the sales and marketing functions. During his tenure of service, Mr. Wong had been in regular contact with the customers of Hengan Pharmacare, including several leading PCM product distributors in Hong Kong, and working closely with chain stores on product listing and supply. Mr. Wong had therefore gradually built up connections in the distribution industry of PCM products and other health and well-being related products and key contacts in the major chain retailers in Hong Kong, and gained insights into the potential market demand for and the operation and logistics of the distribution industry of the relevant products (especially PCM products). Mr. Wong founded our Group and started his business of distribution and sale of health and well-being related products in 2015. Taking advantage of his pre-existing networks in and knowledge about the industry gained primarily through his past work experience, coupled with his foresight and business acumen, Mr. Wong was able to win the trust of a number of brand owners and secure the supply of PCM products from them upon the inception of our Group; meanwhile, we entered into business collaboration with one of the leading chain retailers in Hong Kong, which intended to increase its PCM product offerings at the relevant time. Given the above, we were able to break the entry barriers of the industry and commenced our Distribution Business. With satisfactory sales of such PCM products recorded by the chain retailer customer, our Group had gradually gained the recognition of other third-party brand owners and chain retailers as a distributor and broadened our product offerings and our distribution network comprising an increased number of chain retailers, which has paved the way for our substantial business expansion over the years under Mr. Wong's lead.

We are also proud of our sourcing team and product development team, comprising members with years of industry experience and relevant marketing networks who keep track of new products launched in the market that are sought-after by customers. Based on the insights into the industry of our management and the market intelligence collected by our sourcing team and product development team, we are able to discern the new trends in consumer's preferences and identify and source new products which meet the prevailing market trends, which were a significant contributor to the revenue growth of our Group throughout the Track Record Period.

### COMPETITIVE STRENGTHS

We consider that our success is primarily attributable to our following competitive strengths: (i) we have sound business relationships with our chain retailer customers; (ii) our chain retailer customers provide us with access to the general public and enable us to maintain a sizeable and effective distribution network; (iii) we operate a dual business model for both our Distribution Business and Retail Business through online and offline sales channels; (iv) we are one of the leading PCM product distributors in Hong Kong and well-positioned to expand our product portfolio by entering into business relationships with other

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## SUMMARY

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PCM product brand owners; (v) we are strategically headquartered in Hong Kong as an authorised distributor for a wide variety of products; (vi) we have a dual role in the distribution of our products, acting as both a supply chain partner to our retail chain customers and a distributor to the suppliers of our third-party brand products; (vii) we adopt a multifaceted marketing and promotion strategy; and (viii) we have an experienced and dedicated management team.

While the health supplement, skin care and personal care product distribution industries in Hong Kong are highly fragmented and competitive, thanks to the above competitive strengths, our Group has achieved substantial business growth since our inception. Among others, we believe the following features and/or value-adding functions of our Group are of salient significance to our retail chain customers and our suppliers of third-party brand products, such that we have successfully established ourselves as a valued supply chain partner and distributor of them respectively that is not easily replaceable:

### As a supply chain partner of our chain retailer customers

- **diverse product portfolio:** we have a diverse product portfolio which consists of 120 brands and 478 products during FY2019 and is growing from time to time. To our chain retailer customers, we serve as a one-stop supplier of the mix of products they require according to their respective business needs and offer them convenience in procurement by minimising the negotiation and paperwork involved, thereby allowing them to gain cost-efficiency;
- **wide range of marketing and promotional activities:** the wide range of marketing and promotional activities conducted by our Group are highly valued by our chain retailer customers, given that they are effective means to increase the exposure and recognition of the products supplied by us. In particular, our Directors believe that we have been able to distinguish ourselves from most of our competitors by setting up an established team of sales promoters in Hong Kong with 51 members as at 31 December 2019. Our sales promoters are stationed at the chain stores operated by our chain retailer customers or the sales booths set up by us to implement special product promotions. Through direct interaction with the consumers, they feed the consumers in-depth information on product usage and selection and thereby boost sales of the products supplied by us. Our retail chain customers could also reduce their headcount and save on advertising and promotion expenses accordingly;
- **stable stock supply:** we endeavour to provide our customers with a complete package of supply chain support, and warehousing and logistics are two of the major areas that are covered. We have set up warehouses in Hong Kong where we stock products to meet the needs of our retail chain customers in the forthcoming weeks determined based on (i) the joint business plan as agreed with them, which sets out the sales targets, stock volume required, promotion plan, product display, etc.; and (ii) our own internal sales forecast. The guaranteed stability of product supply is one of our major competitive edges as a supply chain partner, which we are able to achieve largely because of our long-term collaboration with our chain retailer customers; and
- **mutual understanding and trust:** the relationships between Mr. Wong and his key contacts in major chain retailers in Hong Kong date from the time when our Group had yet to be founded, and our Group had gradually gained the recognition of our retail chain customers as a supply chain partner since our inception under the lead of Mr. Wong. Close working relationships have been established and sustained over the years between our retail chain customers and us through (i) the continuous business dealings; (ii) regular direct communication between the top management in relation to high-level matters such as key business strategies, through which both sides could exert positive influence on the other and strengthen the strategic collaboration; and (iii) close contact and cooperation between the representatives at the working level of both sides for effective and efficient implementation of the business strategies and plans as agreed between the top management. Our Directors believe the mutual understanding and trust are instrumental in maintaining customer loyalty.

### As a distributor of our suppliers of third-party brand products

- **access to a sizeable and effective distribution network:** according to the Ipsos Report, as at 31 December 2019, our top two customers operated 359 and 232 stores in Hong Kong respectively. We offer our suppliers of third-party brand products access to the extensive network of POS in Hong Kong operated by our retail chain customers, which may effectively accelerate the market penetration of their products;
- **product distribution on favourable terms:** from the perspective of our suppliers of third-party brand products, retailer relationship management and arrangement of distribution workflow are among the major functions of us as a distributor. The manifold value-adding functions we perform for our retail chain customers as mentioned above have strengthened our bargaining power vis-à-vis our retail chain customers, and we are well positioned to negotiate for more

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favourable terms in relation to matters relating to product distribution, such as the locations of the POS which are to carry the products supplied by us, and the positions and areas of the shelf space to be assigned to such products. Our suppliers of third-party brand products may have a better chance of obtaining favourable terms for product distribution through us than they would possibly have dealing with the chain retailers directly and individually;

- **wide range of marketing and promotional activities:** as mentioned above, we conduct a wide range of marketing and promotional activities in respect of the products supplied by us. Our support in this regard is considered no less crucial by our suppliers of third-party brand products as they are allowed to dedicate their manpower and resources primarily to product development and manufacturing; and
- **opportunities to enter new markets:** in our Retail Business, we have been selling our products online through several e-commerce portals, whereby cross-border sales of our products have been made from Hong Kong to the PRC; we have also set up two (2) brick-and-mortar retail stores in Macau for direct offline sales of our products. It is also part of our strategy to expand our Distribution Business to the PRC by supplying certain of our products to the PRC market on an offline basis; to this end, we have entered into an agreement with a wholly-owned subsidiary of CR Pharmaceutical regarding the establishment of a joint venture in the PRC so as to leverage the network of CR Pharma Group to distribute, among others, our products in the PRC. Our suppliers of third-party brand products will therefore have the opportunities to break into new markets through our sales channels and networks, which our Directors believe that further distinguishes us from most of our competitors.

Notwithstanding the fact that the distribution rights granted to us in relation to some of our products are not exclusive in nature, we serve a host of value-adding functions and play roles that are not easily replaceable in the supply chain of our retail chain customers and the distribution channel of our suppliers of third-party brand products. On the basis of the above, our Directors believe that we are in a favourable position to compete with the existing market players and the new entrants and will be able to remain competitive. Our Directors are confident that the implementation of our business strategies with the proceeds from the Global Offering will enable us to expand our business so as to reinforce and further enhance our market position.

### BUSINESS STRATEGIES

In our business operation and development, we endeavour to pursue excellence in (i) supply chain and retail management, where we aim to become the distributor of choice of our suppliers with well-established and effective distribution channels and the supplier of choice of our customers offering a comprehensive suite of products that are sought-after by consumers; and (ii) brand management, where we strive to make the brands of our third-party brand products and our Private Label Products through our sales and marketing strategies with a view to maximising the market share of our products. To further expand our business and our market share and to achieve our mission and business objectives, we plan to implement the following strategies: (A) further developing our supply chain and retail management by (i) increasing accessibility and availability of our products to consumers through expanding our Distribution Business model (offline) to the PRC, further developing and optimising our cross-border e-commerce business and expanding our offline sales to other non-chain retailers in Hong Kong through acquisition of a local distributor or trader with an established customer base; (ii) broadening product selection by introducing new third-party brand products and developing our Private Label Products for our customers; and (iii) enhancing enterprise resources planning, customer relationship management and warehouse management through the application of information technology and the upgrade of our systems; and (B) further investing in our brand management to increase mass awareness of our Group and our products.

### SHAREHOLDERS INFORMATION

#### Our Controlling Shareholders

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and the Capitalisation Issue, our Company will be beneficially owned as to approximately 56.01% by Tycoon Empire. Tycoon Empire is an investment holding company incorporated in BVI of which Mr. Wong, our executive Director, chief executive officer and chairman of our Board, is its sole shareholder and sole director. Accordingly, each of Mr. Wong and Tycoon Empire will be regarded as our Controlling Shareholder under the Listing Rules.

#### Pre-IPO Investors

On 15 February 2019, (i) Tycoon Empire and Mr. Wong entered into the First Pre-IPO SPA with Pre-IPO Investor A in relation to Pre-IPO Investment A pursuant to which Tycoon Empire sold and Pre-IPO Investor A purchased an aggregate of 2,500,000 Shares, representing 25% of the then issued share capital

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of our Company, for an aggregate consideration of HK\$248,170,750; and (ii) Tycoon Empire and Mr. Wong entered into the Second Pre-IPO SPA with Pre-IPO Investor B in relation to Pre-IPO Investment B pursuant to which Tycoon Empire sold and Pre-IPO Investor B purchased an aggregate of 124,900 Shares, representing 1.249% of the then issued share capital of our Company, for an aggregate consideration of HK\$12,400,000. Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Pre-IPO Investor A and Pre-IPO Investor B will hold approximately 18.99% and approximately 0.95% of our enlarged issued share capital respectively. For details of the Pre-IPO Investments, please see “Pre-IPO Investments” in this prospectus.

### CONTINUING CONNECTED TRANSACTIONS AND RULE 14A.105 WAIVER

Our Group has entered into (i) the Master Supply Agreement with CR Pharmaceutical for the sale of certain PCM, health supplements and other healthcare products by our Group to CR Pharmaceutical; and (ii) the NC Products Distribution Agreements with Hong Kong CR Sanjiu for the granting of distribution rights by Hong Kong CR Sanjiu to our Group over certain Nature’s Care Pro series of products under the brand name of Nature’s Care. Following the Listing, CR Pharmaceutical and each of its subsidiaries (including CR Care, one of our existing customers, and Hong Kong CR Sanjiu) will become connected persons of our Company and the transactions contemplated under the Master Supply Agreement and the NC Products Distribution Agreements will constitute continuing connected transactions of our Company. We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules subject to annual caps restrictions. For details of the above continuing connected transactions and waiver, please see “Waivers from Compliance with the Listing Rules” and “Connected Transactions – Non-exempt Continuing Connected Transactions” in this prospectus.

### KEY FINANCIAL DATA

#### Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income Data

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	366,478	693,326	700,755
Gross profit	108,491	210,299	191,141
Profit before tax	76,795	123,679	68,360
Profit for the year	63,926	100,900	54,516

Armed with well founded retail distribution channels through our chain retailer customers in Hong Kong, we are well positioned to achieve growth in our business through rolling out new products that are sought-after by consumers. During the Track Record Period, we recorded revenue growth at a CAGR of approximately 38.3%. Our Directors believe our growth was primarily attributable to (i) our ability to identify and source a broad range of new products that met the prevailing market trends and demand of consumers; and (ii) our ability to sustain and scale up the sales of our existing products rolled out in previous years thanks to (a) our efforts to increase the market penetration of our existing products; (b) the increased brand and product awareness resulting from our marketing and promotional initiatives; (c) the scale-up of purchases by our existing chain retailer customers as they sought to increase the product availability at their POS; (d) the growing acceptance of our existing products by consumers after trial; and (e) the fine-tuning of the relevant distribution and sale strategies based on insights gained into the consumption patterns. For further details, please see “Business – Rollout of New Products – Our Revenue Growth During the Track Record Period” in this prospectus.

Meanwhile, we have also been building our Retail Business, which is conducted through online and offline sales. Our Retail Business is in an early development stage, and the revenue generated from it remained under 5.0% of our total revenue throughout the Track Record Period.

Despite an increase in our revenue at a CAGR of 38.3% over the Track Record Period, our revenue growth momentum had been adversely affected by the Social Unrest in Hong Kong during the second half of FY2019 resulting in a slight overall increase in our revenue by HK\$7.5 million or 1.1% for FY2019.

Our profit after tax grew by approximately 57.8% from FY2017 to FY2018 primarily due to our revenue and gross profit growth. While we recorded a slight increase in our revenue by HK\$7.5 million or 1.1% for FY2019, our profit after tax experienced a decline of HK\$46.4 million or 46.0% for FY2019 primarily due to (i) a decrease in our gross profit margin from 30.3% to 27.3% or by 3.0 percentage points mainly as a result of (a) a change in our product mix by increasing sales of health supplement products



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(which had a lower level of profit margins) in order to satisfy our customers' demand and market needs; and (b) an increase in discounts and rebates as a percentage to our total revenue from 5.9% to 9.4% or by 3.5 percentage points offered by us to our chain retailer customers in incentivising them to promote our products; (ii) an increase in our selling and distribution expenses as a percentage to our total revenue from 6.9% to 8.9% or by 2.0 percentage points as a result of, among others, increased headcounts for our sales team from 62 to 88 over the year in coping with our business operations, as well as our marketing and promotion initiatives in response to our broadened suite of products; (iii) an increase in our administrative expenses (exclusive of listing expenses) as a percentage to our total revenue from 3.9% to 6.1% or by 2.2 percentage points as a result of, among others, increased headcounts for our non-sales team from 53 to 76 over the year in coping with our business operations and increased sales channels such as cross-border e-commerce from Hong Kong to the PRC; and (iv) an increase in listing expenses charged to our consolidated statements of profit or loss and other comprehensive income from HK\$6.5 million to HK\$12.4 million.

### Selected Consolidated Statements of Financial Position Data

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Current assets	215,014	296,968	285,475
Current liabilities	67,198	255,073	240,052
<b>Net current assets</b>	<b>147,816</b>	<b>41,895</b>	<b>45,423</b>
Non-current assets	27,741	81,532	80,889
Non-current liabilities	52,435	9,476	7,952
<b>Net assets</b>	<b>123,122</b>	<b>113,951</b>	<b>118,360</b>

Our net current assets and net assets increased as at 31 December 2019 primarily due to the profit recognised for the year albeit the distribution of a final dividend of \$30.0 million and a special dividend of \$20.0 million in FY2019.

The decline in our net current assets as at 31 December 2018 was primarily due to an increase in short-term borrowings for the redemption of the Pre-IPO Convertible Note and the distribution of an interim dividend of HK\$110.0 million to our Controlling Shareholder in FY2018. Our non-current liabilities decreased as at 31 December 2018 primarily due to the redemption of the Pre-IPO Convertible Note. The decrease in our net assets as at 31 December 2018 was primarily due to the distribution of an interim dividend of HK\$110.0 million to our Controlling Shareholder in FY2018 despite a net profit of HK\$100.9 million made by us for the same year. Our non-current assets as at 31 December 2019 were mainly our headquarters in Hong Kong and our warehouse in Macau.

### Selected Consolidated Statements of Cash Flows Data

	FY2017 HK\$'000	FY2018 HK\$'000	FY2019 HK\$'000
Net cash from operating activities	6,412	37,939	77,184
Net cash from/(used in) investing activities	(58,044)	(55,807)	2,176
Net cash from/(used in) financing activities	68,449	55,274	(88,011)
<b>Net increase/(decrease)</b>	<b>16,817</b>	<b>37,406</b>	<b>(8,651)</b>

Our net cash from operating activities increased in FY2019 primarily due to (i) our improved working capital position; and (ii) nil profits tax paid during the year while a tax accrual of HK\$26.3 million had been made. We recorded net cash from investing activities in FY2019 primarily due to no properties purchased and a decrease in advances made to a director during the year. In FY2019, we recorded net cash used in financing activities primarily due to the repayment made to a director and the distribution of dividends of HK\$50.0 million in total.

### Key Financial Ratios

	FY2017	FY2018	FY2019
For the year			
Gross profit margin	29.6%	30.3%	27.3%
Net profit margin	17.4%	14.6%	7.8%
Return on equity	51.9%	88.5%	46.1%
Return on total assets	26.3%	26.7%	14.9%
Interest coverage	29.7 times	11.6 times	12.4 times

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	FY2017	FY2018	FY2019
At balance sheet date			
Current ratio	3.2 times	1.2 times	1.2 times
Quick ratio	2.8 times	0.9 time	0.8 time
Gearing ratio	52.1%	124.7%	140.8%
Net debt to equity ratio	34.3%	72.8%	98.2%

*Note:* Please see “Financial Information – Key Financial Ratios” in this prospectus for the calculation of each of the ratios.

Our gross profit margin decreased to 27.3% for FY2019 primarily due to, among others, relatively more health supplement products with a lower level of profit margins having been procured by us in broadening our suite of products, where the gross profit of this product category accounted for a relatively larger portion of our total gross profit in FY2019 compared to other product categories on a year-to-year basis.

Our net profit margin decreased over the Track Record Period primarily due to our decreased gross profit margin (as the case may be), increased operating costs (as a result of, among others, increased advertising and promotion expenses and staff costs) and interests charged on external financing for our business operations, and listing expenses.

Our interest coverage ratio decreased in FY2018 primarily due to increased interest expenses as a result of the issue of the Pre-IPO Convertible Note and increased bank borrowings. The ratio improved in FY2019 primarily due to decreased interest expenses following the redemption of the Pre-IPO Convertible Note in December 2018 which was partially offset by a decrease in our profit before interest and tax.

Our gearing ratio increased as at 31 December 2018 primarily due to a higher level of bank borrowings and a lower level of equity as a result of an interim dividend of HK\$110.0 million distributed to our Controlling Shareholder. Our gearing ratio further increased as at 31 December 2019 primarily due to increased bank borrowings and the distribution of a final dividend of HK\$30.0 million and a special dividend of HK\$20.0 million during FY2019.

### Non-HKFRS Measures<sup>(1)</sup>

	FY2017 HK\$'000	FY2018 HK\$'000	FY2019 HK\$'000
<b>Profit for the year</b>	63,926	100,900	54,516
Excluding:			
Listing expenses	–	6,536	12,422
Imputed interest on a convertible note	584	5,689	–
Fair value loss/(gain) on a derivative component of a convertible note	1,080	(11,700)	–
Loss on redemption of a convertible note	–	5,297	–
<b>Adjusted profit for the year<sup>(2)</sup></b>	<u>65,590</u>	<u>106,722</u>	<u>66,938</u>
<b>Adjusted net profit margin<sup>(3)</sup></b>	17.9%	15.4%	9.6%

*Notes:*

- (1) To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use adjusted profit for the year as an additional financial measure. The adjusted profit for the year is not a measure of performance under HKFRSs. Please see “Financial Information – Non-HKFRS Measures” in this prospectus for further details.
- (2) **Adjusted profit for the year** is defined as profit for the year excluding listing expenses, imputed interest on the Pre-IPO Convertible Note, fair value gain/(loss) on the derivative component of the Pre-IPO Convertible Note and loss on redemption of the Pre-IPO Convertible Note. As these items are of non-recurring nature and are not related to the performance of our operations, the presentation of the adjusted profit after exclusion of these items can better demonstrate our operational performance during the relevant year.
- (3) **Adjusted net profit margin** is defined as the adjusted profit for the year divided by the revenue for the year.

Our adjusted net profit margin is primarily made up of our gross profit margin net of (i) selling and distribution expenses; and (ii) administrative expenses (exclusive of listing expenses), both as a percentage to our total revenue. Such adjusted net profit margin is intended to measure our profitability by excluding non-recurring items such as listing expenses and gains and losses relating to the Pre-IPO Convertible Note. The Pre-IPO Convertible Note was redeemed by us in December 2018.

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## SUMMARY

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In FY2018, while our total revenue increased by 89.2% on a year-on-year basis, our adjusted net profit margin decreased primarily due to an increase in our selling and distribution expenses as a percentage to our total revenue from 4.2% to 6.9% or by 2.7 percentage points as a result of, among others, (i) our increased efforts in advertising and promoting our products, including our private label brand “Boost & Guard (BG補健)” (now known as “Boost & Guard (BG博健科研)”) which became our best-selling health supplement brand of Private Label Products in FY2018, and some other third-party brand products; and (ii) the increased headcounts of our sales team from 18 to 62 over the year in coping with our business expansion.

While we recorded a slight increase in our revenue by HK\$7.5 million or 1.1% for FY2019, our adjusted net profit margin decreased primarily due to (i) a decrease in our gross profit margin from 30.3% to 27.3% or by 3.0 percentage points mainly as a result of (a) a change in our product mix by increasing sales of health supplement products (which had a lower level of profit margins) in order to satisfy our customers’ demand and market needs; and (b) an increase in discounts and rebates as a percentage to our total revenue from 5.9% to 9.4% or by 3.5 percentage points offered by us to our chain retailer customers in incentivising them to promote our products; (ii) an increase in our selling and distribution expenses as a percentage to our total revenue from 6.9% to 8.9% or by 2.0 percentage points as a result of, among others, increased headcounts for our sales team from 62 to 88 over the year in coping with our business operations, as well as our marketing and promotion initiatives in response to our broadened suite of products; and (iii) an increase in our administrative expenses (exclusive of listing expenses) as a percentage to our total revenue from 3.9% to 6.1% or by 2.2 percentage points as a result of, among others, increased headcounts for our non-sales team from 53 to 76 over the year in coping with our business operations and increased sales channels such as cross-border e-commerce from Hong Kong to the PRC.

### RECENT DEVELOPMENTS

Our business operations are primarily based in Hong Kong with multiple sales channels operating online and/or offline in Hong Kong, Macau, the PRC and Singapore. Our business model had remained unchanged since the end of the Track Record Period and up to the Latest Practicable Date. As more particularly described below, we have been (i) adjusting and enriching our product portfolio according to the prevailing circumstances and consumers’ demand to ensure that we would remain the supplier of choice of our customers and could cope well with the ever-changing market conditions; and (ii) actively expanding our business operations in different markets outside Hong Kong, such that we would become less vulnerable to unfavourable developments that may arise from time to time in any specific market.

The outbreak of coronavirus disease 2019 (“COVID-19”) was first reported from Wuhan, China, on 31 December 2019. An infectious disease in nature, COVID-19 has spread to various other countries and regions, including Hong Kong (where the first confirmed case was reported on 23 January 2020), Macau and Singapore, among others, in the following months and resulted in mortality. As announced on 11 March 2020, the World Health Organization has made the assessment that COVID-19 can be characterised as a pandemic and expects to see the number of cases, the number of deaths, and the number of affected countries climb even higher in the days and weeks ahead.

According to the Ipsos Report, the COVID-19 outbreak has impacted the distribution and retail industries in Hong Kong in various aspects, given that local economic activities have been reduced for precautionary reasons and tourist traffic has decreased as a result of the border closures and the travel restrictions imposed. In particular, consumers’ demand has shifted to necessities, such as cleaning wipes, and medical supplies, such as surgical masks and thermometers.

Set forth below is a holistic review of the developments of our Group amid the COVID-19 outbreak:

#### Further Expansion of Our Product Portfolio

We have remained steadfast in pursuing the strategy of broadening product selection by constantly rolling out new products that are sought-after by consumers notwithstanding the COVID-19 outbreak. Thanks to the industry insights and experience of our dedicated sourcing team and product development team, we have been granted the right to distribute a number of new other healthcare products that may be used for disinfection-related purposes, such as hand sanitisers and wet wipes and have also been able to source from overseas suppliers other anti-epidemic items that are in great demand, such as surgical masks and thermometers.

Our Directors believe that the above additions to our product portfolio demonstrate our ability to provide products that answer the prevailing market needs, and attest to the elasticity in our business operations and the resilience of our business model when faced with adverse developments in the market and the macroenvironment. Our anti-epidemic products have been sought-after by our chain retailer customers; in particular, CR Pharma Group has procured anti-epidemic products from us for distribution in Hong Kong and the PRC under the Master Supply Agreement. Our Directors consider that our sourcing

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## SUMMARY

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ability and responsiveness to consumers' demand, as well as our close and amicable working relationships with our customers at both management and frontline levels, have made us one of the go-to supply chain partners of our customers when they seek to secure supply of products that correspond with the market conditions.

As an act of corporate social responsibility, we have donated a total of 240,000 surgical masks to the medical staff in the PRC, the Macau government and social welfare organisations in Hong Kong.

### **Development of Our Distribution Business in Other Markets and Our Strategic Cooperation with CR Pharma Group**

We had established our foothold in Macau during the Track Record Period by running our Retail Business through two brick-and-mortar retail stores there. On 27 September 2019, we obtained the Licence for Firm for Import, Export and Wholesale of Pharmaceutical Products in Macau, which paves the way for us to increase our market presence and develop our Distribution Business in the Macau market. Please see "Appendix III – Regulatory Overview – Macau – Import and export of pharmaceutical products and operation of a pharmacy – Import and export of pharmaceutical products" in this prospectus for further details. As a licensed wholesaler of imported and exported pharmaceutical products, we have been appointed as the exclusive distributor in Macau of a PCM product under the brand Po Chai Pills (保濟丸) subsequent to the Track Record Period.

Meanwhile, on 1 January 2020, we entered into the Master Supply Agreement with CR Pharmaceutical in relation to the supply of PCM, health supplement and other healthcare products by our Group to CR Pharma Group for a term commencing on the date of such agreement and ending on 31 December 2021. Please see "Connected Transactions – Non-exempt Continuing Connected Transactions – (1) Master Supply Agreement" in this prospectus for further details. Given our speciality as demonstrated by, among others, our ability to source anti-epidemic products that are in short supply during the COVID-19 outbreak, it is envisaged that the procurement of products from us by the CR Pharma Group would be conducted on a more extensive scale in the coming years under the Master Supply Agreement. It is intended that the products supplied by us under the Master Supply Agreement will be distributed by CR Pharma Group through its networks in Hong Kong and the PRC.

As the next step to cement our strategic partnership with CR Pharma Group and step up the development of our Distribution Business in the PRC, we entered into an agreement with CR Pharma Group on 11 March 2020 regarding the establishment of a joint venture in the PRC (with CR Pharma Group being the majority shareholder). The joint venture is expected to leverage the network of CR Pharma Group to distribute, among others, our products in the PRC. We would be a principal supplier of the joint venture, while its operations (including procurement and sales) are expected to be run by CR Pharma Group, which shall be responsible for, among others, procuring and assisting in obtaining all necessary filings, approvals and/or registrations from the relevant government agencies under the Strategic Framework Cooperation Agreement. Our Directors believe that the joint venture would serve as our springboard to the PRC market, where we could expand our Distribution Business to the PRC by supplying certain of our products to the joint venture on an offline basis. The breadth and depth of CR Pharma Group' retail network in the PRC which comprised over 840 retail pharmacies under national or regional premium brands as at 30 June 2019 are expected to be of wide appeal to brand owners of third-party brand products from all around the world, and our Directors foresee that our access to such an extensive retail network would sharpen our competitive edge as a distributor of health and well-being related products. At the same time, the establishment of the joint venture would provide an additional income source for our Group since we would not only gain revenue from sales to the joint venture but would also be entitled to a share of the profits made by it according to our shareholding. Please see "Business – Business Strategies – (A) Further Developing Our Supply Chain and Retail Management by (i) increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions – Expanding our Distribution Business to the PRC" in this prospectus for further details.

We believe that the scaling up of our business operations in the PRC and Macau could broaden our business focus in geographical terms and help reduce the overall exposure of our Group to changes in the conditions of any particular market.

### **Impact of the COVID-19 Outbreak on Our Business Operations**

While it has been necessary for us to make certain adjustments to the work arrangements of our staff for anti-epidemic causes, the COVID-19 outbreak has not had a significant adverse impact on our supply chain or our sales to major customers.

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## SUMMARY

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### ***Work Arrangements of Our Staff***

Based on the scale of the COVID-19 outbreak in the respective country/region, we have not put in place any substantive special work arrangements for our staff in Hong Kong (which is host to our headquarters), Macau (where we conduct our Retail Business at two brick-and-mortar retail stores) and Singapore (where we carry out our Distribution Business primarily with local chain retailers). Taking into account the business hours of and the customer flow at the stores of our chain retailer customers, we have re-arranged the work schedule of our sales promoters where appropriate.

As regards our Shenzhen office (which mainly oversees our cross-border e-commerce business), the office operation had been suspended after the Chinese New Year holiday until 24 February 2020 in accordance with the notices and orders issued by the local governmental authorities, and our staff had been requested to work from home during the period of suspension.

In line with our effort to provide a safe working environment for our employees, we have implemented the following precautionary measures under our contingency plan to curb the COVID-19 outbreak:

- circulating a memorandum to our employees which sets out guidance on maintenance of good personal and workplace hygiene;
- suspending or delaying all business trips to the PRC and other countries that are affected by the COVID-19 outbreak;
- taking the temperature of our staff when they enter our offices, warehouses or retail stores, which are recorded in a separate register;
- maintaining an adequate supply of surgical masks and alcohol hand sanitisers and providing our staff with such anti-epidemic items on a daily basis. Our staff (including our sales promoters stationed at the stores of our chain retailer customers) are required to maintain good personal hygiene and wear surgical masks at all time and clean their hands with the use of alcohol hand sanitisers regularly whenever they are present at our offices, warehouses or retail stores or otherwise on duty. In case there is an insufficient supply of such anti-epidemic items, all members of our staff will be subject to mandatory home office arrangements;
- maintaining good indoor ventilation and performing regular disinfection exercises after office hours at our offices, warehouses and retail stores;
- monitoring the sick leave records of our staff closely with particular attention paid to any unusual trend identified;
- advising our staff to avoid unnecessary travels to areas affected by the COVID-19 outbreak and crowded places;
- putting in place a reporting mechanism under which our staff are required to provide the travel records of them and make declarations of their health conditions upon returning to Hong Kong, and maintaining a register to document the above details; and
- monitoring the latest information released by the governments on the COVID-19 outbreak closely and keeping our staff informed about the material updates, such as the mandatory quarantine imposed in different jurisdictions.

To the best of the knowledge of our Directors, since the onset of the COVID-19 outbreak and up to the Latest Practicable Date, there had been no confirmed case of COVID-19 infection among our employees or instance in which any of our employees was unable to report duty as a result of the COVID-19 outbreak.

### ***Our Supply Chain and Sales to Major Customers***

Our suppliers include primarily brand owners, distributors and traders supplying us with third-party brand products. All of our major suppliers during the Track Record Period are based in Hong Kong or foreign countries including the United States, Australia and Canada.

The chain retailers in Hong Kong constitute the largest customer segment of our Group; throughout the Track Record Period, over 70% of our total revenue was derived from sales to the two leading chain retailers in Hong Kong, which operated 359 stores and 232 stores in Hong Kong as at 31 December 2019 respectively.

Our supply chain has not been materially disrupted by the outbreak of COVID-19 in Hong Kong and globally. In particular, despite that some of our major suppliers are located in the United States, Australia and Canada where there have been increasing number of confirmed COVID-19 cases in these countries, these suppliers have confirmed to us that the outbreak of COVID-19 in these countries has not materially affected or disrupted their production and shipment of their products to our Group, and they do not anticipate any such disruption, and the respective business of our major suppliers and retail chain customers in Hong Kong has primarily been conducted as usual following the onset of the COVID-19 outbreak. Our Directors confirm that since the end of the Track Record Period and up to the Latest Practicable Date, we

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## SUMMARY

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had not experienced any cancellation of orders or loss of customers or suppliers that would have had a material adverse impact on our supply chain, sales channels, ability to discharge our obligations under the existing contracts or generally our business operations and financial condition.

On the basis of the above, our Directors confirm that since the end of the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortage of supply, dispute with customers, suppliers or banks, or disruption to our business operations in Hong Kong or other locations that would have had a material adverse impact on our business operations and financial condition as a result of the COVID-19 outbreak.

### **Our Financial Performance and Viability**

From the financial perspective, the outbreak of COVID-19 has had a minimal impact on us in view of the fact that the average revenue of the first two months of FY2020 was broadly comparable with the average revenue of the last six months of FY2019 and, in particular, we recorded a narrowed decrease in monthly revenue for February 2020 in percentage terms as compared with the decrease in monthly revenue for January 2020 (in comparison with the amount for February and January 2019 respectively).

Nevertheless, the COVID-19 outbreak is still ongoing and there is no guarantee that the situation will not deteriorate or the outbreak shall come to an end in the near future. Apart from the negative impact on the sales of our products, the COVID-19 outbreak may possibly bring disruption to our business operations in the future as a result of, for example, quarantines, temporary closure of factories of our suppliers and other measures to control the spread of COVID-19 that may be imposed by the governments in different affected countries and regions from time to time. In addition, if the COVID-19 outbreak is not contained in Hong Kong, China or globally in the near future, the economic activities across many industries, including the distribution, retail and tourism industries in Hong Kong and worldwide, can be further adversely affected; the resultant economic downturn may adversely affect the consumer sentiment and weaken the demand for health and well-being related products in the retail market, which is likely to take its toll on the business operations of our chain retailer customers and in turn the market penetration of our products and our sales. For further details of the potential impact of the COVID-19 outbreak on our Group, please see “Risk Factors – Risks Relating to Our Business – The recent outbreak of coronavirus disease 2019 (COVID-19) may have a material adverse effect on our business, results of operations and financial position” in this prospectus. In the event that the COVID-19 outbreak shall not come to an end in the near future, our business operations and results of operations including revenue and profitability may be adversely affected and a net profit lower than that for FY2019 may be recorded for FY2020 accordingly. In the extreme and unlikely event that the business operations of our Group are completely suspended on a temporary basis and no additional revenue from sales is recorded, based on our cash and bank balance, the anticipated level of trade receivable collection, our available and expected banking facilities and anticipated trade payables settlement, borrowings and monthly fixed costs, such as staff costs, interest expenses, and rent, we believe that we will have sufficient working capital for our business and remain financially viable for at least the next 12 months from the date of this prospectus.

### **Our Business Development in the Medium to Long Run**

Our Directors believe that the disruption caused by and the impact of the COVID-19 outbreak will not be permanent in nature. Despite the worsened market sentiment at present, our Directors remain positive that the Hong Kong economy will recover after the outbreak recedes. According to the Ipsos Report, our products are generally consumer goods, the demand for which arises from health, well-being or other personal needs and is therefore customary and habitual in nature and sustainable in the medium to long run; in addition, the COVID-19 outbreak is expected to have the positive effect of spurring the growth of consumers’ health consciousness and the development of habits to maintain better personal health and environmental hygiene, and preventive measures such as taking vitamin and mineral supplements are expected to be more broadly taken. Moreover, as Hong Kong remains to be a place reputable for providing tax-free shopping experience and authentic products, visitors are expected to continue to be attracted to visit Hong Kong to make purchases of health and well-being related products; as stated in the Ipsos Report, the prospects of the distribution and retail markets in Hong Kong remain positive with enough room for strategic market players like us with (i) a comprehensive product portfolio and extensive sourcing capability; (ii) a strong network with retailers or established retail stores in prime locations; and (iii) offering of customer-oriented value-added services, to survive and substantiate their future growth in the industry in the long run.

Accordingly, our Directors consider that we will be primed to build on the signs of improvement in our financial performance in February 2020 as described above and regain growth momentum after the COVID-19 outbreak recedes. We remain resolved to continue to pursue the business strategies set out in “Business – Business Strategies” in this prospectus after Listing and apply all of the net proceeds from the Global Offering in accordance with the intended uses as disclosed in “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus.

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## SUMMARY

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With our unwavering endeavours to expand our business in the other markets as evidenced by our newly awarded exclusive distribution rights in Macau and our strategic cooperation with CR Pharma Group taking advantage of the market opportunities during the COVID-19 outbreak as described above, our Directors believe that we will be able to achieve further geographical diversification of our revenue sources in the long run, which will effectively reduce our susceptibility to any adverse development in Hong Kong or any other single market. On the other hand, our Directors consider that our firm commitment to building a product portfolio that caters to the prevailing market needs will also enable us to continue to gain recognition and trust from our customers notwithstanding changes in market conditions. We also aim to continue to expand our presence on the e-commerce portals such that we could remain effective in bringing our products to the consumers through our cross-border e-commerce business even when travel restrictions are in place and consumers from other places may be inhibited from visiting Hong Kong and physically making purchases of our products from our chain retailer customers.

### No Material Adverse Change

Our Directors confirm that, since 31 December 2019 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position and no event has occurred that would materially and adversely affect the information shown in the consolidated financial statements of our Group set out in the Accountants' Report.

### WORKING CAPITAL

Taking into account the financial resources available to our Group, including our internally generated funds, bank borrowings and unused banking facilities, our Directors confirm that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

### DIVIDENDS AND DIVIDEND POLICY

Our Group declared and distributed (i) an interim dividend of HK\$110 million to our Controlling Shareholder in FY2018, and (ii) a final dividend of HK\$30 million and a special dividend of HK\$20 million to our then Shareholders in FY2019.

We currently intend to adopt, after the Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our equity shareholders in the future but subject to, among others, financial condition of our Group, the prevailing economic and social climate, our Group's earnings and cash flows, our Group's expected capital requirements and the statutory fund reserve requirements, the retained earnings and distributable reserves of our Company and each of the members of our Group and any other factors that our Board deems appropriate at such time. A decision to declare and pay any dividends would require approval of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to our Shareholders' approval.

### OFFERING STATISTICS

Offer size	:	192,420,000 Offer Shares, representing approximately 24.05% <sup>(1)</sup> of the enlarged issued share capital of our Company (subject to the exercise of the Over-allotment Option)		
Offering structure	:	90% International Offering; and 10% Hong Kong Public Offering (subject to reallocation and the exercise of the Over-allotment Option (as the case may be))		
Over-allotment Option	:	Up to 28,863,000 Offer Shares, representing 15% of the initial offer size i.e. up to approximately 3.48% of the enlarged issued share capital of our Company		
Board lot	:	2,000 Shares each		

		Based on an Offer Price of <b>HK\$1.34</b> per Offer Share <sup>(2)</sup> HK\$	Based on an Offer Price of <b>HK\$1.48</b> per Offer Share HK\$	Based on an Offer Price of <b>HK\$1.52</b> per Offer Share HK\$
Market capitalisation <sup>(3)</sup>	:	1,072 million	1,184 million	1,216 million
Unaudited pro forma adjusted net tangible assets per Share	:	0.42	0.45	0.46

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## SUMMARY

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### Notes:

- (1) Our Directors confirm that the public float of at least 25% will be maintained pursuant to Rule 8.08(1)(a) of the Listing Rules upon completion of the Global Offering, taking into account approximately 0.95% of our Shares then in issue held by Pre-IPO Investor B (assuming no exercise of the Over-allotment Option at all).

As Pre-IPO Investor B holds less than 10% of the Shares in issue upon completion of the Global Offering and is not a core connected person of our Company nor an associate of such core connected persons, the Shares held by Pre-IPO Investor B will be part of the public float.

- (2) HK\$1.34 represents the minimum Offer Price per Offer Share after making the Downward Offer Price Adjustment of 10% below the bottom end of the indicative Offer Price range.
- (3) Based on 800,000,000 Shares expected to be in issue upon completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme.

As disclosed in “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement – Pre-IPO Shareholders Agreement” in this prospectus, it is a term of the Pre-IPO Shareholders Agreement that “Qualified IPO” shall mean an initial public offering of our Company which, unless otherwise approved by Pre-IPO Investor A, has a market capitalisation at Listing of not less than 120% of the agreed valuation at which Pre-IPO Investment A was made (that valuation being HK\$992,683,000). In case where the market capitalisation of our Company (calculated based on the final Offer Price) immediately after the issue of the Offer Shares (excluding, for this purpose, the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue is less than HK\$1,191,219,600 (i.e. 120% × HK\$992,683,000), the Global Offering will be subject to, among other conditions, the parties to the Pre-IPO Shareholders Agreement having agreed to amend the Pre-IPO Shareholders Agreement to the effect that the Global Offering at the final Offer Price shall, for the purpose of the Pre-IPO Shareholders Agreement, be deemed as a Qualified IPO in this regard, on or before the date of the International Underwriting Agreement. The other conditions, also set out in “Structure of the Global Offering” in this prospectus, are: (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (ii) the Offer Price having been duly determined on or around the Price Determination Date; (iii) the execution and delivery of the International Underwriting Agreement; and (iv) the obligations of the Underwriters under the respective Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Sponsor (for itself and on behalf of the Joint Global Coordinators and the Underwriters)) and such obligations not being terminated in accordance with the terms of the respective agreements, in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

### USE OF PROCEEDS

Net proceeds to be received by our Company from the issue of the Offer Shares of HK\$230.3 million (i.e. gross proceeds net of the underwriting commission (exclusive of any discretionary incentive fee of up to approximately HK\$2.9 million (based on the high end of the Offer Price range of HK\$1.52 per Offer Share and assuming that the Over-allotment Option is not exercised at all) or up to 1.0% of the aggregate final Offer Price of the Offer Shares) and the estimated expenses payable by our Company) based on the mid-point of the Offer Price range of HK\$1.50 per Offer Share and assuming that the Over-allotment Option is not exercised at all are intended to be used as follows:

- 30.0% – further developing our supply chain and retail management by:
  - 15.0% – increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions;
  - 10.0% – broadening product selection by introducing new third-party brand products and developing our Private Label Products for our customers; and
  - 5.0% – enhancing enterprise resources planning, customer relationship management and warehouse management through the application of information technology and the upgrade of our systems;
- 15.0% – further investing in our brand management to increase mass awareness of our Group and our products;
- 45.0% – repaying bank borrowings; and
- 10.0% – general working capital

Please see “Future Plans and Use of Proceeds” in this prospectus for further details.



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## SUMMARY

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### LISTING EXPENSES

Listing expenses consist primarily of underwriting commission (exclusive of any discretionary incentive fee of up to approximately HK\$2.9 million (based on the high end of the Offer Price range of HK\$1.52 per Offer Share and assuming that the Over-allotment Option is not exercised at all) or up to 1.0% of the aggregate final Offer Price of the Offer Shares) and professional fees, and are estimated to be approximately HK\$58.3 million, representing approximately 20.2% of the gross proceeds (or 25.3% of the net proceeds) from the Global Offering (assuming an Offer Price of HK\$1.50 per Share, being the mid-point of the Offer Price range). Listing expenses of approximately HK\$24.7 million were incurred on or before 31 December 2019, of which HK\$6.5 million and HK\$12.4 million were charged to our consolidated statements of profit or loss and other comprehensive income for FY2018 and FY2019 respectively, while the remaining amount of HK\$5.8 million will be subsequently charged to equity upon completion of the Global Offering. We estimate that we will further incur underwriting commission and other listing expenses of approximately HK\$33.6 million after 31 December 2019, of which HK\$10.6 million will be charged to our consolidated statements of profit or loss and other comprehensive income for FY2020 and HK\$23.0 million is expected to be accounted for as a deduction from equity upon completion of the Global Offering. The amount of our listing expenses is a current estimate for reference only and the final amount may differ from this estimate.

### COMPLIANCE

We had complied with applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

### LITIGATION

As at the Latest Practicable Date, we had no litigation or claims of material importance pending or threatened against any member of our Group.

### RISK FACTORS

There are certain risks involved in our operations which may be beyond our control. These risks are further described in “Risk Factors” in this prospectus. You should read that entire section carefully before deciding whether to invest in the Offer Shares. The following are some of the major risks we face: (i) we could be adversely affected by a change in consumer preferences, perception and spending habits; (ii) the recent outbreak of coronavirus disease 2019 (**COVID-19**) may have a material adverse effect on our business, results of operations and financial position; (iii) we rely on the Hong Kong market, and any possible slowdown in Hong Kong market including the Social Unrest in Hong Kong may adversely affect our business, results of operations and financial performance; (iv) we are exposed to risk of heavy reliance on our major customers; (v) we have limited control over the quality and supply of products offered by us; (vi) our success depends on the market recognition of the well-established brand names of our products and our Group; (vii) if we fail to continue to develop our Private Label Products, our business and results of operations may be adversely affected; (viii) our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel; (ix) our suppliers can terminate or revoke our distribution agreements and/or authorisation letters with or without cause or refuse to renew the distribution agreements and/or authorisation letters with us upon expiration; and (x) our historical financial and operating results may not be indicative of future performance due to a variety of factors beyond our control, including but not limited to the general economic and social conditions.

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## DEFINITIONS

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

“A\$”	Australian dollars, the lawful currency of Australia
“Accountants’ Report”	the accountants’ report on our Group for the Track Record Period set out in Appendix I to this prospectus
“Application Form(s)”	<b>WHITE, YELLOW and GREEN</b> Application Form(s) or, where the context requires, any of them, which is used in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 23 March 2020 with effect from the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Billion Crown”	Billion Crown (China) Limited (億冠 (中國) 有限公司), a company incorporated in Hong Kong with limited liability on 8 February 2018 and an indirect wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day(s)”	any day(s) (excluding Saturday(s), Sunday(s) and public holidays) in Hong Kong on which licensed banks in Hong Kong are open for banking business through their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of the share premium account of our Company as referred to in the paragraph headed “5. Resolutions in writing of our Shareholders passed on 23 March 2020” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

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## DEFINITIONS

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“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chinese Medicine Ordinance”	the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Tycoon Group Holdings Limited (滿貫集團控股有限公司), a company incorporated in the Cayman Islands on 14 June 2017 as an exempted company with limited liability under the Companies Law
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, for the purpose of our Company, refers to Mr. Wong and Tycoon Empire individually and as a group of persons where the context requires
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CR Care”	CR Care Company Limited (華潤堂有限公司), one of our top five customers during the Track Record Period, an associate of Pre-IPO Investor A and a wholly-owned subsidiary of CR Pharmaceutical
“CR Pharma Group”	collectively, CR Pharmaceutical and its subsidiaries

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## DEFINITIONS

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“CR Pharmaceutical”	China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司) (stock code: 3320), a company whose shares are listed on the Main Board of the Stock Exchange and a substantial shareholder of our Company as at the Latest Practicable Date
“Deed of Indemnity”	the deed of indemnity dated 23 March 2020 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each member of our Group) to provide certain indemnities, particulars of which are set out in the paragraph headed “13. Tax and other indemnity” in Appendix V to this prospectus
“Director(s)”	the director(s) of our Company
“Distribution Business”	the major operating segment of our Group during the Track Record Period in which we generated revenue through the distribution of our third-party brand products and Private Label Products to retailers (both chain and non-chain) and traders
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the Offer Price up to 10% below the bottom end of the indicative Offer Price range
“Dynasty Garden”	Dynasty Garden Limited, a company incorporated in BVI with limited liability on 3 January 2017 and an indirect wholly-owned subsidiary of our Company
“Fame Bloom”	Fame Bloom Trading Limited (旺銘貿易有限公司), a company incorporated in Hong Kong with limited liability on 9 September 2016 and an indirect wholly-owned subsidiary of our Company
“Fancy Summit”	Fancy Summit Inc., a company incorporated in BVI with limited liability on 3 January 2017 and an indirect wholly-owned subsidiary of our Company
“First Pre-IPO SPA”	the sale and purchase agreement dated 15 February 2019 entered into between Tycoon Empire, Mr. Wong and Pre-IPO Investor A in relation to Pre-IPO Investment A
“FY”	the financial year ended or ending (as the case may be) 31 December
“GDP”	gross domestic product
“GEM”	GEM operated by the Stock Exchange

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## DEFINITIONS

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“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Global Offering”	collectively, the Hong Kong Public Offering and the International Offering
“Great Smart”	Great Smart Asia Pacific Limited (駿益亞太有限公司), a company incorporated in Hong Kong with limited liability on 3 January 2017 and an indirect wholly-owned subsidiary of our Company
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we”, “us” or “our”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hengan Pharmacare”	Hengan Pharmacare Company Limited (恒安(威信)藥業有限公司), a company incorporated in Hong Kong with limited liability on 7 November 2003 and an Independent Third Party, or, where the context so requires, in respect of the period before its incorporation, its predecessor company through which its business was operated
“ <b>HK eIPO White Form</b> ”	the application of the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the IPO App or designated website of the <b>HK eIPO White Form</b> service at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified in the IPO App or on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and Interpretations promulgated by the Hong Kong Accounting Standards Board
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Hong Kong Counsel”	Mr. Chung Kin Hong Kenneth, barrister-at-law of Hong Kong
“Hong Kong CR Sanjiu”	Sanjiu Healthy World Company Limited (三九健康天地有限公司), a limited liability company incorporated in Hong Kong on 18 November 2019 and a non-wholly owned subsidiary of CR Pharmaceutical
“Hong Kong Offer Shares”	the 19,242,000 new Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer by our Company of the Hong Kong Offer Shares for subscription by members of the public in Hong Kong at the Offer Price (subject to adjustment as described in “Structure of the Global Offering” in this prospectus) and on and subject to the terms and conditions stated herein and in the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering named in “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 27 March 2020 relating to the Hong Kong Public Offering entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in “Underwriting – The Hong Kong Underwriting Agreement” in this prospectus
“Independent Third Party(ies)”	third party(ies) independent of our Company and its connected persons
“International Offer Shares”	the 173,178,000 new Shares initially offered by our Company for subscription at the Offer Price under the International Offering subject to reallocation (together, where relevant, to any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) as further described in “Structure of the Global Offering” in this prospectus

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## DEFINITIONS

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“International Offering”	the conditional placing of the International Offer Shares at the Offer Price for and on behalf of our Company to professional, institutional and other investors, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offer Shares
“International Underwriting Agreement”	the conditional underwriting agreement relating to the International Offering expected to be entered into by, among others, our Company and the International Underwriters
“IPO App”	the mobile application for HK eIPO White Form services which can be downloaded by searching “IPO App” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a>
“Ipsos”	Ipsos Limited, an independent market research company and an Independent Third Party
“Ipsos Report”	an industry research report commissioned by our Company and prepared by Ipsos Limited in relation to the industry in which our Group operates
“Issuing Mandate”	the general unconditional mandate given to our Directors by our sole Shareholder relating to the issue of new Shares, particulars of which are set out in the paragraph headed “5. Resolutions in writing of our Shareholders passed on 23 March 2020” in Appendix V to this prospectus
“Joint Bookrunners”	Shenwan Hongyuan Capital (H.K.) Limited, Soochow Securities International Brokerage Limited, China Everbright Securities (HK) Limited, SPDB International Capital Limited, Yue Xiu Securities Company Limited and GLAM Capital Limited, being the joint bookrunners for the Global Offering
“Joint Global Coordinators”	Shenwan Hongyuan Capital (H.K.) Limited and Soochow Securities International Brokerage Limited, being the joint global coordinators for the Global Offering

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## DEFINITIONS

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“Joint Lead Managers”	Shenwan Hongyuan Capital (H.K.) Limited, Soochow Securities International Brokerage Limited, China Everbright Securities (HK) Limited, SPDB International Capital Limited, Yue Xiu Securities Company Limited, GLAM Capital Limited, Livermore Holdings Limited, Valuable Capital Limited, TradeMaster Securities (Hong Kong) Limited and BOA MS Capital Limited being the joint lead managers for the Global Offering
“Key Companion”	Key Companion Limited, a company incorporated in BVI with limited liability on 3 January 2017 and an indirect wholly-owned subsidiary of our Company
“Key Zone”	Key Zone Investment Inc., a company incorporated in BVI with limited liability on 3 January 2017 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	20 March 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Leading Vision”	Leading Vision Inc., a company incorporated in BVI with limited liability on 8 November 2016 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“Macau Legal Advisers”	Leong Hon Man – Lawyers & Private Notary, our legal advisers as to Macau law
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange which is independent from and in parallel with GEM



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## DEFINITIONS

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“Master Supply Agreement”	the master supply agreement dated 1 January 2020 and entered into between Tycoon Hong Kong and CR Pharmaceutical in relation to the supply of products from Tycoon Hong Kong and/or its fellow subsidiary(ies) to CR Pharma Group for a term commencing on the date of such agreement and ending on 31 December 2021
“Medicines Board”	the Chinese Medicines Board of the Chinese Medicine Council of Hong Kong
“Memorandum”	the amended and restated memorandum of association of our Company conditionally adopted on 23 March 2020 with effect from the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“Million Effort”	Million Effort Holdings Limited, a company incorporated in BVI with limited liability on 28 March 2018 and an indirect wholly-owned subsidiary of our Company
“Million Effort Investment”	Million Effort Investment Limited, a company incorporated in BVI with limited liability on 28 May 2018 and an indirect wholly-owned subsidiary of our Company
“MOP”	Macau pataca, the lawful currency of Macau
“Mr. Chan”	Mr. Chan Fan Shing (陳帆城), our executive Director
“Mr. Wong”	Mr. Wong Ka Chun Michael (王嘉俊), our founder, chairman, executive Director, chief executive officer and one of our Controlling Shareholders
“NC Products Distribution Agreement (JD & HK)”	the distribution agreement dated 7 January 2020 and entered into between Hong Kong CR Sanjiu, Billion Crown and Tycoon Hong Kong in relation to the granting of distribution rights by Hong Kong CR Sanjiu to Billion Crown and Tycoon Hong Kong over certain Nature’s Care Pro series of products under the brand name of Nature’s Care for sales of such products on the e-commerce portal at JD.hk (海國全球 京東旗下全球直購平台) and in the territory of Hong Kong respectively for a term commencing retrospectively on 1 September 2019 and ending on 31 December 2021

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## DEFINITIONS

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“NC Products Distribution Agreement (Tmall)”	the distribution agreement dated 7 January 2020 and entered into between Hong Kong CR Sanjiu and Titita in relation to the granting of distribution rights by Hong Kong CR Sanjiu to Titita over certain Nature’s Care Pro series of products under the brand name of Nature’s Care for sales of such products through Nature’s Care Overseas Flagship Store* (Nature’s Care 海外旗艦店) on the e-commerce portal at Tmall.hk (天貓國際) for a term commencing retrospectively on 10 December 2019 and ending on 31 December 2021
“NC Products Distribution Agreements”	collectively, the NC Products Distribution Agreement (JD & HK) and the NC Products Distribution Agreement (Tmall)
“Offer Price”	the final price for each Offer Share (exclusive of any brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable thereon), of not more than HK\$1.52 per Offer Share and is expected to be not less than HK\$1.48 per Offer Share, at which the Offer Shares are to be offered for subscription pursuant to the Global Offering, to be determined in the manner set out in “Structure of the Global Offering” in this prospectus, subject to any Downward Offer Price Adjustment
“Offer Shares”	collectively, the Hong Kong Offer Shares and the International Offer Shares
“Online Shop”	our online sales services provided through our website at <a href="http://www.tycoonhealth.com"><u>www.tycoonhealth.com</u></a>
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to 28,863,000 additional new Shares, representing 15% of the Offer Shares initially available under the Global Offering at the Offer Price, details of which are set out in “Structure of the Global Offering” in this prospectus
“Pharmacy and Poisons Ordinance”	the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Beijing Dentons Law Offices, LLP, our legal advisers as to PRC law

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## DEFINITIONS

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“Pre-IPO CN Holder”	STI Private Equity IX Limited (formerly known as Natural Alive Limited), a company incorporated in BVI with limited liability, an Independent Third Party
“Pre-IPO CN Investment”	the transactions contemplated under the Pre-IPO CN Subscription Agreement
“Pre-IPO CN Subscription Agreement”	the subscription agreement dated 14 November 2017 entered into between Tycoon Hong Kong, Mr. Wong and the Pre-IPO CN Holder in relation to the subscription of the Pre-IPO Convertible Note
“Pre-IPO Convertible Note”	the 7% convertible note due 2020 in the principal amount of HK\$50,000,000 issued by Tycoon Hong Kong to the Pre-IPO CN Holder on 21 November 2017 (and substituted by our Company in place of the issuer under the terms and conditions set out in the instrument constituting the Pre-IPO Convertible Note dated 21 November 2017 and as varied and supplemented by a supplemental deed dated 13 December 2018 entered into between our Company, Tycoon Hong Kong and the Pre-IPO CN Holder)
“Pre-IPO Investment A”	the transactions contemplated under the First Pre-IPO SPA
“Pre-IPO Investment B”	the transactions contemplated under the Second Pre-IPO SPA
“Pre-IPO Investments”	the Pre-IPO CN Investment, Pre-IPO Investment A and Pre-IPO Investment B and a “Pre-IPO Investment” shall mean any one of them as the context may require
“Pre-IPO Investor A”	China Resources Pharmaceutical Retail Group Limited, an investment holding company incorporated in BVI with limited liability, a wholly-owned subsidiary of CR Pharmaceutical and a substantial shareholder of our Company as at the Latest Practicable Date
“Pre-IPO Investor B”	Worldwide Master International Investment Limited, a company incorporated in BVI with limited liability and owned as to approximately 17.74% by Yao Qingqi and 12.90% by Chong Yah Lien, each a non-executive Director, and approximately 29.03% by Li Guohui, 16.13% by Chen Jiaqi, 8.07% by Yang Xin, 8.07% by Cao Weiyong, 4.03% by Wu Haiyan and 4.03% by Zhang Jian, each of Li Guohui, Chen Jiaqi, Yang Xin, Cao Weiyong, Wu Haiyan and Zhang Jian is an Independent Third Party

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## DEFINITIONS

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“Pre-IPO Shareholders Agreement”	the shareholders agreement dated 19 February 2019 entered into among Tycoon Empire, Mr. Wong, Pre-IPO Investor A and our Company, as supplemented by a deed of adherence dated 19 February 2019 entered into among our Company Pre-IPO Investor A, Pre-IPO Investor B, Mr. Wong and Tycoon Empire as further described in “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement – Pre-IPO Shareholders Agreement” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record and determine the Offer Price
“Price Determination Date”	the date, expected to be on or about Monday, 6 April 2020, or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company may agree but in any event no later than 12:00 noon on Wednesday, 8 April 2020, on which the Offer Price will be fixed for the purpose of the Global Offering
“Profit Lead”	Profit Lead Limited (寶發利有限公司), a company incorporated in Hong Kong with limited liability on 9 December 2015 and an indirect wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, as set out in “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
“Reorganisation Agreement”	the share purchase agreement dated 30 November 2018 entered into between our Company and Mr. Wong pursuant to which our Company acquired the entire issued share capital of Dynasty Garden as more particularly described in “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our sole Shareholder, particulars of which are set out in the paragraph headed “5. Resolutions in writing of our Shareholders passed on 23 March 2020” in Appendix V to this prospectus

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## DEFINITIONS

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“Retail Business”	an operating segment of our Group in which we generated revenue through the sales of products bearing the brands of third-party brand owners and our Private Label Products to the consumers through our online stores and brick-and-mortar retail stores in Macau
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore dollar(s) and cent(s) respectively, the lawful currency of Singapore
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Second Pre-IPO SPA”	the sale and purchase agreement dated 15 February 2019 entered into between Tycoon Empire, Mr. Wong and Pre-IPO Investor B in relation to Pre-IPO Investment B
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of a nominal or par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 March 2020, the principal terms of which are summarised in the paragraph headed “12. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen CR Sanjiu”	深圳華潤三九醫藥貿易有限公司 (Shenzhen Huarun Sanjiu Medical & Pharmaceutical Trading Co., Ltd.*), a limited liability company established in the PRC and a non-wholly owned subsidiary of CR Pharmaceutical
“Social Unrest in Hong Kong”	the ongoing large-scale protests in various districts in Hong Kong since June 2019 and up to the end of 2019 for the purpose of this prospectus

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## DEFINITIONS

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“Sole Sponsor”	Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Global Offering
“Stabilising Manager”	Soochow Securities International Brokerage Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilising Manager and Tycoon Empire, pursuant to which the Stabilising Manager may borrow up to 28,863,000 Shares to cover any over-allocation in the International Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Framework Cooperation Agreement”	the strategic framework cooperation agreement dated 15 February 2019 entered into between our Company and Pre-IPO Investor A, further particulars of which are set out in “Pre-IPO Investments – Strategic Cooperation Agreement” in this prospectus
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“T Max”	T Max Marketing Limited, a company incorporated in Hong Kong with limited liability on 4 September 2017 and an indirect wholly-owned subsidiary of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC, as amended, supplemented or otherwise modified from time to time
“Titita”	Titita Trading Co., Limited, a company incorporated in Hong Kong with limited liability on 24 June 2014 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the three years ended 31 December 2017, 2018 and 2019
“Tycoon Australia”	Tycoon Asia Pacific (Australia) Pty Limited, a company incorporated in Australia with limited liability on 12 January 2018 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Tycoon Capital”	Tycoon Capital Investment Ltd, a company incorporated in BVI with limited liability on 15 December 2016 and a wholly-owned subsidiary of our Company
“Tycoon Empire”	Tycoon Empire Investment Limited, a company incorporated in BVI with limited liability on 7 February 2017 wholly owned by Mr. Wong and one of our Controlling Shareholders
“Tycoon Hong Kong”	Tycoon Asia Pacific Group Limited (滿貫(亞太)集團有限公司), a company incorporated in Hong Kong with limited liability on 17 April 2015 and an indirect wholly-owned subsidiary of our Company
“Tycoon Macau”	Tycoon Asia Pacific Group (Macau) Company Limited, a company incorporated in Macau with limited liability on 16 January 2018 and an indirect wholly-owned subsidiary of our Company
“Tycoon Malaysia”	Tycoon Asia Pacific (Malaysia) Sdn. Bhd., a company incorporated in Malaysia with limited liability on 27 May 2019 and an indirect wholly-owned subsidiary of our Company
“Tycoon Shenzhen”	滿貫(深圳)電子商務有限責任公司 (Tycoon E-commerce (Shenzhen) Limited Liability Company*), a limited liability company established in the PRC on 28 August 2018 and an indirect wholly-owned subsidiary of our Company
“Tycoon Singapore”	Tycoon Asia Pacific (Singapore) Pte. Limited, a company incorporated in Singapore with limited liability on 30 June 2017 and an indirect wholly-owned subsidiary of our Company
“US\$”, “US dollars” or “USD”	United States dollars, the lawful currency of the U.S.
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicant’s own name(s)

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## DEFINITIONS

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“Withdrawal Mechanism”	a mechanism which requires our Company, among other things, to (i) issue a supplemental prospectus as a result of material changes in the information (such as the Offer Price) in this prospectus; and (ii) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e. requiring investors to positively confirm their applications for Shares despite the change)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be deposited directly in CCASS
“%”	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Terms marked with “\*” are English translations of the original names in Chinese of the PRC nationals, entities, enterprises, organisations, institutions, government authorities, departments, facilities, e-commerce portals, awards, certificates, titles, laws and regulations concerned and are included in this prospectus for identification purpose only. In the event of any inconsistency, the Chinese name(s) shall prevail.

All times refer to Hong Kong time. Unless otherwise specified, references to years in this prospectus are to calendar years.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assumes no allotment or issue of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or the exercise of options under the Share Option Scheme.



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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.*

“brand”	the type of products manufactured under a particular name
“brand owner”	in respect of each of our products other than our Private Label Products, the proprietor and/or registered owner in the relevant jurisdiction(s) of the brand and/or trademark(s) under which the product is manufactured, distributed and/or sold
“Chinese herbal medicines”	the substances specified in Schedule 1 or 2 to the Chinese Medicine Ordinance
“ERP systems”	enterprise resources planning systems that integrate internal and external management information across an entire organisation
“health supplement products”	products containing substances that may be taken to supplement the diet with additional nutrients
“ODM”	the acronym for “original design manufacturing”, where a manufacturer designs and manufactures a product which is specified by the customer and eventually sold under the brand name of the customer
“other healthcare products”	healthcare products which do not fall within the categories of PCM products, health supplement products, skin care products and personal care products
“PCM products”	“proprietary Chinese medicines” as defined in the Chinese Medicine Ordinance, i.e. proprietary products (a) composed solely of the following as active ingredients: (i) any Chinese herbal medicines; or (ii) any materials of herbal, animal or mineral origin customarily used by the Chinese; or (iii) any medicines and materials referred to in (i) and (ii) above respectively; (b) formulated in a finished dose form; and (c) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body
“personal care products”	products for external use for maintenance of personal hygiene or bodily comfort

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## GLOSSARY OF TECHNICAL TERMS

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“pharmaceutical products”	pharmaceutical products and medicines as defined in the Pharmacy and Poisons Ordinance, i.e. any substance or combination of substances (a) presented as having properties for treating or preventing disease in human beings or animals; or (b) that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical diagnosis
“poisons”	the substances which are specified in the Poisons List prescribed by regulations made under section 29 of the Pharmacy and Poisons Ordinance
“POS”	the acronym for “points of sale”
“Private Label Products”	health supplement, skin care, personal care and other healthcare products developed and marketed under the brands of our Group and produced by external manufacturers engaged by us for distribution in our Distribution Business and for sales in our Retail Business
“product”	an article or substance that is manufactured for sale
“shelf life”	the period of time when the product is manufactured and up to the labelled expiration date of the product
“skin care products”	products which enhance or alter appearance and skin conditions
“SKU”	the acronym for “stock keeping unit”, the unique identifier for each distinct form in which a product can be purchased

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Connected Transactions”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, mission statement, plans, objectives and goals;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- the business opportunities that we may pursue;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future occurrence of such events. Actual outcomes may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our ability to achieve growth of existing businesses and expansion of operations through investments;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations, especially those related to Hong Kong;
- general political and global economic conditions, especially those related to Hong Kong, and macro-economic measures taken by the Hong Kong government to management economic growth; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

One or more of the above-mentioned risks or uncertainties may materialise.

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## **FORWARD-LOOKING STATEMENTS**

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Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors”.

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## RISK FACTORS

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*In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment.*

There are certain risks relating to an investment in our Shares. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the Global Offering.

### **RISKS RELATING TO OUR BUSINESS**

#### **We could be adversely affected by a change in consumer preferences, perception and spending habits**

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

#### **The recent outbreak of coronavirus disease 2019 (COVID-19) may have a material adverse effect on our business, results of operations and financial position**

The recent outbreak of COVID-19 has impacted the distribution and retail industries in Hong Kong in various aspects so far in the first quarter of 2020. Travel restrictions imposed by the Hong Kong government have limited the number of tourist visits to Hong Kong. All border crossings, except for the Hong Kong-Zhuhai-Macao Bridge, Shenzhen Bay Port and the Hong Kong International Airport, have been closed. People travelling to Hong Kong from the PRC, and people who have been to all overseas countries or territories in the past 14 days, would be placed on a mandatory 14-day quarantine. These travel restrictions and mandatory quarantine imposed by the Hong Kong government limited the number of tourist visits to Hong Kong, and affected those who might have been attracted to physically come to Hong Kong for shopping and buying health and well-being related products. Besides, to minimise the risk of infection, local consumers tend to reduce their outdoor activities, including off-line shopping, and to shift their shopping habits from offline to online. Consumers' demand may also shift to necessities, such as staple foods, toilet paper, cleaning wipes and medical supplies, such as surgical masks and thermometers, from other non-essential consumer goods such as PCM, health supplement, skin and personal care products. As the Distribution Business is our major operating segment, contributing over 95.0% of the total revenue of our Group throughout the Track Record Period, and most of our products are sold through our customers'

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## RISK FACTORS

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retail chain, pharmacies and other retail stores, a combined result of the reduced tourist visits and local offline shopping may adversely affect the retail sales of our products at our customers' retail stores, and may thereby affect the demands and purchases of our products from our customers.

Apart from the negative impact on the sales of our products, the ongoing concern regarding the COVID-19, particularly in relation to restrictions on travel and quarantine, may also disrupt our operations in the future. For example, if any of our employees were suspected of contracting or contracted COVID-19, this could require us to quarantine some or all of our employees and disinfect our offices, warehouses or retail stores. Likewise, any regulatory or administrative measures to quarantine the affected areas or other measures to control or contain the outbreak of COVID-19 that may be imposed by the government in different affected jurisdictions, such as any temporary closure of factories of our suppliers of our third-party brand products and/or the manufacturers of our Private Label Products or any restrictions on the access thereto, may also cause material disruption to the business operations of our Group.

Since the outbreak of COVID-19 in Hong Kong, several events and fairs were cancelled or postponed, while a large number of companies were closed temporarily for precautionary reasons, which have led to a decrease in economic activity in Hong Kong. We cannot foresee when the disruptions of business activities caused by the outbreak of COVID-19 will cease. If the outbreak of COVID-19 is not contained in Hong Kong, China or globally in the near future, the economic activity across many industries, including the distribution, retail and tourism industries in Hong Kong or worldwide, can be further adversely affected, which could in turn have negative impact on the overall economy in Hong Kong and worldwide. Any economic downturn may adversely affect the consumer sentiment, weakening the demands for our products and the retail market in general, and in turn may result in the reduction or even cessation of placing purchase orders for our products, or delay in payment by our customers. In view of the outbreak of COVID-19 and the uncertainty as to its impact, our major chain retailer customers may opt to close some or all of their retail stores, on a temporary or permanent basis with a view to reducing their operational costs, or adjust their procurement strategy to optimise their cashflow and inventory management, which can also affect the market penetration and sales of our products. Besides, reduction in sales of our third-party brand products may also affect the confidence of their suppliers in our Group, which may in turn affect the continual supply of these products to us. If any of the above circumstances materialises, our business, results of operations and financial position will be thereby adversely affected.

**We rely on the Hong Kong market, and any possible slowdown in Hong Kong market including the Social Unrest in Hong Kong may adversely affect our business, results of operations and financial performance**

For each of FY2017, FY2018 and FY2019, 99.0%, 93.8% and 90.9% of our total revenue, respectively, was derived from sales in our largest market, Hong Kong. We may continue to derive a significant portion of our revenue from Hong Kong. Our sales and profitability in relation to Hong Kong could be negatively affected by a number of factors, including general economic and political conditions, demand for our products, adverse publicity relating to our products, competition, or success of the marketing or sales of products of our competitors in Hong Kong.

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## RISK FACTORS

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The Social Unrest in Hong Kong has affected the local retail industries in general and impacted the willingness of spending of local residents in Hong Kong, which has, in turn, led to a prolonged market downturn and an adverse impact on the distribution and retail industries in Hong Kong. According to the Census and Statistics Department, the sales value of the distribution and retail industries in the third quarter of 2019 decreased by approximately 12.2% and 17.5% respectively as compared to the corresponding period in 2018. The Social Unrest in Hong Kong has also affected the local tourism industry in general and impacted the tourist arrivals to Hong Kong. According to the Hong Kong Tourism Board, tourist arrivals to Hong Kong decreased by approximately 39.1% in the second half of 2019 as compared to the corresponding period in 2018. An economic recession was observed since the onset of the Social Unrest in Hong Kong. In the fourth quarter of 2019, the GDP in Hong Kong decreased by 2.9% in real terms as compared to the corresponding period in 2018.

The ultimate consumers of our products are from all walks of life, including local residents and tourists. In view of purchases of health and well-being related products all along made by the visitors (in particular those from the mainland China) from our retail chain customers, our business will be adversely affected if the number of visitors falls. Furthermore, in the event that the large retail chains experience a drop in their sales and decrease the amount of purchases from our Group, our business will also be adversely affected. As a result of the Social Unrest in Hong Kong, the growth momentum of our revenue during the second half of FY2019 had been adversely affected resulting in a slight overall increase in our revenue by approximately HK\$7.5 million or 1.1% for FY2019. If the Social Unrest in Hong Kong recrudesces, the business, financial condition and results of operations of our Group may be further adversely affected.

If Hong Kong experiences any other adverse economic, political or market conditions due to events beyond our control, such as local economic downturn (including any actual or forecasted economic recession), protests, natural disasters, contagious disease outbreaks or terrorist attacks, our overall business and results of operations may be materially and adversely affected.

### **We are exposed to risk of heavy reliance on our major customers**

During the Track Record Period, we generated over 83.0% of our total revenue from the sales of our products to chain retailers. In particular, our revenue generated from the sales to Customer A for each of FY2017, FY2018 and FY2019, amounted to approximately 66.2%, 67.8% and 60.9% of our total revenue, respectively. For details, please see “Business – Our Customers” in this prospectus.

We cannot assure that there will not be any dispute with our major customers, or that we will be able to maintain business relationships with our existing customers. Any deterioration of our relationship with our major customers, for whatever reasons, may result in the reduction or even termination of purchases of products by the major customers from us. In the event that any of our existing major customers ceases to purchase products from us and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business and profitability may be adversely affected.

In our Distribution Business, which is our major operating segment, we act as a supply chain partner of our major customers, which are chain retailers, in helping them identify quality brands and products that meet the market trends and consumers’ needs and providing them with the relevant procurement, logistics, warehousing, quality control and marketing support. There is no assurance that these major customers

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## RISK FACTORS

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would not reduce or cease their reliance on us in providing these functions, especially in relation to the procurement of third-party brand products that are supplied through us on a non-exclusive basis. In the event that any of our major customers in our Distribution Business decides to purchase products directly from our suppliers instead of purchasing products from us, our business and profitability may be adversely affected.

We have also had a relatively high degree of concentration of credit risk during the Track Record Period. The total trade receivables from our five largest customers as at 31 December 2017, 2018 and 2019 accounted for approximately 94%, 96% and 82% of our total trade receivables, respectively, while approximately 75%, 77% and 51% of the total trade receivables were due from Customer A, respectively. We cannot assure you that no default will arise from our customers in the future. If our largest or any of our major customers fails to fulfil its obligations, our financial condition and results of operations could be materially and adversely affected.

**We have limited control over the quality and supply of products offered by us and any issues relating to the quality and interruption in supply of products could adversely affect our reputation and business**

We are principally engaged in selling, distributing and marketing a wide variety of PCM, health supplement, skin care, personal care and other healthcare products under various brands which are sourced from the relevant brand owners, ODM manufacturers, distributors and traders. As we are not involved in the production of these products, we cannot assure you that (i) there will not be any unexpected interruption of their supply of products to us or any increase in the production costs for any reason beyond our control or expectation, such as introduction of new regulatory requirements, import restrictions, loss of their certifications or licences, power interruptions, fires or other events; or (ii) the products supplied by us, particularly for those third-party brand products which we are not directly involved in the production thereof, are free from defects or other quality issues. If any of these situations happen and we fail to find an alternate external supplier, this could have a material adverse impact on our business operations and profitability. Please also see “Risks Relating to Our Industry – Our Group’s business and operations are susceptible to product liability claims, legal disputes and customer complaints relating to our products” in this section regarding the risks on product quality issue.

**Failure to develop or enrich our product offering or gain market acceptance of our new products could have a negative effect on our business**

Any failure to adapt our product offering to respond to such changes may result in a decrease in our sales if such changes are related to certain of our products. Any changes in consumer preferences could result in lower sales of our products, put pressure on pricing or lead to increased levels of selling and promotional expenses. In any event a decrease in customer demand for our products may also result in lower sales and slow down the consumption of our inventory to a low inventory turnover level. Any of these changes could result in a material adverse effect on our business, financial conditions or results of operations.



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## RISK FACTORS

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The success of our products depends on a number of factors including our ability to accurately anticipate changes in market demand and consumer preferences, our ability to differentiate the quality of our products from those of our competitors, and the effectiveness of our marketing and advertising campaigns for our products. We may not be able to effectively promote our products by our marketing and advertising campaigns and gain market acceptance. If we fail to anticipate or respond to changes in customer preferences or fail to bring to market in a timely manner products that satisfy customers' evolving preferences, our market share and our sales and profitability could be adversely affected.

**Our success depends on the market recognition of the well-established brand names of our products and our Group and any damage to it could materially and adversely affect our business and results of operations**

Our success is attributable to the well-established brand names of our products and our Group. We have implemented various marketing strategies including both traditional marketing activities and the use of digital media to promote and enhance the brand image of our products and our Group. However, the reputation and brand image of our products and our Group may be adversely affected by different factors which may be beyond our control such as (i) the adverse associations with our products; (ii) the decline of the public image or popularity of any of the spokespersons or key opinion leaders our Group engaged; and (iii) the effects of counterfeit products purporting to be our products. Any other incident that damages our customers' trust and confidence in our products or our Group may also damage our brand recognition, which would in turn adversely affect our business and results of operations.

**If we fail to continue to develop our Private Label Products, our business and results of operations may be adversely affected**

In addition to our third-party brand products, we also distribute and sell our Private Label Products. For FY2017, FY2018 and FY2019, our revenue from the sales of Private Label Products in our Distribution Business amounted to approximately HK\$8.8 million, HK\$24.5 million and HK\$26.9 million, representing 2.4%, 3.5% and 3.9% of our total revenue, and was attributable to 10, 8 and 8 brands of Private Label Products respectively. Unlike third-party brand products under our Distribution Business which may have well-established brand awareness, market acceptance or reputation, or may otherwise benefit from the brand owners' own marketing and promotional campaigns from time to time, we develop our new Private Label Products from scratch and at our own costs by observing the market trends and seeking to understand consumers' need through market research and analysis. As these new Private Label Products are developed by us without prior public market, and some of these products may be sold under new private label brands, we may need to incur additional advertising and promotion expenses in both building the brand awareness of our new private label brands on one hand, and promoting the sale of our new Private Label Products on the other hand. Nevertheless, despite our costs and efforts incurred in developing these products, we cannot guarantee that the new Private Label Products we launch will gain popularity and market acceptance. In addition, developing our Private Label Products may go through various reiterations and setbacks. If our new Private Label Products do not gain commercial success and we fail to introduce new Private Label Products timely to maintain our customer base, eventually, our business, financial condition, and results of operations may be materially and adversely affected.

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## RISK FACTORS

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### **The scale-up of our cross-border e-commerce business may give rise to risk of sales cannibalisation and inhibit the growth of our Distribution Business and the offline limb of our Retail Business**

With the rising penetration of e-commerce, consumers can purchase products through e-commerce without having to visit brick-and-mortar retail stores or being subject to geographical limitations, which might pose a potential threat to retailers and their associated distributors. In particular, through our online stores operated on the various e-commerce portals, we have been able to make cross-border sales of our products from Hong Kong to the PRC. In the event that more consumers from Hong Kong or the PRC opt to purchase our products from our online stores instead of our chain retailer customers or our two brick-and-mortar retail stores in Macau, the demand for our products and consequently the results of operations in our Distribution Business and the offline limb of our Retail Business may be adversely affected.

### **Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel**

Our success depends heavily on the continued services of our Directors and senior management. In particular, our Group is led by Mr. Wong, who is the founder of our Group, the chairman of our Board, an executive Director, the chief executive officer of our Group and one of our Controlling Shareholders. Mr. Wong has over 20 years of experience in the healthcare and personal care products industry, and is responsible for the overall business strategies, planning, management and operational development of our Group. In addition, our non-executive Directors, who will participate in formulating the corporate and business strategies of our Company, have 14 to 25 years of experience or above in the relevant industries and are currently or had been members of the senior management of various chain retailers. For details of our key personnel, please see “Directors and Senior Management” in this prospectus.

If one or more of our Directors and senior management are unable or unwilling to continue in their present positions, we may not be able to replace them promptly, or at all, which may severely disrupt our business and affect our results of operations and future prospects. Moreover, we may not be able to attract or retain skilled employees or key personnel. The competition for quality personnel may also drive up our labour costs, which would in turn increase our costs of operations and affect our profitability. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

### **Our suppliers, who have granted distribution right to us to sell their products, can terminate or revoke our distribution agreements and/or authorisation letters with or without cause or refuse to renew the distribution agreements and/or authorisation letters with us upon expiration, in which case our business, financial condition and operation results may be adversely affected**

For FY2019, over 91.0% of our total revenue was attributable to 112 brands of our third-party brand products. Our third-party brand products are primarily sourced from brand owners directly. However, we have entered into distribution agreements with some of the brand owners only, while for others, only authorisation letters have been given by the brand owners confirming our right to distribute these products, or no such distribution agreement and/or authorisation letters have been signed or given at all.

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## RISK FACTORS

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Some of the distribution agreements we entered into with these suppliers provide that the suppliers can terminate such agreements by prior written notice. If these suppliers terminate the agreements for whatever reasons, or if we fail to renew the distribution agreements with these suppliers, we will have to source products from other suppliers who meet our selection requirements, and there is no assurance that we will be able to secure alternative and/or additional products of comparable or better quality or popularity, or on comparable or better commercial terms, or at all. The distribution rights of their products may also fall into the hands of our competitors and may in turn adversely affect the sales of our replacement products. The terms of the distribution agreements generally range from one to three years. Any termination or non-renewal of our distribution agreements with the suppliers, or the termination or revocation of the authorisation letters, or any failure for us to secure alternative or additional products after such termination or expiry, could have a material adverse impact on our business, financial condition and operating results.

On the other hand, if those suppliers who have granted distribution right to us change their sales or marketing strategy in respect of their products by ceasing to supply their products to us upon expiration, termination or revocation of the distribution agreements and/or the authorisation letters, selling their products to other retail chains or to consumers directly, or reducing the sales or production volume of a particular product under a particular brand, our business and operations may be materially and adversely affected.

**The distribution rights granted to us by some of the brand owners are non-exclusive in nature and we may be faced with competition with additional distributors which may be appointed by such brand owners, in which case our business, financial condition and results of operations may be adversely affected**

Some of the distribution agreements entered into between the brand owners and us and the authorisation letters issued by the brand owners may specify that the rights granted to us to distribute the third-party brand products are non-exclusive, or otherwise contain no undertaking from the brand owners not to supply their products to or appoint any other distributor in the relevant territory(ies). As such, the brand owners are not restricted from appointing any additional distributors for the distribution of their products to the specified chain retailers or other retailers. In such circumstances, we will have to compete with the additional distributors in the distribution of the third-party brand products. If there is no corresponding increase in market demand for the third-party brand products, it is not unlikely that the retailers will reduce the number of orders they place with us with increased choices of suppliers. Our revenue may fall as a result, and our business, financial condition and results of operations may be adversely affected.

**The existence of products distributed and sold by traders without proper authorisation from the relevant brand owners in the market may damage the general reputation of our third-party brand products and our Group and may have a material adverse effect on our business, financial condition, results of operations and prospects**

Some of our third-party brand products are also available in the market from traders who have procured or imported such products without proper authorisation from the brand owners. Such goods may be sold at lower prices than the products we sourced from the brand owners or their authorised distributors due to the lower operating and promotion costs of the traders, and we may lose out in price competitions.

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In addition, such goods may not be on a par with the products sourced from the brand owners or their authorised distributors in terms of quality. Any quality issue in relation to such goods may give rise to negative publicity in respect of our products and consequently damage the reputation of all sellers in the market in general. As we cannot exclude other market players from selling such goods or control their selling prices, our business, financial condition, results of operations and prospects may be materially affected.

**We are exposed to potential claims from brand owners in connection with the sale and distribution of third-party brand products sourced from distributors and traders which have not been authorised to distribute such products**

Where we are unable to procure the third-party brand products directly from the brand owners or their authorised distributors, we may source these products from distributors and traders which have not been authorised by the relevant brand owners to sell and distribute such products. While we would conduct physical checks on the products sourced from such distributors and traders prior to sales to our customers to make sure that they are genuine products and are of conforming quality and in good condition, we cannot assure that all such products will contain no deviation at all from the specifications and design of products typically procured directly from the brand owners or their authorised distributors. Where any quality issue arises in relation to the products sourced from such distributors and traders and causes damage to the reputation of the products and their brand owners, we may be subject to claims from the relevant brand owners. In addition, we cannot assure that the brand owners will not bring claims against us in connection with infringement of intellectual property rights. Any such dispute with the brand owners may disrupt our product supply and bring further losses to our Group in case damages are awarded to the brand owners, and may also impair our business relationships with the relevant brand owners and thus prejudice our chance of obtaining distribution rights from the brand owners. As a result, our operations and profitability may be adversely affected.

**We have limited operating history, and cannot guarantee that we will remain competitive in the future**

Our business was founded in April 2015 and we have limited operating history. Our relatively short operating history makes us difficult to assess our future prospects or forecast our future results, the effectiveness and efficiency of our current or future strategies in a long run, and our ability to adjust our business strategies to cater for the changing market or business environment, consumer preferences and demands, regulatory and compliance requirements, the efficiency and effectiveness of our business strategies adopted from time to time, and our competitiveness among other market players in general. If we fail to maintain our competitiveness in the market in the future, we may not be able to maintain the historical growth in revenue and/or net profits in the future.

**Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability**

We have experienced growth in revenue during the Track Record Period, which was principally driven by, among other factors, our ability to identify and source a broad range of products in demand from brand owners and other suppliers and our ability to sustain and scale up the sales of our existing products rolled out in previous years. Nevertheless, our historical results may not be indicative of our future performance,

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as our revenue, expenses and operating results may vary from year to year in response to a variety of factors beyond our control, such as the general economic and social conditions, the intensified market competition, the changing consumer preferences and demands and our expansion costs, as well as our ability to control our costs and our ability to enhance operational efficiency. Investors should not rely on our historical results to predict the future performance of our Group and our Shares.

### **We may not be able to implement all or any of our expansion plans successfully**

As part of our business strategies, we plan to further develop our supply chain and retail management to increase accessibility and availability of our products to consumers and further invest in our brand management to increase mass awareness for our Group and our products, among others. Please see “Business – Business Strategies” in this prospectus for further details.

There is no assurance that all or any of our business strategies and expansion plans will be successfully implemented. Our business strategies and expansion plans are developed based on a number of assumptions and forecasts and we may not succeed in executing our expansion plans due to various reasons. If we encounter difficulties in implementing our business strategies and expansion plans, our growth prospects may be limited, which could in turn have a material adverse effect on our business, financial condition and results of operations.

### **Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation**

We maintain insurance policies which cover, among others, (i) statutory employees’ compensation for all full-time and part-time employees; (ii) medical insurance for our full-time employees; (iii) office and warehouse insurance for, *inter alia*, property damage, loss of money, personal accident and public liability; and (iv) marine cargo insurance for products in transit. However, there may be circumstances in which we will not be covered or compensated for certain types of losses, damages and liabilities we may incur. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected.

### **Our Group faces the risk of obsolescence of our inventory which may adversely affect our cash flow and liquidity**

Our business involves storage and stocking of a range of health and well-being related products with different shelf lives. Our Group’s products and inventories may also become obsolete as a result of adverse changes in consumer preferences and demands. If our Group fails to effectively manage our inventory levels, we may need to sell off slow-moving inventories at a lower price or dispose expired products, and in such event, our financial position and results of operations may be materially and adversely affected.

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### **We are exposed to unforeseeable events of labour disputes, strike action, protests, natural disasters or other accidents which may affect the supply of our products from our major suppliers**

There is no assurance that our major suppliers will continue to supply their products in the quantities and timeframes required by us to meet the needs of our customers or comply with their supply agreements with us. Our product supply may also be disrupted by potential labour disputes, strike action, protests, natural disasters or other accidents. If our major suppliers do not supply products to us in a timely manner or in sufficient quantities, our business, financial condition and operating results may be materially and adversely affected.

### **We are exposed to fluctuations in foreign currency exchanges rates**

The sales of our products are predominately made in Hong Kong, while the majority of our health supplement products are sourced from brand owners in overseas countries such as the U.S., Australia and Japan. We also engage external manufacturers in overseas countries such as Taiwan and Japan to produce our Private Label Products on an ODM basis. Our functional currency is Hong Kong dollar, being the settlement currency for most of our sales, whereas our purchases from overseas brand owners and manufacturers are primarily settled in foreign currencies. All of our purchases made in foreign currencies are translated into Hong Kong dollars at the prevailing rate at the time of settlement. Our Group does not have any foreign currency hedging policy. Accordingly, fluctuations in the relevant foreign currencies against Hong Kong dollar may affect our cost of sales in terms of Hong Kong dollar and consequently our profit margin and results of operations.

### **Our business requires a sufficient level of working capital to sustain our operations and business growth**

We depend on cash generated from our operations as well as external financing to operate and expand our business. Our future funding requirements will depend, to a large extent, on our working capital requirements and the nature of our capital expenditures, our business performance, market conditions and other factors which are beyond the control and anticipation of our management. Any tightening of credit control may increase the interest expenses on our bank borrowings and create difficulties for us to renew existing banking facilities and/or obtain additional sources of debt financing, which may affect the amount of banking facilities available to us. Any increase in the interest rates could cause our finance costs to increase. The lender may withdraw facilities, request early repayment of outstanding loans or increase in the amount of pledges for secured borrowings. Our ability to obtain financing through bank borrowings, or debt or equity financing, will depend on our financial condition and results of operations, the performance of our industry, and political and economic conditions in Hong Kong.

### **Any force majeure event affecting our warehouses may severely disrupt our business and bring loss and damage to our Group**

In the event there is any material unexpected disruption at or in the vicinity of our warehousing premises as a result of the occurrence of any force majeure events, including fire, power and water outage and other discontinuation of utilities beyond our Group's control, it may directly cause substantial damage or destruction to our warehousing premises and our stocks. We cannot guarantee that any precautionary

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measures implemented at our warehousing premises, such as fire safety facilities, CCTV surveillance system and temperature and humidity monitoring system, will be effective in minimising such risks of business disruptions and potential loss and damages. There is no assurance that our Group will be able to take adequate steps to mitigate the potential impact of such disruptions effectively. The occurrence of any of such force majeure incidents in the future may cause partial or total loss of our stocks, and result in material damage or destruction to our warehousing facilities and equipment. Our operations may be severely impaired or even put to a halt, which may lead to material adverse impact on our Group's results of operations.

**We have established our presence in overseas markets including Macau and Singapore and any changes in the economic and regulatory conditions and global trade policy of such markets may have an adverse effect on our business**

While over 90.0% of our total revenue was derived from sales in Hong Kong during the Track Record Period, we have established our presence in overseas markets. In 2017, we established Tycoon Singapore to expand our Distribution Business to chain retailers in Singapore. In 2018, we extended our operations to Macau where we currently run our Retail Business through two brick-and-mortar retail stores.

Any change in the global trade of these overseas markets, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes, may have an adverse effect on our business performance, financial condition and results of operations. Our results of operations are also affected by the level of consumer demand for our products in the overseas markets which is in turn influenced by a number of factors, some of which are beyond our control. An economic downturn in these overseas markets or uncertainties regarding future prospects may affect consumer demand for our products. There is no assurance that we will be able to respond quickly to any economic, market or regulatory changes in these overseas markets, and any failure to do so may cause an adverse effect on our business performance, financial condition and results of operations.

### **RISKS RELATING TO OUR INDUSTRY**

**Our Group's business and operations are susceptible to product liability claims, legal disputes and customer complaints relating to our products**

Like other distributors, our Group is subject to product liability claims or product recalls in the event that our products are found to be defective or unfit for consumption or cause illness or side effects. Products may be rendered unfit for consumption due to raw materials or product contamination or degeneration, illegal tampering of products by unauthorised third parties or other problems arising during the various stages of the procurement, production, transportation and storage processes. As we rely on our suppliers in the supply or (in respect of our Private Label Products) production of our products, in the event there are quality issues relating to these products, we may be consequently be involved in customer complaints or in legal disputes initiated in relation to product liability, or a product recall, could have a material adverse effect on our business, financial condition or results of operations. Furthermore, though we are provided by our suppliers with the ingredient information of our third-party brand products, we cannot assure you that we will be able to detect any or all harmful and/or forbidden substance in the products procured by us in every circumstance.

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## RISK FACTORS

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In addition, adverse publicity or media report about health and safety concerns, whether unfounded or not, may discourage our consumers from buying our products. If any product liability claim is brought against us in the future, whether or not the claim is successful, the negative publicity surrounding any assertion that our products have any health concerns could adversely affect our reputation. Furthermore, the full amount of our financial liability under a product liability claim may not be fully covered by our insurance or at all, and any claims may also result in legal costs any of which could have an adverse effect on our business, results of operations and financial condition.

**We operate in a competitive industry, if we fail to compete effectively, we may lose market share and our results of operations may be adversely affected**

We operate in a highly competitive industry. According to the Ipsos Report, in 2018, the revenue of the top five players (including our Group) in aggregate accounted for approximately 43.3% of the total market share in the PCM distribution market in Hong Kong while our Group accounted for approximately 8.1% of the market share only. The health supplement distribution market is also highly competitive as there are a large number of health supplement distributors in Hong Kong. Some of our competitors may have been in business longer than we have and may have substantially greater financial, marketing and other resources than we have. We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide or adapt more quickly than we do to the evolving industry trends or changing market requirements. We cannot assure you that we will be able to compete effectively or cost-efficiently against current and future competitors. Increased competition may result in price reduction and loss of market share, any of which could have a material adverse impact on our business and results of operations.

**We lack control over our customers in our Distribution Business and may be adversely affected by their acts, sales performance and changes in the state of operation**

Our Distribution Business is our major operating segment, which accounted for over 95.0% of our total revenue during the Track Record Period. Our customers in our Distribution Business are principally chain retailers, non-chain retailers (which are mostly pharmacies) and traders. We have no ownership and managerial control over any of our customers, and we cannot assure you that our customers will at all times strictly adhere to the terms and conditions under the agreements we have signed with them. Any wrongdoing of our customers or their employees, such as deliberate contamination of or tampering with our products may harm our business or give rise to product liability claims or customer complaints against us. In addition, most of our customers in our Distribution Business sell products produced by other manufacturers that may compete directly with our products. Our customers may not be able to sell our products successfully or maintain their competitiveness as a result of various factors. If the volume of products sourced from us and sold by our customers to the consumers is not maintained at a satisfactory level, our customers may not place orders for new or existing products with us, or they may reduce orders or ask for discount on purchase price. The loss of these retailers and traders as our customers, reduced orders from them and discounted purchase prices could adversely affect our business, financial condition and results of operations.



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## RISK FACTORS

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### **The e-commerce market in Hong Kong and the PRC is highly competitive and we may face intense competition**

We sell our products on an online basis through our Retail Business. In addition to our Online Shop, we also operate online stores on various e-commerce portals including JD.hk (海囤全球 京東旗下全球直購平台), world.taobao.com (淘寶網全球), kaola.com (網易考拉), g.suning.com (蘇寧國際), pinduoduo.com (拼多多) and Tmall.hk (天貓國際). The e-commerce market in Hong Kong and the PRC is highly competitive with a large number of online stores selling health supplement, skin care, personal care and other healthcare products. Some of our competitors may have been in the business longer than we have, and may have substantially greater financial, marketing and other resources than we have. The online stores operated by our competitors may also have higher visibility and heavier web traffic that can capture a wider customer base. We cannot assure you that we will be able to compete effectively or cost-efficiently against current and future competitors. Increased competition may result in price reduction and loss of market share, any of which could have a material adverse impact on our business and results of operations.

### **We operate in a regulated industry and our Group could be exposed to liability from non-compliance which may affect our reputation, financial condition or results of operations**

Our business is principally regulated by various laws and regulations in Hong Kong. Various registrations, certificates and/or licences are required for the conduct of our business under the relevant laws, which also contain provisions for requirements on the storage, labelling, advertising and importation of some of our products. In particular, we are required to obtain the wholesaler licence in PCMs to conduct business in the wholesale of PCMs under the Chinese Medicine Ordinance. Also, in complying with the relevant food and drug labelling requirements in Hong Kong for our products (other than our Private Label Products), our Group, to a large extent, relies on the descriptions and other information provided by our suppliers or otherwise prescribed on the packaging of these products, there is no assurance that these descriptions and other information will be accurate or complete, or (in respect of third-party brand products that are supplied through suppliers other than brand owners thereof) the packaging or labels of the relevant products had not been altered, which may in turn jeopardise our ability to comply with the relevant food and drug labelling requirements under the relevant laws and regulations. For further details, please see “Appendix III – Regulatory Overview” in this prospectus. Any failure to comply with the above laws and regulations may expose our Group to the risk of penalties and adverse publicity.

Furthermore, some of the laws and regulations of the places where we operate our business are subject to amendments, uncertainty in interpretation and administrative actions from time to time. Therefore, we cannot assure you that, for the implementation of our business plans and the introduction of any new product, we will be able to obtain all the necessary registrations, certificates and/or licences. Any failure to comply with the above laws and regulations may give rise to fines, administrative penalties and/or prosecution against us, which may adversely affect our reputation, financial condition or results of operations.

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## RISK FACTORS

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### **RISKS RELATING TO DOING BUSINESS IN THE PRC**

#### **PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results**

In June 2018, we commenced our cross-border e-commerce business at JD.hk (海囤全球 京東旗下全球直購平台), whereby we conducted cross-border sales of our products from Hong Kong to the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including: (i) political structure; (ii) level of the PRC government involvement and control; (iii) growth rate and level of development; (iv) level and control of capital investment and reinvestment; (v) control of foreign exchange; and (vi) allocation of resources. The PRC economy has been transitioning from a centrally planned economy to a more market oriented economy. For more than three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political and social conditions and its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations. In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to curtail certain segments of the economy, which the PRC government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

#### **The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares**

Currently, the RMB cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, Tycoon Shenzhen will have sufficient foreign exchange to meet its foreign exchange requirements. The restrictions on foreign exchange transactions under capital accounts could also affect Tycoon Shenzhen's ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. Furthermore, the PRC government may in the future and at its discretion restrict access to foreign currencies for current account transactions. Under existing foreign exchange regulations, following the Listing, Tycoon Shenzhen will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be effective in the future. If Tycoon Shenzhen fails to obtain approval from the SAFE to convert RMB into any foreign exchange for any of the above purposes, the capital expenditure plans of Tycoon Shenzhen and our Group as a whole, and even our business, operating results and financial position, may be materially and adversely affected.

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## RISK FACTORS

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### **Our business may be adversely affected by the introduction of new laws or changes to existing laws by the PRC government**

Our cross-border e-commerce business in the PRC is governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, circulars, administrative directives and internal guidelines. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes.

Further, court decisions in the PRC do not have any binding effect on lower courts. Accordingly, the outcome of dispute resolutions may not be as consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction.

### **Relevant PRC tax law may affect tax exemptions on dividends received by our Company**

Our Company is incorporated under the laws of the Cayman Islands and holds interests in Tycoon Shenzhen through a number of wholly-owned subsidiaries, with its immediate holding company being a Hong Kong company immediately after the Reorganisation. Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and its implementation rules, which were enacted on 16 March 2007 and 28 November 2007, respectively, and both of which became effective on 1 January 2008, if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with the income of our Company, a withholding tax at the rate of 10% will be applied to any dividends paid by a PRC resident enterprise to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties entered into between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise and other conditions required by the PRC laws and regulations are satisfied, otherwise, the dividend withholding tax rate is 10%. According to the Notice of the State Administration of Taxation on Issues Relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

## **RISKS RELATING TO THE GLOBAL OFFERING**

### **Possible setting of the Offer Price after making a Downward Offer Price Adjustment**

We have the flexibility to make a Downward Offer Price Adjustment to set the Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the Offer Price will be set at HK\$1.34 per Offer Share upon the making of a Downward Offer Price Adjustment.

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## RISK FACTORS

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In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the Offer Price is set at HK\$1.34, the estimated net proceeds we will receive from the Global Offering will be reduced to approximately HK\$201.7 million, assuming the Over-allotment Option is not exercised at all, and such reduced proceeds will be used as described in “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus.

**There has been no prior public market for our Shares. The trading volume and market price of the Shares following the Global Offering may be volatile**

Prior to the Global Offering, there was no public market for our Shares. The initial Offer Price range to the public for our Shares was the result of negotiations between us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. However, the Global Offering does not guarantee that an active liquid public trading market for our Shares will develop. In addition, the price and trading volumes of the Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which the Shares will be traded.

**Subscribers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future**

The Offer Price range of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering and the Capitalisation Issue. Therefore, subscribers of our Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Subscribers of our Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

**There can be no assurance if and when we will pay dividends in the future**

We cannot assure you when or whether we will pay dividends in the future. Our Directors may declare dividends after taking into account the financial condition of our Group, the prevailing economic and social climate, our Group’s earnings and cash flows, our Group’s expected capital requirements and the statutory fund reserve requirements, the retained earnings and distributable reserves of our Company and each of the members of our Group and any other factors that our Board may consider appropriate at such time. For further details of our dividend policy, please see “Financial Information – Dividends and Dividend Policy” in this prospectus.

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## **RISK FACTORS**

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### **There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price**

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be around six Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

### **Investors should not rely on any information contained in press articles or other media regarding us and the Global Offering**

Prior to the publication of this prospectus, there may be press and media coverage regarding our Company and the Global Offering. Such press and media coverage may include references to certain events or information that do not appear in this prospectus, including certain operating and financial information and projections, valuations, views and opinions regarding our Shares and the Global Offering. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. Our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or our or their respective affiliates or advisers make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information and should only rely on information included in this prospectus, the Application Forms and any formal announcements made by us in making any investment decision as to whether to purchase our Shares.

### **Certain facts and statistics in this prospectus relating to our industry may not be reliable**

Certain facts and statistics in this prospectus, including industry data and forecasts, have been derived from various official government publications and independent sources which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such materials. None of us, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or our or their respective affiliates or advisers has independently verified, or made any representation as to, the accuracy of such facts, statistics, data and forecasts. Investors should not place undue reliance on such facts, statistics, data and forecasts. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, they may not be stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

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## **WAIVERS FROM COMPLIANCE WITH THE LISTING RULES**

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In preparation for the Listing, we have sought and have been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### **CONTINUING CONNECTED TRANSACTIONS AND RULE 14A.105 WAIVER**

We have entered into certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules following the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, please see “Connected Transactions – Non-exempt Continuing Connected Transactions” in this prospectus.

### **WAIVER IN RELATION TO THE PUBLICATION OF FIRST ANNUAL REPORT**

Rule 13.46(2) of the Listing Rules requires an issuer to send a copy of its annual report including its annual accounts or summary financial report to its shareholders in any event not more than four months after the end of the financial year to which they relate.

As our Company has included in this prospectus, among other things, the audited consolidated financial results of our Company and the related financial information in respect of FY2019, each as set out in the Accountants’ Report and “Financial Information” in this prospectus respectively, our Directors believe that strict compliance with the requirements of Rule 13.46(2) of the Listing Rules would not provide our Shareholders and potential investors with further material information that is necessary to have a reasonable appreciation and make an informed assessment of the activities or financial position of our Company, and would incur significant and unnecessary costs and be unduly burdensome for our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 13.46(2) of the Listing Rules in respect of the issue of an annual report for FY2019. As advised by our Company’s legal advisers as to Cayman Islands laws, our Company would not be in breach of its Memorandum and Articles or laws and regulations of the Cayman Islands regarding our Company’s obligation to publish annual results announcements and distribute annual reports and accounts as a result of such waiver.

Save for the exception and explanation disclosed in “Directors and Senior Management – Compliance with the Corporate Governance Code” in this prospectus, our Company will comply with the Corporate Governance Code.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY STATEMENT**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set forth the terms and conditions of the Hong Kong Public Offering.

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. The International Offering is managed by the Joint Global Coordinators. The International Underwriting Agreement is expected to be entered into, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. Further details of the Underwriters and the underwriting arrangements are set out in “Underwriting” in this prospectus.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

As disclosed in “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement – Pre-IPO Shareholders Agreement” in this prospectus, it is a term of the Pre-IPO Shareholders Agreement that “Qualified IPO” shall mean an initial public offering of our Company which, unless otherwise approved by Pre-IPO Investor A, has a market capitalisation at Listing of not less than 120% of the agreed valuation at which Pre-IPO Investment A was made (that valuation being HK\$992,683,000). In case where the market capitalisation of our Company (calculated based on the final Offer Price) immediately after the issue of the Offer Shares

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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(excluding, for this purpose, the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue is less than HK\$1,191,219,600 (i.e. 120% × HK\$992,683,000), the Global Offering will be subject to, among other conditions, the parties to the Pre-IPO Shareholders Agreement having agreed to amend the Pre-IPO Shareholders Agreement to the effect that the Global Offering at the final Offer Price shall, for the purpose of the Pre-IPO Shareholders Agreement, be deemed as a Qualified IPO in this regard, on or before the date of the International Underwriting Agreement. The other conditions are, namely, as follows:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement; and
- (iv) the obligations of the Underwriters under the respective Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Sponsor (for itself and on behalf of the Joint Global Coordinators and the Underwriters)) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Price will be not more than HK\$1.52 and is currently expected to be not less than HK\$1.48.

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Monday, 6 April 2020 or such later date as may be agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and in any event no later than 12:00 noon on Wednesday, 8 April 2020. If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed and will lapse.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this prospectus. If it is intended to set the Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstances in which such an offer or invitation for subscription is not authorised or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Offer Shares under the Global Offering will be required to confirm, or be deemed by his acquisition of the Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares in this prospectus. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

### **APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

Save for the application for the listing of, and permission to deal in our Shares on the Stock Exchange in issue and to be issued pursuant to the Global Offering as disclosed herein, none of our Shares are listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 15 April 2020. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 3390.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasise that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

### **REGISTER OF MEMBERS AND STAMP DUTY**

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's branch register of members to be maintained in Hong Kong by Tricor Investor Services Limited, the Hong Kong Branch Share Registrar. Our Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **EXCHANGE RATE CONVERSION**

Unless the context requires otherwise, the following exchange rate has been used for translation for the purpose of illustration only:

US\$1 = HK\$7.78

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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No representation is made that any amounts in the abovementioned currency could have been or could be converted at the above rate or at any other rate or at all.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments/are rounded to one decimal place. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the Chinese nationals, entities, enterprises, organisations, institutions, government authorities, departments, facilities, e-commerce portals, awards, certificates, titles, laws and regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Wong Ka Chun Michael (王嘉俊)	Flat B, 15/F, Block 2 Eden Garden 9-11 Lok Fung Path Fo Tan, New Territories Hong Kong	Chinese
Mr. Chan Fan Shing (陳帆城)	Flat C, 6/F Chiap Thong Building 321 To Kwa Wan Road To Kwa Wan, Kowloon Hong Kong	Chinese
<i>Non-executive Directors</i>		
Mr. Yao Qingqi (姚青琪)	Flat A, 6/F, Block 2 Residence 88 88 Fung Cheung Road Yuen Long, New Territories Hong Kong	Chinese
Ms. Chong Yah Lien (張雅蓮)	Flat C, 7/F One Robinson Place 70 Robinson Road Mid-Levels, Hong Kong	Malaysian
Mr. Ng Wang Yu Gary (吳弘宇)	Flat A, 15/F Tower 11, Mayfair By The Sea II 21 Fo Chun Road Science Park, New Territories Hong Kong	Chinese
Ms. Li Ka Wa Helen (李家華)	Flat G, 40/F, Tower 3 Ocean Shores Tseung Kwan O New Territories Hong Kong	Canadian

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### *Independent Non-Executive Directors*

Mr. Wong Yuk Woo Louis (黃旭和)	Flat 805, 8/F, Block B Tung Lo Building 54 Shek Kip Mei Street Sham Shui Po Kowloon, Hong Kong	Chinese
Mr. Chung Siu Wah (鍾兆華)	Flat 2, 2/F, Block C Forest Hill 1E Kau To Shan Road Lok Lo Ha, Sha Tin New Territories, Hong Kong	Chinese
Ms. Chan Ka Lai Vanessa (陳嘉麗)	Flat B, 12/F, Tower 2 Chatham Gate 388 Chatham Road North Hung Hom Kowloon, Hong Kong	Chinese

For further information, please see “Directors and Senior Management” in this prospectus.



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Joint Lead Managers

#### **Livermore Holdings Limited**

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#### **Valuable Capital Limited**

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#### **TradeMaster Securities (Hong Kong) Limited**

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#### **BOA MS Capital Limited**

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Hong Kong

### Legal advisers to our Company

*As to Hong Kong law:*

#### **LCH Lawyers LLP**

Room 702, 7/F  
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*As to Cayman Islands law:*

#### **Conyers Dill & Pearman**

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Cayman Islands

*As to Macau law:*

#### **Leong Hon Man – Lawyers & Private Notary**

12/F, China Law Building  
409 Avenida da Praia Grande  
Macau

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*As to PRC law:*

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*As to Australia law:*

**Piper Alderman**

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**Julius Leonie Chai**

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No. 2, Jalan PJU 1A/7A  
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Selangor Darul Ehsan  
Malaysia

*As to Hong Kong law:*

**Mr. Chung Kin Hong Kenneth**

*Barrister-at-law of Hong Kong*  
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10 Ice House Street  
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Hong Kong

*As to Hong Kong law:*

**Chiu & Partners**

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1 Connaught Place  
Hong Kong

**Legal advisers to the Sole Sponsor,  
the Joint Global Coordinators,  
the Joint Bookrunners,  
the Joint Lead Managers and  
the Underwriters**



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Auditor and reporting accountants**

**Ernst & Young**  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

**Industry consultant**

**Ipsos Limited**  
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Hong Kong

**Compliance adviser**

**Shenwan Hongyuan Capital (H.K.) Limited**  
Level 17  
28 Hennessy Road  
Hong Kong

**Receiving bank**

**DBS Bank (Hong Kong) Limited**  
11/F, The Center  
99 Queen's Road Central  
Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Room 14, 8/F Wah Wai Centre 38 – 40 Au Pui Wan Street Shatin, New Territories Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.tycoongroup.com.hk">www.tycoongroup.com.hk</a></u></b> (information contained in this website does not form part of this prospectus)
<b>Company secretary</b>	Mr. Cheung Yuk Chuen (張玉存) <i>CPA, ACCA</i> Room 2512, 25/F Lee Fung House Lee On Estate Ma On Shan, New Territories Hong Kong
<b>Authorised representative (for the purpose of the Companies Ordinance)</b>	Mr. Wong Ka Chun Michael Flat B, 15/F, Block 2 Eden Garden 9-11 Lok Fung Path Fo Tan, New Territories Hong Kong
<b>Authorised representatives (for the purpose of the Listing Rules)</b>	Mr. Wong Ka Chun Michael Flat B, 15/F, Block 2 Eden Garden 9-11 Lok Fung Path Fo Tan, New Territories Hong Kong  Mr. Cheung Yuk Chuen Room 2512, 25/F Lee Fung House Lee On Estate Ma On Shan, New Territories Hong Kong

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## CORPORATE INFORMATION

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<b>Audit committee</b>	Ms. Chan Ka Lai Vanessa ( <i>Chairman</i> ) Mr. Wong Yuk Woo Louis Mr. Chung Siu Wah
<b>Remuneration committee</b>	Mr. Wong Yuk Woo Louis ( <i>Chairman</i> ) Mr. Chung Siu Wah Ms. Chan Ka Lai Vanessa
<b>Nomination committee</b>	Mr. Chung Siu Wah ( <i>Chairman</i> ) Mr. Wong Yuk Woo Louis Ms. Chan Ka Lai Vanessa
<b>Corporate governance committee</b>	Mr. Wong Ka Chun Michael ( <i>Chairman</i> ) Mr. Wong Yuk Woo Louis Mr. Chung Siu Wah
<b>Principal share registrar and transfer office in Cayman Islands</b>	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	<b>Hang Seng Bank Limited</b> 20/F 83 Des Voeux Road Central Hong Kong  <b>China Construction Bank (Asia) Corporation Limited</b> 28/F, CCB Tower 3 Connaught Road Central Central Hong Kong

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## CORPORATE INFORMATION

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**DBS Bank (Hong Kong) Limited**

11th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

**Industrial and Commercial Bank of China  
(Asia) Limited**

33/F, ICBC Tower  
3 Garden Road  
Central  
Hong Kong

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## INDUSTRY OVERVIEW

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*Certain information and statistics contained in this section have been derived from various official and publicly available sources, and extracted from the Ipsos Report. Our Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, their respective directors and officers or any other parties involved in the Global Offering, except Ipsos Limited. No representation is given as to the accuracy or completeness of such information and statistics.*

### SOURCE AND RELIABILITY OF INFORMATION

#### Background of Ipsos

We commissioned Ipsos Limited, an Independent Third Party, to conduct an analysis of, and to report on the PCM, health supplement and skin care and personal care product distribution industry in Hong Kong for a total fee of HK\$728,000 and our Directors consider that such fee reflects market rates. Ipsos Limited is an independent market research company wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 18,000 personnel worldwide across 90 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

#### Research Methodology

The information in the Ipsos Report is derived by data and intelligence obtained by: (a) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (b) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (c) performing client consultation to facilitate the research including in-house background information of our Group (such as our business). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

#### Assumptions and Parameters Used in the Ipsos Report

The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report: (i) it is assumed that the global economy remains in steady growth across the period from 2019 to 2022; and (ii) the external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the PCM, health supplement and skin care and personal care product distribution market in Hong Kong from 2019 to 2022.

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## INDUSTRY OVERVIEW

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The following parameters are used in the market sizing and forecasting model in the Ipsos Report: (i) GDP and GDP growth rate in Hong Kong from 2013 to 2019 and forecast from 2020 to 2022; (ii) population and population growth in Hong Kong from 2013 to 2019 and forecast from 2020 to 2022; and (iii) number of tourist arrivals in Hong Kong from 2013 to 2019.

Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

### MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

#### Consumption Expenditure on Personal Care, Medical Care and Health Expenses

Consumption expenditure on personal care increased from HK\$56,229.0 million in 2013 to HK\$81,798.0 million in 2019, rising at a CAGR of approximately 6.4%. The increase in consumption expenditure on personal care from 2013 to 2019 can be attributed to the rising affluence of households over the same period. In addition, people are also willing to spend on personal care as they have higher living standards and higher health awareness.

Consumption expenditure on medical care and health expenses increased from HK\$63,628.0 million in 2013 to HK\$96,549.0 million in 2019, rising at a CAGR of approximately 7.2%. The increase in the private consumption expenditure on medical care and health expenses can be explained by the ageing population and the rising demand for medical and health products. Moreover, spurred by the rising health consciousness, an increasing number of people have interest in preventive healthcare.

#### Number of Tourist Visits in Hong Kong

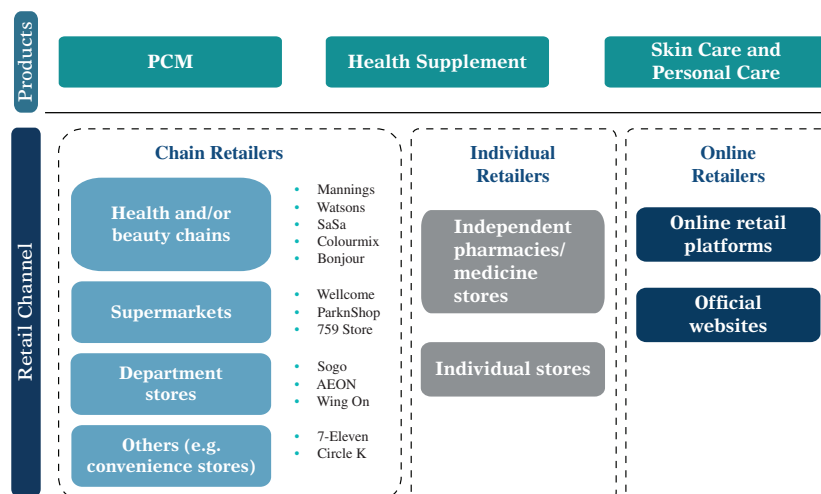
The total number of tourist visits in Hong Kong recorded an overall increase from 54.3 million in 2013 to 55.9 million in 2019 at a CAGR of approximately 0.5%. From 2013 to 2014, the total number of tourist visits increased, but recorded a drop between 2014 and 2016. The drop in the total tourist arrivals between 2014 to 2016 can be explained by the drop in the number of Chinese visitors, which was primarily due to (i) adjustment of multiple-entry endorsements into “one visit per week” in 2015 (ii) depreciation of RMB against HK\$ and (iii) relaxation of visa restrictions of neighbouring countries for Chinese citizens. In 2017, the number of tourist arrivals recorded a slight rebound.

The top five items bought by overnight visitors in 2018 were ready-made wear, cosmetics, snacks/confectioneries, medicine and Chinese herbs products, and shoes/other footwear. In particular, 28% of the overnight visitors have bought cosmetics while 14% of the overnight visitors have bought medicine and Chinese herbs products.

# INDUSTRY OVERVIEW

## RETAIL SALES CHANNEL IN HONG KONG

In general, there are three major types of retailers in Hong Kong (i) chain retailers, (ii) individual retailers and (iii) online retailers.



Set out below are the major chain retailers in Hong Kong:

Retail chain	Type	Number of outlets (as at 31 December 2019)
Mannings	Health and beauty chain	359
Watsons	Health and beauty chain	232
CR Care	Health chain	96
Beijing Tong Ren Tang	Health chain	64
Wellcome	Supermarket	271
Parknshop	Supermarket	262
759 Store	Supermarket	175
SaSa	Beauty chain	107
Colourmix	Beauty chain	73
Bonjour	Beauty chain	34

Source: Ipsos research and analysis

### Key Services Provided by Distributors to Retailers

A distributor's main role in the supply chain is to achieve distribution effectiveness by offering various types of services. Different services may be provided by distributors according to the needs of brand owners as well as retailers. In general, distributors may provide warehousing, packaging, logistics, product promotion, marketing and other supporting services.

Distributors perform storage functions, ensuring a stable supply of products to facilitate retail orders and delivering products to retail stores duly. Distributors may also offer logistics services to retailers. It is common that the distributors will outsource the logistics services to a third party for the delivery. There are

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## INDUSTRY OVERVIEW

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distributors offering product promotion services. For instance, distributors may invite key opinion leaders to build positive word-of-mouth and enhance product brand image on social media. In addition, distributors may also provide market information through sales reports to brand owners regarding the trends and changes prevailing in the market.

### **Factors of Competition**

#### *Product offering*

Product offering is one of the most important selection criteria for retailers, in terms of source of products, product variety and market needs. Retailers tend to assess whether the products offered by distributors can meet the prevailing demand of consumers. Brand name, word-of-mouth, popularity and quality of the products are largely taken into consideration by the retailers during the procurement process. It is important for distributors to source products in conformity with the trend.

#### *Stability of supply*

Most of the retailers value the stability of supply from distributors since it affects the availability of products being sold to customers. Replenishment has to be fulfilled in time before products are out of stock. Therefore, retailers tend to deal with distributors who can guarantee stable supply.

#### *Services*

Services such as logistics and marketing are also taken into consideration by retailers when selecting suppliers. Distributors with good logistics capability, whether by its in-house logistics team or external logistics agents, can arrange delivery more flexibly. In addition, distributors who can provide marketing services may attract more customers to retail stores and may be preferred over other distributors.

#### *Network with retailers*

The network that distributors possess refers to the number of retailers that can be reached for distribution. It also represents the potential product turnover rate. The larger network of the distributor possesses, the products are likely to be sold to consumers at a faster rate.

### **OVERVIEW OF THE PCM DISTRIBUTION INDUSTRY IN HONG KONG**

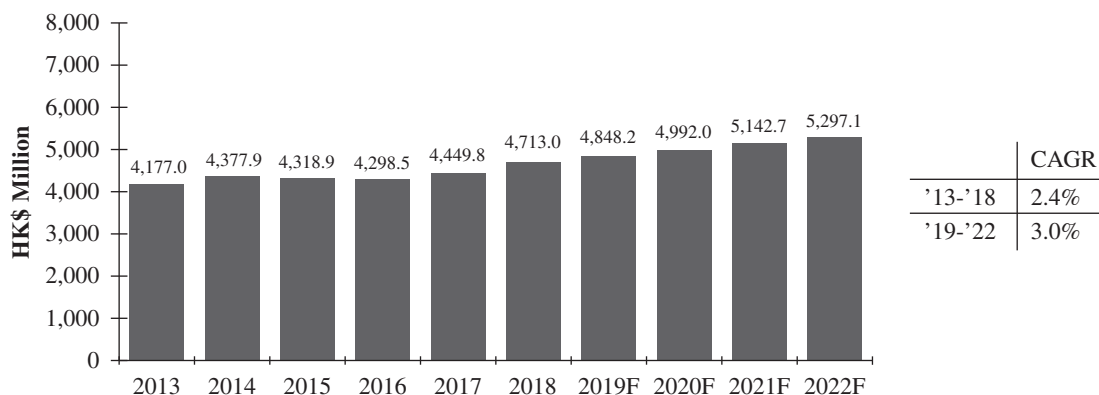
According to the Chinese Medicine Ordinance, proprietary Chinese medicine (**PCM**) means proprietary products i) composed solely of active ingredients, including any Chinese herbal medicines, any materials of herbal, animal or mineral origin customarily used by the Chinese; or any medicines and materials referred to the aforementioned; ii) formulated in a finished dose form; and iii) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body. More than 90% of the PCM are manufactured in Hong Kong. According to the Chinese Medicine Council of Hong Kong, there were 237 licensed manufacturers of PCM as at 31 December 2019.



## INDUSTRY OVERVIEW

### Retail Sales Value of PCM in Hong Kong

**Sales value of the PCM retail industry in Hong Kong from 2013 to 2022F**



Source: Ipsos research and analysis

Retail sales value of PCM in Hong Kong increased from HK\$4,177.0 million in 2013 to HK\$4,713.0 million in 2018, rising at a CAGR of approximately 2.4%. The growth in retail sales value can be attributed to the rising demand for PCM from local residents as well as tourists. Spurred by rising health consciousness, people consumed PCM on a regular basis for optimal health, leading to an increase in the consumption on related medical care and health expense.

Retail sales value of PCM in Hong Kong is expected to increase from HK\$4,848.2 million in 2019 to HK\$5,297.1 million in 2022, growing at a CAGR of approximately 3.0%. The retail sales of PCM are expected to be driven by the ageing population and the tourism industry. During the forecast period from 2019 to 2022, people aged above 65 is projected to increase from 1.3 million to 1.5 million. A consequent increase in healthcare products due to the ageing population is expected, fuelling the demand for PCM products and the sales. With the launch of the Guangzhou-Shenzhen-Hong Kong Express Rail Link Hong Kong Section in September 2018 and the Hong Kong-Zhuhai-Macao Bridge in October 2018, tourist visits from the PRC are expected to increase. Along with the government's efforts in promoting the tourism industry, the surge in tourist arrivals is expected to fuel the PCM retail industry.

Set forth below is the retail sales value of the PCM in 2018 by different retail channels:



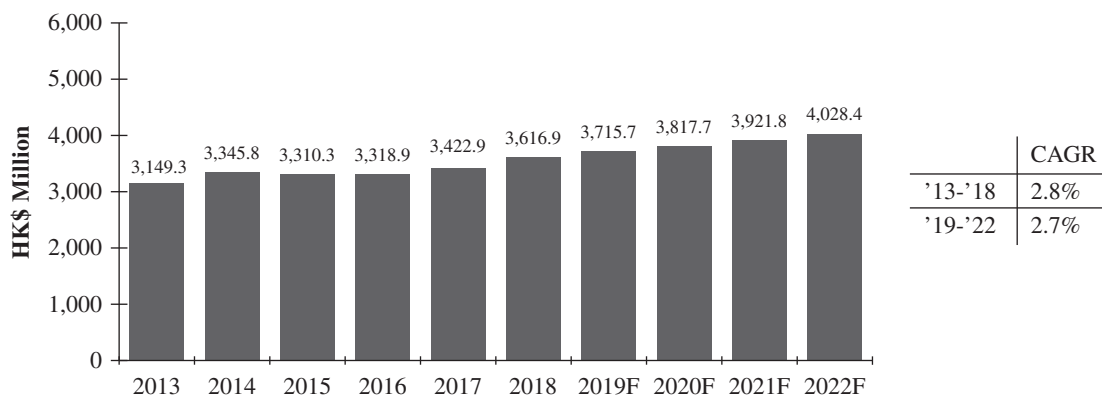
Source: Ipsos research and analysis

Note: Total percentage may not equal to 100% due to rounding.

## INDUSTRY OVERVIEW

### Sales Value of PCM Distribution Industry in Hong Kong

**Sales value of the PCM distribution industry in Hong Kong from 2013 to 2022F**



Source: Ipsos research and analysis

Sales value of the PCM distribution industry increased from HK\$3,149.3 million in 2013 to HK\$3,616.9 million in 2018, rising at a CAGR of approximately 2.8%. The overall growth of the PCM distribution industry from 2013 to 2018 is attributed to the growth of the PCM retail sector. The overall decrease of the sales value in the PCM distribution industry from 2014 to 2016 can be explained by the sluggish performance of the retail sector due to the decrease in the number of Chinese visitors. Since tourists from the PRC are one of the contributing customer segments in the PCM retail industry, the decrease in mainland tourists adversely affected the retail sales of PCM products, which hindered the growth of the distribution industry over the same period.

Sales value of the PCM distribution industry is expected to increase from HK\$3,715.7 million in 2019 to HK\$4,028.4 million in 2022, rising at a CAGR of approximately 2.7%. The growth of the PCM distribution industry is expected to be driven by the same growth drivers of the retail sales market of PCM products, i.e. the ageing population and the tourism industry.

### COMPETITIVE LANDSCAPE OF THE PCM DISTRIBUTION INDUSTRY IN HONG KONG

#### Industry Structure

The PCM distribution industry in Hong Kong is mature with a large number of players. According to the Chinese Medicine Council, there were approximately 1,000 licensed PCM distributor as at 31 December 2019. In 2017, our Group ranked the fourth in the PCM distribution industry and accounted for 6.5% of the total market share, while the top five players accounted for 39.6% of the total market share. In 2018, our Group ranked the third in the PCM distribution industry and accounted for 8.1% of the total market share, while the top five players accounted for 43.3% of the total market share.

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## INDUSTRY OVERVIEW

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The top five PCM distributors in Hong Kong, including their estimated revenue and market share in 2018, are as follows:

Rank	Company	Background	Estimated Revenue in 2018 (HK\$ Million)	Market Share (%)
1	Company A	A private company mainly selling prescription drugs, PCM and toiletries to pharmacies	441.6	12.2%
2	Company B	A private company mainly selling PCM, toiletries, personal care and skin care products to pharmacies	336.0	9.3%
3	Our Group	Principally engaged in the Distribution Business and the Retail Business	293.8	8.1%
4	Company C	A private company mainly selling PCM to pharmacies	254.4	7.0%
5	Company D	A private company mainly selling PCM, personal care and skin care products to pharmacies	240.0	6.6%
	Top five		1,565.8	43.3%
	Others		2,051.1	56.7%
	<b>Total</b>		<b>3,616.9</b>	<b>100.0%</b>

*Source: Ipsos research and analysis*

### Market Drivers and Opportunities

#### *Rising health consciousness*

The growth of the PCM distribution industry is ultimately driven by the demand from consumers. Rising health consciousness amongst the population underpins the PCM distribution industry in Hong Kong. A rising trend of preventive healthcare is observed across the city, where more people are seeking preventive healthcare products such as PCM. The rising health consciousness has therefore driven the sales of PCM and fuelled the growth of the PCM distribution industry.

#### *Ageing population*

The demand for PCM is expected to grow due to the ageing population in Hong Kong. According to the World Bank, people aged 65 and above increased from 1.0 million in 2013 to 1.3 million in 2018. It is projected that the number of people aged 65 and above will reach 1.5 million in 2022, accounting for 19.6% of the total population. Spurred by rising health consciousness, the ageing population is paying more attention on their well-being and is more willing to spend on preventive healthcare. The ageing population is expected to generate a surge in demand for PCM and therefore drive the growth of the PCM distribution industry.

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## INDUSTRY OVERVIEW

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### *Rising demand for PCM from tourists*

PCM produced in Hong Kong is reputable for its efficacy among tourists worldwide, especially those from mainland China. They have greater confidence in the products manufactured in Hong Kong and are one of the contributing customer segments in the PCM retail industry. According to the Hong Kong Tourism Board, medicine and Chinese herbs products have become one of the top five items bought by overnight tourists in 2018. The rising demand for PCM from tourists boosted the retail sales and therefore bolstered the growth of the PCM distribution industry.

### *The launch of major infrastructures*

Tourists have been contributing to the PCM sales in Hong Kong. The launch of the Guangzhou-Shenzhen-Hong Kong Express Rail Link Hong Kong Section in September 2018 and the Hong Kong-Zhuhai-Macao Bridge in October 2018 may attract more tourists from mainland China and bring business opportunities to the retail sector as well as the PCM distribution industry.

### **Market Challenge**

#### *Economic slowdown in the PRC*

Economic growth has slowed down recently in the PRC, evidenced by the deceleration in fixed asset investment and the depreciated RMB. The depreciated RMB lowered consumer confidence of mainland visitors and their willingness to spend on products and services in Hong Kong. The economic slowdown in the PRC led to the decrease in average tourist spending in Hong Kong and adversely affected the retail sector. The economic environment in the PRC has impacted on the retail sector in Hong Kong, from which the PCM distribution industry may suffer.

### **Entry Barriers**

#### *Existing distribution networks*

PCM brand owners in Hong Kong generally value stable business relationship with existing distributors. It is common that brand owners establish long-term business relationship with distributors who have previous collaboration with them. In addition, brand owners tend to select distributors with a proven track record. New entrants with limited track record may find it difficult to approach brand owners with established distribution networks.

#### *High capital requirement*

High capital requirement for procuring products, maintaining a large product portfolio and offering marketing and promotion of products may form an entry barrier for new entrants in the PCM distribution industry. In order to build a comprehensive product portfolio, sufficient capital is required for product procurements and warehousing. New entrants with limited capital may not be able to source enough products for building a large product portfolio, and therefore may fail to approach certain retailers.

## INDUSTRY OVERVIEW

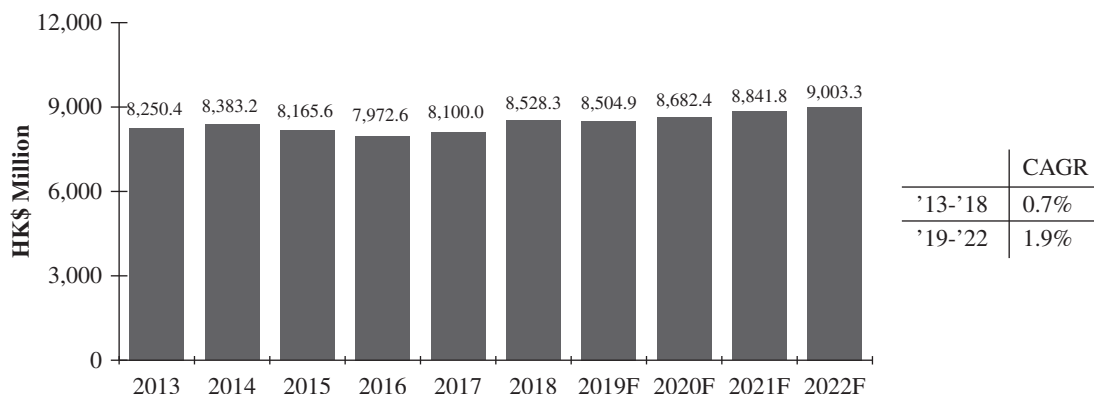
### OVERVIEW OF THE HEALTH SUPPLEMENT DISTRIBUTION INDUSTRY IN HONG KONG

In Hong Kong, there is no straight regulation defining health supplements. However, according to the Hong Kong Health Food Association, health supplement can be perceived as: i) a non-conventional food that is intended to maintain or promote health; ii) its ingredient(s) could be one or any combination of the following: a vitamin, a mineral, an herb or other botanical, an amino acid, a dietary substance, a concentrate, or a metabolite constituent or extract for suitable for human consumption and maintaining or improving health; iii) can come in different forms, such as tablets, capsules, soft gels, gel caps, liquids, and powders. It must not be represented for use as a conventional food or as a sole item of a meal.

Health supplements sold in Hong Kong are mostly manufactured and imported from other countries. According to the Hong Kong Health Food Association, most of the health supplements sold in Hong Kong are originated from the U.S., Canada, Europe (e.g. the U.K and Germany), New Zealand and Australia. A relative small portion of the health supplements are manufactured in Russia, mainland China, Taiwan, Hong Kong and Japan.

#### Retail Sales Value of Health Supplements in Hong Kong

**Sales value of the health supplement retail industry in Hong Kong from 2013 to 2022F**



Source: Ipsos research and analysis

The retail sales value of health supplement in Hong Kong increased from HK\$8,250.4 million in 2013 to HK\$8,528.3 million in 2018, at a CAGR of approximately 0.7%. The decrease in retail sales in 2015 and 2016 can be explained by the decreased number of tourist arrivals. The downturn of tourism industry in 2015 and 2016 adversely impacted the retail sales value of health supplements, while health supplements is one of the popular items that tourists purchase in Hong Kong.

The retail sales value of health supplement in Hong Kong is expected to gradually increase from HK\$8,504.9 million in 2019 to HK\$9,003.3 million in 2022, at a CAGR of approximately 1.9%. The expected increase of retail sales value of health supplements is partially attributed to the contribution of tourism industry. Moreover, the ageing population is likely to drive the consumption of health supplements among local residents.

## INDUSTRY OVERVIEW

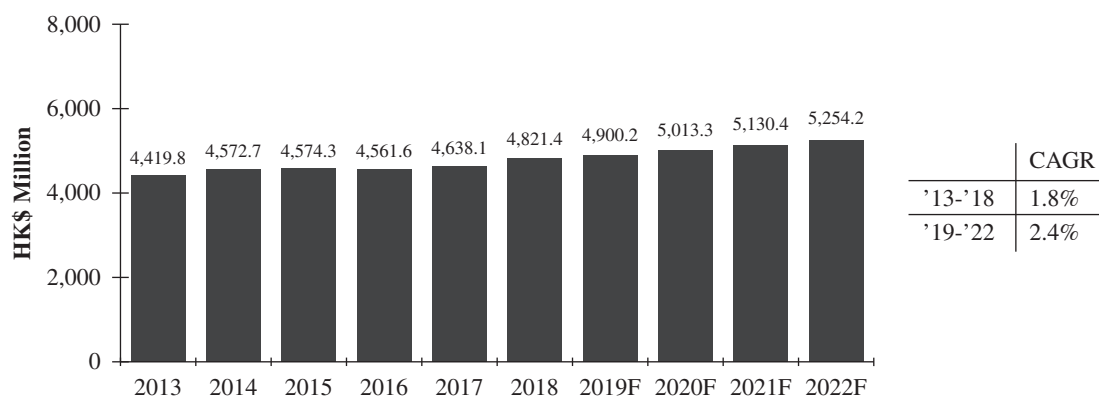
Set forth below is the retail sales value of the health supplements in 2018 by different retail channels:



Source: Ipsos research and analysis

Note: Total percentage may not equal to 100% due to rounding

### Sales value of the health supplement distribution industry in Hong Kong from 2013 to 2022F



Source: Ipsos research and analysis

The sales value of health supplement distribution industry in Hong Kong increased from HK\$4,419.8 million in 2013 to HK\$4,821.4 million in 2018, at a CAGR of approximately 1.8%. The increase between 2013 and 2014 can be explained by the prosperity of tourism industry, in which the total number of tourist arrivals increased by 12.0%. The sales value decreased between 2014 and 2016 as the number of tourist arrivals declined by 2.5% and 4.5% respectively in 2015 and 2016. Apart from the end demand from tourists, local residents also accounted for a substantial part of health supplement consumption. Aid with the increasing living standard and health awareness, local residents are consuming more health supplements, in terms of spending.

The sales value of health supplement distribution industry is expected to increase from HK\$4,900.2 million in 2019 to HK\$5,254.2 million in 2022, at a CAGR of approximately 2.4%. The expected increase can be explained by the contribution of tourism industry and the expected growth of consumption by local residents.

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## INDUSTRY OVERVIEW

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### COMPETITIVE LANDSCAPE OF THE HEALTH SUPPLEMENT DISTRIBUTION INDUSTRY IN HONG KONG

#### Industry Structure

The health supplement distribution industry in Hong Kong is highly fragmented with no dominant player, in which market players primarily compete with one another on product quality, popularity and pricing, etc. The competition among distributors in the industry is moderate.

#### Market Drivers and Opportunities

##### *Increasing health consciousness of local residents*

The health supplement distribution industry is also benefited from the increasing health consciousness among local residents. Due to the increasing acceptance of health supplements among local residents, the consumption of health supplements increased, driving the demand for the health supplements. It directly stimulated the growth of the health supplement distribution industry in Hong Kong.

##### *Demand from mainland Chinese for health supplements sold in Hong Kong*

Mainland Chinese consumers hold a strong preference on health supplements sold in Hong Kong, as mainland Chinese consumers have strong confidence over Hong Kong selling authentic products. Mainland Chinese consumers tend to purchase health supplements, such as liver health, vitamins and mineral products, from Hong Kong retail channels such as pharmacies/medicine stores. Such demand has driven the sales for health supplements, which also benefits the health supplement distribution industry in Hong Kong.

#### Entry Barriers

##### *Sourcing the right products fitting the market needs*

Finding the right products is one of the major barriers stopping new entrants to the industry. Typically, chain retailers heavily invest in marketing campaigns, advertisements and promotions, hence these chain stores generally prefer to put popular products or products with good potential on the shelves. Distributors ought to be able to offer these right products to the chain retailers. Experience and the effort of tracking market trend determine the distributors' ability to identify right products for the market. New entrants take time to develop market sense in order to provide suitable products to meet the market needs. Some distributors invest in digital marketing to track customer preferences on health supplements by monitoring the frequently searched key words and hot topics on social media and other online platforms. New entrants may not be able and/or willing to invest in developing or outsourcing to a team for the tracking work.

##### *Establishing a strong network with retailers*

Having a strong network with retailers is always crucial to health supplement distributors, as retailers are the POS facing the consumers. Chain stores generally select suitable products for the shelf space, and generally tend to limit the number of distributors for the ease of supplier management.

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## INDUSTRY OVERVIEW

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### *Marketing capability*

When dealing with chain retailers, distributors may be required to showcase their marketing plan, such as media plan or key opinion leader endorsement, to push the health supplement to the market, especially those newly introduced to Hong Kong market. Such requirement sets a high barrier to distributors who may not have the expertise in or are not able to and/or not willing to heavily invest in product marketing.

### **Market Challenges**

#### *Reliance on Chinese tourists*

The health supplement distribution industry is reliant on the number of Chinese tourists as Chinese tourists are one of the contributing customer segments in the purchase of health supplements. Decrease in the number of Chinese tourists from 2014 to 2016 concerned the retail industry, especially to individual pharmacies and medicine stores, as their business was adversely impacted by the decreased number of Chinese tourists.

#### *Development of e-commerce*

Under the development of e-commerce, international brands of health supplements may set up official websites or establish online shops on online sales platforms to expand market coverage in Hong Kong. Customers may purchase health supplements directly from brand owners through online channels, which might result in a decreasing demand for products from brick-and-mortar retail stores and may affect the development of the health supplement distribution industry in Hong Kong.

## **OVERVIEW OF THE SKIN CARE AND PERSONAL CARE PRODUCT DISTRIBUTION INDUSTRY IN HONG KONG**

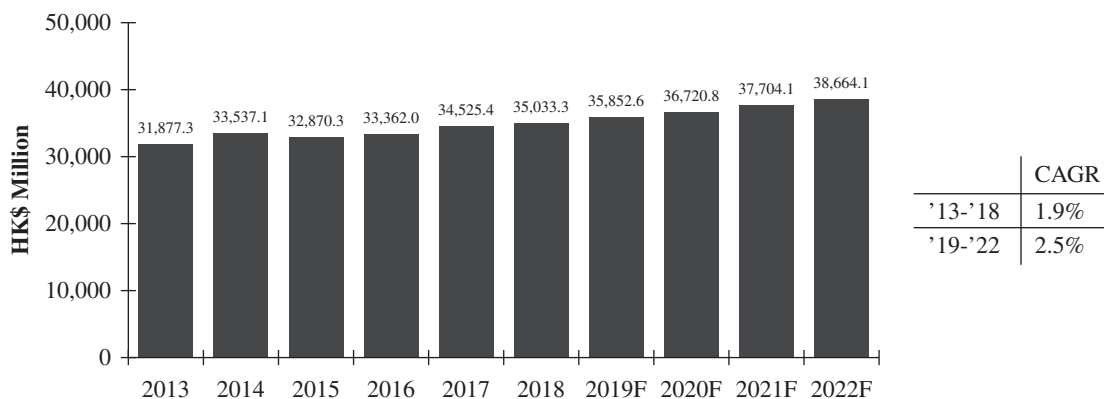
The skin care and personal care product distribution industry is dominated by overseas brand owners, and has a small number of local brands. Owing to the small manufacturing sector in Hong Kong, most of the skin care and personal care products are imported from countries such as mainland China, Japan and the United States.

The skin care and personal care product distribution industry in Hong Kong contains a large number of distributors in different scale. Typically, skin care and personal care products may pass through one or two layers of distributors before being distributed to retailers.



## INDUSTRY OVERVIEW

### Sales value of the skin care and personal care product distribution industry in Hong Kong from 2013 to 2022F



Source: Ipsos research and analysis

The sales value of the skin care and personal care product distribution industry grew from HK\$31,877.3 million in 2013 to HK\$35,033.3 million in 2018, rising at a CAGR of 1.9%. From 2013 to 2018, the skin care and personal care distribution industry in Hong Kong was supported by the strong domestic demand over the same period. The rising household income has increased people purchasing power in Hong Kong. People are more willing to spend on quality personal care items so as to pursue a higher living standard.

Over the forecast period, the sales value of the skin care and personal care product distribution industry in Hong Kong is expected to rise from HK\$35,852.6 million in 2019 to HK\$38,664.1 million in 2022, rising at a CAGR of approximately 2.5%. The increasing awareness on skin protection is expected to drive the demand for skin care products, especially those with anti-ageing functions.

### KEY COSTS IN THE DISTRIBUTION INDUSTRY IN HONG KONG

There are several major costs to distributors in the distribution industry, including the procurement cost of products, marketing and promotion expenses, logistics costs, staff costs and rent for office and warehouse. The procurement cost of products is highly variable depends on the types of products, procurement volume and market supply. Since there is a wide range of products categorised as PCM, health supplement, skin care or personal care products, an average procurement cost can hardly be quantified. In general, the procurement costs of products have slightly increased from 2013 to 2018, mainly driven by the increasing costs and the rising demand in the market. Costs such as rental and labour costs for production have slightly increased, which drove the slight increase in product procurement costs to distributors.

Certain large retail chains, as well as distributors, may sell products with their own private labels, which are manufactured and directly distributed to retail stores. Since no intermediate distributors are engaged in the supply chain, markup on the private label products by intermediate distributors can be avoided. Compared to third-party brand products which are generally distributed through multiple layers of

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## INDUSTRY OVERVIEW

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distributors, retail chains and distributors might command a higher gross profit margin by selling private label products. However, retail chains and distributors may need to invest in marketing, such as product promotion, in order to push the private label products to customers.

### POTENTIAL MARKET IMPACT FROM THE SOCIAL UNREST IN HONG KONG

The Social Unrest in Hong Kong has impacted the tourist arrivals to Hong Kong and the willingness of spending of local residents in Hong Kong, which in turn, led to a prolonged market downturn and an adverse impact on the distribution and retail industries in Hong Kong. An economic recession was observed since the onset of the Social Unrest in Hong Kong. In 2019Q4, the GDP in Hong Kong decreased by 2.9% in real terms as compared to 2018Q4. According to the Census and Statistics Department, the sales value of the distribution and retail industries in 2019Q3 decreased by approximately 12.2% and 17.5% respectively as compared to 2018Q3. The Social Unrest in Hong Kong has also affected the local tourism industry in general and impacted the tourist arrivals to Hong Kong. According to the Hong Kong Tourism Board, tourist arrivals to Hong Kong decreased by 39.1% in the second half of 2019 as compared to the corresponding period in 2018. The recent market sentiment and the Social Unrest in Hong Kong, as well as the prolonged market downturn, are the potential threats to the short-term market growth of the distribution and retail industries in Hong Kong.

Although the latest quarterly statistics seem to reveal that the Social Unrest in Hong Kong has caused moderate disruptions on the distribution and retail activities in general, in the long term, the demand for PCM, health supplement, skin care and personal care products in Hong Kong shall remain sustainable due to the stable demand for the abovementioned products granted by the habitual nature as consumer goods. Particularly, as at December 2019, the tension of the protests has relieved as compared to the period during July to November 2019. According to the Civil Human Rights Front, the number of people attended social events has decreased from around 2 million people in mid June 2019, which was one of the most sizeable protests, to around 0.8 million people in early December 2019. Furthermore, the number of intensive protests has reduced from around 10 times in November 2019 to around 2 times during December 2019. Protests were winding down by becoming smaller and less frequent in 2020Q1. Supported by the abovementioned quantitative data, Ipsos has observed that the community has been shifting the focus away from the Social Unrest in Hong Kong since January 2020. Barring from unforeseeable circumstances, there is no indication that the future situation will worsen or experience a drastic downturn and thus the Hong Kong market is expected to enter a recovery phase in 2020. Moreover, as Hong Kong remains to be a place reputable for providing tax-free shopping experience and authentic products, visitors are expected to continue to be attracted to visit Hong Kong to purchase such products. The prospects of the distribution and retail markets in Hong Kong remain positive to provide enough room for strategic market players with (i) a comprehensive product portfolio and extensive sourcing capability; (ii) a strong network with retailers or established retail stores in prime locations; and (iii) offering of customer-oriented value-added services, to survive and substantiate their future growth in the industry in the long term.

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## INDUSTRY OVERVIEW

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### POTENTIAL MARKET IMPACT FROM THE OUTBREAK OF CORONAVIRUS DISEASE 2019 (COVID-19)

The COVID-19 outbreak has impacted the distribution and retail industries in Hong Kong in various aspects. For the tourism sector, travel restrictions which were imposed by the Hong Kong government to protect citizens from COVID-19 have limited the number of tourist visits to Hong Kong. For instance, all border crossings, except for the Hong Kong-Zhuhai-Macao Bridge, Shenzhen Bay Port and the Hong Kong International Airport, were closed. Moreover, people travelling to Hong Kong from the PRC and those who have been to all overseas countries or territories in the past 14 days would be imposed a 14-day quarantine. The border closures and travel restrictions have led to a decrease in tourist traffic during the COVID-19 outbreak.

Local economic activities have also declined due to the continued widespread of COVID-19. For precautionary reasons due to the COVID-19 outbreak, several events and fairs were cancelled or postponed, while a large number of companies were closed temporarily, which have led to a decrease in economic activities. In order to minimise outdoor activities, customers have shifted their shopping habits from outdoor purchasing to the application of e-commerce portals. Furthermore, demand has shifted to necessities, such as staple food, toilet paper and cleaning wipes, and medical supplies, such as surgical masks and thermometers.

Despite the adverse impact of COVID-19 on the market sentiment, the economy in Hong Kong is expected to recover after the COVID-19 outbreak recedes. In the long term, the COVID-19 outbreak is expected to increase consumers' health consciousness and cultivate habits to maintain good personal health and environmental hygiene. Take for instance, preventive measures such as taking vitamin and mineral supplements are expected to be more broadly taken, hence driving the demand for health and well-being related products.

Meanwhile, the tourism industry in Hong Kong is also expected to rebound. With the on-going development of attractions in Hong Kong, such as the all-weather waterpark in the Ocean Park and the campaigns promoted by the Hong Kong Tourism Board, including "Hong Kong Summer Fun" and "Great Outdoors Hong Kong", it is expected that market sentiment will recover gradually in 2020, also fuelling a recovery in the growth rates of the distribution and retail markets in Hong Kong. Furthermore, during the outbreak of Severe Acute Respiratory Syndrome (SARS) from February to June 2003, tourist arrivals recorded a decrease of approximately 69.7% from February to May during the year. Nevertheless, the tourism industry started to rebound in June, with tourist arrivals recording a month-on-month growth of approximately 69.7% and 78.1% in June and July respectively. With reference to the historical epidemic outbreak, the tourism industry is expected to re-vitalise as one of Hong Kong's pillars after the COVID-19 recedes. Hong Kong will remain to be an attractive place for tourists shopping for quality products.

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## INDUSTRY OVERVIEW

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### OVERVIEW OF THE DEMAND FOR HEALTHCARE PRODUCTS AND THE RETAIL E-COMMERCE IN THE PRC

#### Demand for the Healthcare Products in the PRC

The purchasing power of people in the PRC, especially the Guangdong-Hong Kong-Macao Greater Bay Area (**GBA**), is expected to increase with the improving living standard coupled with the increasing health awareness. According to the National Health and Family Planning Commission of the PRC, China's healthcare expenditure per capita rose from RMB2,326.8 in 2013 to RMB4,148.1 in 2018, rising at a CAGR of approximately 12.3%.

The GBA has a total population of 69.6 million and a total land area of 56.0 thousand square kilometres. The government has devoted great effort in creating an international, market-oriented and regulated business environment with well-equipped public service platforms, which will attract clusters of multinational companies as well as small and medium-sized enterprises to establish their footprints in the regions. The establishments of new commercial communities are anticipated to accelerate inflow of work talents as well as the economic development within the area, under which the purchasing power and health awareness of the population are anticipated to increase. Along with the improving living standards, people in China as well as the GBA are paying more attention to healthcare, and thereby raising the demand for healthcare products in recent years.

#### Retail E-Commerce in the PRC

China's retail e-commerce has been growing rapidly and is one of the country's major sales channels. An increasing number of Chinese consumers has switched to online consumption since retail e-commerce offers a great range of goods, while customers can purchase all kinds of products at the same site. According to the China Internet Network Information Center, in 2015, the top five items bought by online shoppers were skin care and personal care products, apparel, telecommunications devices, food and healthcare supplements, and electronic appliances.

The sales of retail e-commerce in the PRC grew from RMB1,863.6 billion in 2013 to RMB9,006.5 billion in 2018, rising at a CAGR of approximately 37.0%. The growth of retail e-commerce can be attributed to the rising internet population in the PRC, which increased from 621.7 million in 2013 to 752.8 million in 2017, presenting a strong momentum in growth.

### COMPETITIVE LANDSCAPE OF THE PCM, HEALTH SUPPLEMENT, SKIN CARE AND PERSONAL CARE PRODUCT DISTRIBUTION INDUSTRY IN THE PRC

#### Industry Structure

**PCM:** According to the Ministry of Commerce of the PRC, there were approximately 14,000 pharmaceutical distributors in the PRC in 2018, who generally distribute PCM as well. In the PCM distribution industry in the PRC, large-scale pharmaceutical distributors, such as CR Pharmaceutical and Jointown Pharmaceutical Group, would distribute PCM nationwide. CR Pharmaceutical is an integrated pharmaceutical company in the PRC, whose business spans across manufacturing, distribution and retail of

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## INDUSTRY OVERVIEW

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pharmaceutical and healthcare products. Jointown Pharmaceutical Group is a non-state owned pharmaceutical and medical equipment distribution and retail company headquartered in Wuhan. According to the Ministry of Commerce of the PRC, pharmaceutical distributors who have established their footprint nationwide may accelerate the merger and acquisition process across regions, while small-scale distributors may encounter fierce competition in the industry.

**Health supplements:** There are two major distribution channels of health supplements in the PRC, namely direct selling and non-direct selling. Direct selling refers to a sales channel where brand owners sell their products directly to end customers without any distributors or retail stores. Non-direct selling refers to the sales channel where brand owners distribute their products to retail stores through distributors. Non-direct selling has become more popular since early 2000s, since brand owners can distribute their products in a more cost-effective and efficient manner by utilising distributors' networks. The health supplement distribution industry in the PRC is fragmented with a large number of distributors. In 2019, there are more than 3,400 health supplement distributors in the PRC. Certain health supplement brand owners have hundreds of distributors to help promote their health supplement products and manage their distribution channels nationwide, so as to expand the market coverage of brand owners. For instance, a listed health supplement brand owner headquartered in Guangzhou, cooperated with approximately 300 distributors via non-direct selling.

**Skin care and personal care products:** Market players in the skin care and personal care product distribution industry generally cooperate with a number of brand owners and distribute an array of products. For instance, a skin care and personal care product distributor listed on National Equities Exchange and Quotations, cooperates with approximately 15 skin care and personal care brands and distributes their products to approximately 33 retail chains nationwide. The skin care and personal care product distribution industry in the PRC is highly fragmented with a large number of distributors. In 2019, there are more than 17,000 skin care and personal care product distributors in the PRC. The distributors, who mainly compete on price and brand awareness of the products they distribute, are in the midst of intense market competition.

### Market Drivers and Opportunities

#### *Favourable government policies*

The National Nutrition Plan (2017-2030) (國民營養計劃 (2017-2030年)) was published by the State Council in July 2017 with an aim to promote healthy lifestyle in the PRC by achieving objectives such as controlling the prevalence of anaemia and preventing nutrition deficiencies by 2030. With the emphasis on the importance of nutrition intake, Chinese residents are expected to consume more health supplements. Meanwhile, an outline for the "Healthy China 2030" initiative ("健康中國2030"規劃綱要) released in October 2016 has encouraged experts to set up Chinese medicine healthcare centres and to provide healthcare consultancy to the general public, which might also help promote PCM in the PRC. The plans initiated by the PRC government, therefore, drives the demand for PCM and health supplements, and in turn propels the development of the PCM and health supplement distribution industries in the PRC.

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## INDUSTRY OVERVIEW

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### *Rising demand from the ageing population*

With the government's initiative to promote healthy lifestyle and the social trend towards healthcare, people are consuming more health supplements to supplement their daily diet. Especially for the aged who are more often suffering from chronic disease, health supplements aid as a prevention measure to balance their nutrition and decrease the chance of sickness. According to the Hong Kong Trade Development Council, by the end of June 2019, more than 70% of Chinese residents aged above 65 or above in the PRC consumed health food, while dietary supplements such as vitamins and minerals, accounted for approximately 55.2% of the health food market in the PRC. Meanwhile, the National Bureau of Statistics has shown that the population aged 65 and above in the PRC increased from 131.6 million in 2013 to 166.6 million in 2018, at a CAGR of approximately 4.8%. The growing ageing population has substantiated the demand for health supplements from Chinese residents aged 65 or above, driving the health supplement distribution industry in the PRC.

### *Demand supported by the soaring retail industry*

The growth of the distribution industry is supported by demand from the retail industry. Majority of the skin care and personal care brand owners distribute their products through distributors, while retailers often source products from the distributors. Positive retail sales in the PRC indicate a rising demand for skin care and personal care products from distributors. For instance, according to the National Bureau of Statistics, retail sales of cosmetics, which are categorised under personal care products, increased from RMB162.5 billion in 2013 to RMB261.9 billion in 2018, at a CAGR of approximately 10.0%. The increasing retail sales have supported the demand for skin care and personal care products from distributors.

### **Entry Barriers**

#### *Establishing distribution network*

Establishing a distribution network is vital for new entrants to develop their distribution business in the PRC market, starting from gaining customer awareness, building customer relationships, to retaining customers. However, it takes time and effort for new entrants to establish a distribution network and build their own customer base, since retailers may have already established a stable business relationship with existing players and may not switch to new suppliers easily. New entrants may find it difficult to win over customers from existing players who have established a comprehensive distribution network and a large market coverage nationwide. Hence, the existing distribution networks form an entry barrier for new entrants.

#### *Stringent licensing requirement*

PCM distributors in the PRC shall be regulated by the local authorities of the production and trade of pharmaceuticals and obtain a pharmaceutical trade licence (the "Licence") prior to the engagement in the distribution business. To obtain the Licence, PCM distributors shall fulfil several requirements including but not limited to the ownership of proper warehouses to ensure the quality requirement for pharmaceutical storage and logistics system for the delivery of products. New entrants that are not able to fulfil such requirements might fail to obtain the Licence and not be able to enter the market.

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## INDUSTRY OVERVIEW

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### *Acquaintance with market trends*

Retailers generally value a distributor's capability to offer products that can meet the prevailing market demand. In particular, skin care and personal care product distributors, who are able to keep abreast with the latest market trend and to discern the prevailing customer preference as well as consumption patterns, may generally establish a strong foothold in the industry. New entrants who have not acquainted themselves with the market trends may encounter difficulties in competing with these existing market players.

### **Market Challenges**

#### *Rising penetration of e-commerce*

Many PCM, health supplement, skin care and personal care product brand owners have set up their online retail stores, leveraging e-commerce to deliver product information, enhance connectivity with target consumers, and increase brand exposure online. Customers can purchase the products directly from brand owners through e-commerce without visiting brick-and-mortar retail stores, which might pose a potential threat to retailers and their associated distributors.

#### *Counterfeit skin care and personal care products in the market*

Counterfeit skin care and personal care products were found in the market in the PRC, which might contain harmful substances and cause severe allergic reaction. The presence of counterfeit products in the PRC may weaken public trust and consumers' confidence on products in the market, which may adversely affect the business of distributors.

## **OVERVIEW OF THE PHARMACEUTICAL GOODS RETAIL INDUSTRY IN MACAU**

The retail industry in Macau is primarily supported by the tourism industry. The total number of tourist arrivals in Macau grew from 29.3 million in 2013 to 39.4 million in 2019, rising at a CAGR of approximately 5.0%. The Macau tourism industry is highly dependent on mainland Chinese visitors who constitutes more than 60% of the total number of visitors in Macau. In 2018, there were approximately 167 drugstores and pharmacies in Macau, which consist of both chain and individual stores. Macau market, as compared to Hong Kong, is less dominated by leading chain retailers. In recent years, an increasing number of retail chains are entering Macau market targeting at high-spending tourists. Some of the large health and beauty retail chains in Hong Kong have also expanded their business and opened branches in Macau, for example, as at 31 December 2019, Mannings operated 19 stores in Macau.

The retail sales of pharmaceutical goods in drugstores and pharmacies in Macau increased from MOP1,974.4 million in 2013 to MOP2,115.2 million in 2017, rising at a CAGR of approximately 1.7%. The decline of the total retail sales of pharmaceutical goods in drugstores and pharmacies in Macau from 2014 to 2016 were attributed to the sluggish tourism industry over the same period.

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## INDUSTRY OVERVIEW

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### OVERVIEW OF THE MEDICAL GOODS AND TOILETRIES RETAIL INDUSTRY IN SINGAPORE

In 2018, there were approximately 10,384 establishments under personal goods, 3,703 establishments under household equipment and 3,596 establishments under general merchandise. Additionally, as at 31 December 2019, there were approximately 271 licensed pharmacies in Singapore, including a few chain stores such as Guardian (85 pharmacies), Watsons (41 pharmacies) and Unity (42 pharmacies). Other than pharmacies, there are also some health chain stores such as GNC, Nature's Farm as well and Holland and Barrett in the Singapore's retail market.

The retail sales of medical goods and toiletries in Singapore increased gradually from SGD2,454.1 million in 2013 to SGD3,203.4 million in 2018, rising at a CAGR of approximately 7.4%. The rising retail sales of medical goods and toiletries during the period from 2013 to 2018 in Singapore were supported by the growing monthly income over the same period. The rising income has strengthened people purchasing power and increased people willingness to spend on daily necessities so as to enhance the quality of living. Along with the rising health awareness among Singaporeans, people are spending more on medical goods.

Additionally, Singapore's reputed quality control on imports has inspired confidence to overseas visitors, particularly on healthcare products. Also, the diversified international brands in Singapore have provided a wide option to visitors. In recent years, there has been a rising demand from tourists for products such as health supplements, snacks and cosmetics in Singapore. The total tourist receipts on shopping have increased from SGD4,553.0 million in 2013 to SGD5,385.0 million in 2018, rising at a CAGR of approximately 3.4%.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OVERVIEW

Our Group was founded in April 2015 by Mr. Wong who, with his accumulated work experience in the healthcare and personal care products industry and his own funds, started his business in the distribution of principally PCM products with the incorporation of Tycoon Hong Kong. Under the leadership of Mr. Wong, and in light of the steady growth in the economy in Asia and the demand for quality health supplement, skin care and personal care products in Hong Kong, our Group has developed from a Hong Kong local distributor of PCM products to a provider of a suite of health and well-being related products with a market share ranked third in the PCM distribution industry in Hong Kong in FY2018 in terms of revenue according to the Ipsos Report.

Since the inception of our Group, we have continually sourced and offered a diverse spectrum of third-party brand products, including PCM, health supplement, skin care and personal care products, either directly from the relevant brand owners or from distributors and traders, and have also developed our own Private Label Products in health supplement and other products.

We keep in mind to pursue excellence in (i) supply chain and retail management, where we always aim to be seen as a preferred sales channel by our suppliers to reach consumers in an effective manner and we strive to be capable of selecting and providing a suite of products that are sought-after by consumers; and (ii) brand management, which is a priority in our sales and marketing strategy to ensure the consumers' awareness of our Private Label Products as well as third-party brand products with potential to increase market share. We have developed a well-established Distribution Business in distributing, selling and marketing our products to the mass market through our customers, which include renowned chain retailers such as chain personal care product stores and chain pharmacy stores predominantly in Hong Kong. We have also been developing diverse online and offline sales channels to the consumers through our Retail Business, of which in addition to our Online Shop, we also operate online stores on various e-commerce portals including JD.hk (海囤全球 京東旗下全球直購平台), world.taobao.com (淘寶網全球), kaola.com (網易考拉), g.suning.com (蘇寧國際), pinduoduo.com (拼多多) and Tmall.hk (天貓國際) and extend our operations to Macau where we currently operate two brick-and-mortar retail stores in Macau. For a detailed discussion on our business, please see "Business" in this prospectus.

In February 2019, CR Pharmaceutical (stock code: 3320), a company whose shares are listed on the Main Board of the Stock Exchange, became a substantial shareholder of our Company by acquiring, through Pre-IPO Investor A (a wholly-owned subsidiary of CR Pharmaceutical), a 25% stake from Mr. Wong. CR Pharmaceutical is a leading integrated pharmaceutical company which has developed into one of the five largest pharmaceutical manufacturers and one of the three largest pharmaceutical distributors in the PRC, and a member of the China Resources group which comprises of member companies of China Resources Company Limited, a PRC state-owned enterprise. We believe that our Group will benefit from this strong shareholder background and we are well positioned to become a leading provider of health and well-being related products through diversified sales channels with the mission of bringing health and vitality to consumers.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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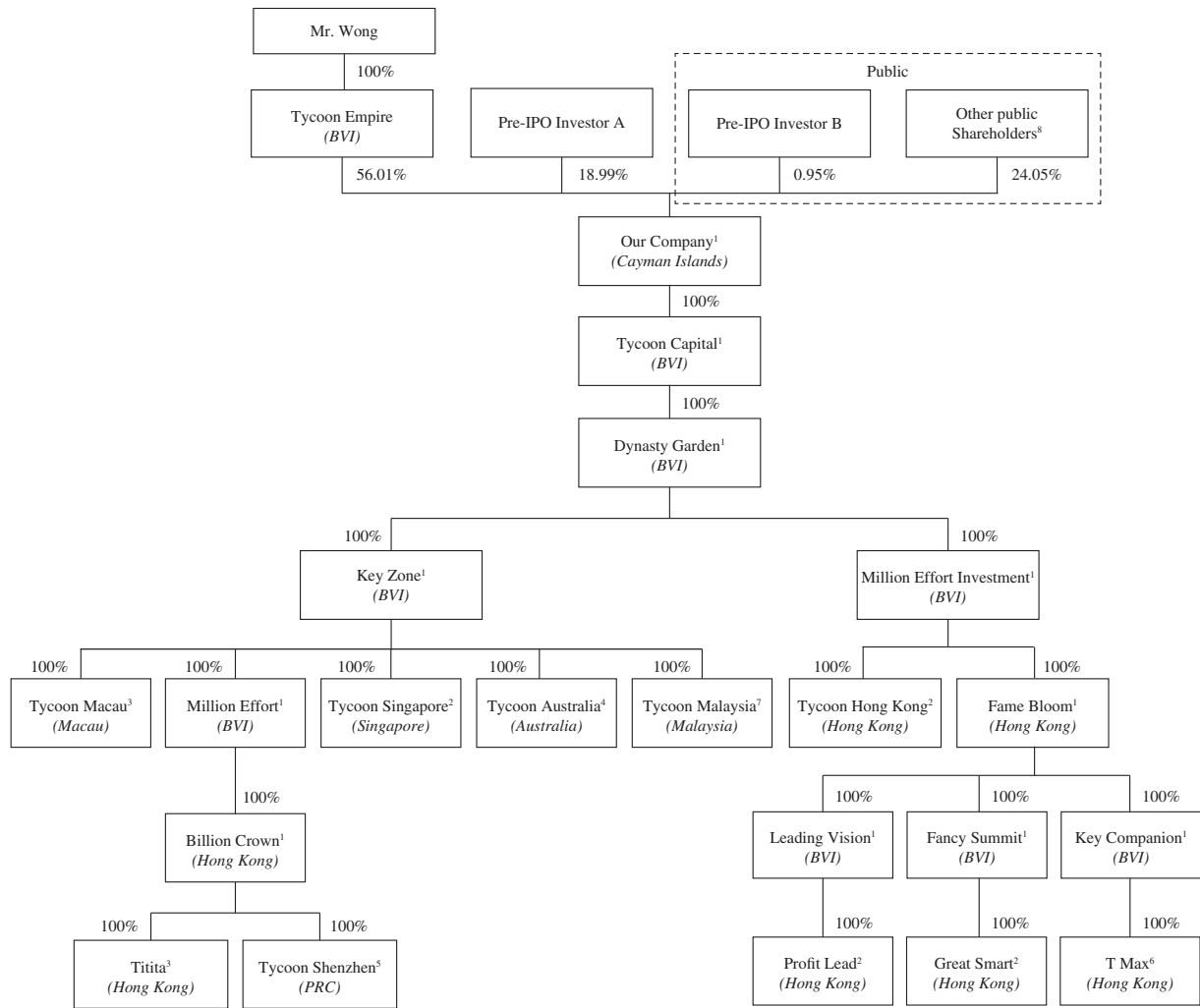
The following table sets out the key milestones of our business development:

<b>Year</b>	<b>Event</b>
2015	<p>Mr. Wong established Tycoon Hong Kong in April 2015 where we commenced business in distribution of principally PCM products in Hong Kong.</p> <p>We launched our first Private Label Product brand “和漢 (Wakan)” in November 2015.</p>
2016	<p>We launched a wider range of health supplement products as part of our Distribution Business.</p>
2017	<p>We established Tycoon Singapore with a view to expanding our Distribution Business to Singapore.</p> <p>We launched “Boost &amp; Guard (BG補健)” (now known as “Boost &amp; Guard (BG博健科研)”), our brand of Private Label Products in November 2017 which became our best-selling brand of Private Label Products in FY2018.</p>
2018	<p>We established Tycoon Australia as our representative office in Australia.</p> <p>We established Tycoon Macau to extend our operations to Macau where we commenced operation of two brick-and-mortar retail stores in Macau in July and November 2018 respectively.</p> <p>We commenced operation of “TYCOON Overseas Official Flagship Store* (TYCOON 海外官方旗艦店)”, our first online store for our cross-border e-commerce business on the portal at JD.hk (海囤全球 京東旗下全球直購平台) in June 2018.</p> <p>Our Private Label Products under the brands of “Boost &amp; Guard (BG補健)” and “和漢 (Wakan)” received the Marie Claire mcLikes Awards 2018.</p> <p>Our brand “Boost &amp; Guard (BG補健)” was awarded the “Best Popular Probiotics Brand” (最強人氣益生菌品牌) of the 11th TVB Weekly Brand Award in December 2018.</p>
2019	<p>CR Pharmaceutical (through its wholly-owned subsidiary, Pre-IPO Investor A) became a substantial shareholder of our Company in February 2019. CR Pharmaceutical (stock code: 3320) is a company whose shares are listed on the Main Board of the Stock Exchange which also owns the entire issued share capital of CR Care, a chain retailer of pharmaceutical and other healthcare products in Hong Kong and one of our top five customers during the Track Record Period.</p>

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## OUR GROUP AND SHAREHOLDING STRUCTURE

The following diagram illustrates the shareholding and corporate structure of our Group upon completion of the Global Offering (assuming no exercise of the Over-allotment Option) and the Capitalisation Issue:



*Notes:*

- (1) Principally engaged in investment holding.
- (2) Principally engaged in our Distribution Business.
- (3) Principally engaged in our Retail Business.
- (4) Representative office in Australia for the development of local procurement contacts and no revenue was generated during the Track Record Period.
- (5) Principally engaged in provision of operational and marketing support services.
- (6) Principally engaged in provision of marketing services for our Group.
- (7) Incorporated in May 2019 and has not conducted any business activity.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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- (8) Our Company, together with the Sole Sponsor, has entered into a cornerstone investment agreement with a cornerstone investor, pursuant to which the Offer Shares to be subscribed for by such cornerstone investor will form part of the International Offering and will be counted towards the public float of our Company. Please see “Cornerstone Investor” in this prospectus for further particulars in relation to such cornerstone investment agreement and such cornerstone investor.

### **CORPORATE DEVELOPMENT**

Members of our Group which are material to the performance of our Group during the Track Record Period are set out below:

#### **Tycoon Hong Kong**

Tycoon Hong Kong is our principal operating subsidiary by which our business operations are predominantly carried out and principally engages in our Distribution Business in Hong Kong.

Tycoon Hong Kong was incorporated in Hong Kong with limited liability on 17 April 2015 with 10,000 issued shares as first member shares, and on 20 April 2015, such first member shares were transferred to Mr. Wong at nominal consideration of HK\$10,000. Accordingly, since 20 April 2015 and throughout the Track Record Period and up to the time immediately prior to the Reorganisation, Tycoon Hong Kong was wholly owned by Mr. Wong.

Tycoon Hong Kong became an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation.

#### **Our Company**

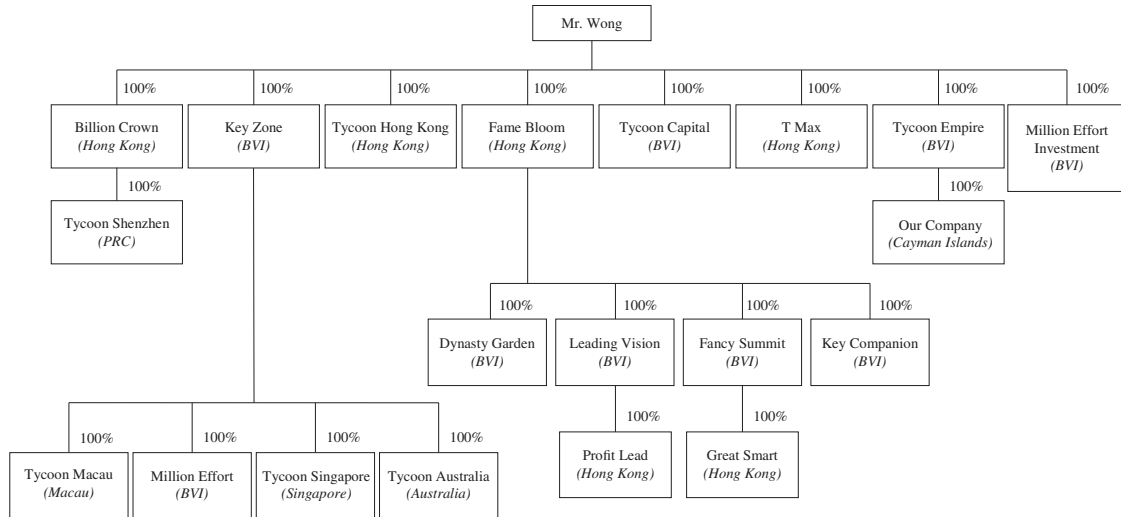
Our Company was incorporated on 14 June 2017 in the Cayman Islands under the Companies Law as an exempted company with limited liability. On the same date, the one subscriber Share, allotted and issued as nil-paid Share, was transferred to Tycoon Empire, a company incorporated in BVI with limited liability and wholly owned by Mr. Wong. Tycoon Empire is a special purpose vehicle for Mr. Wong for holding his interest in our Company after completion of the transactions contemplated under the Reorganisation.

On completion of the Reorganisation on 30 November 2018, our Company became the holding company of all subsidiaries of our Company. Details of the Reorganisation are set out in “Reorganisation” in this section below.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## REORGANISATION

The companies comprising our Group underwent the Reorganisation to establish and rationalise our Group structure in preparation for the Listing. As a result, our Company became the holding company of our Group. The following diagram illustrates the shareholding and corporate structure of our Group immediately prior to the Reorganisation:



The major steps of the Reorganisation are set out below:

### Step 1: To reorganise all Group companies to be held by a BVI intermediate holding company

To reorganise the members of our Group to be held under an intermediate holding company:

- (1) on 20 November 2018, Mr. Wong transferred the one share of T Max held by him, representing all the issued shares in T Max, to Key Companion at a nominal consideration of HK\$1. Upon completion of such share transfer, Mr. Wong remained to be the sole ultimate beneficial owner of T Max;
- (2) on 20 November 2018, Mr. Wong transferred the one share of Billion Crown held by him, representing all the issued shares in Billion Crown, to Million Effort at a nominal consideration of HK\$1. Upon completion of such share transfer, Mr. Wong remained to be the sole ultimate beneficial owner of Billion Crown;
- (3) on 20 November 2018, Mr. Wong transferred the 10,000 shares of Fame Bloom held by him, representing all the issued shares in Fame Bloom, to Million Effort Investment at a nominal consideration of HK\$1. Upon completion of such share transfer, Mr. Wong remained to be the sole ultimate beneficial owner of Fame Bloom;

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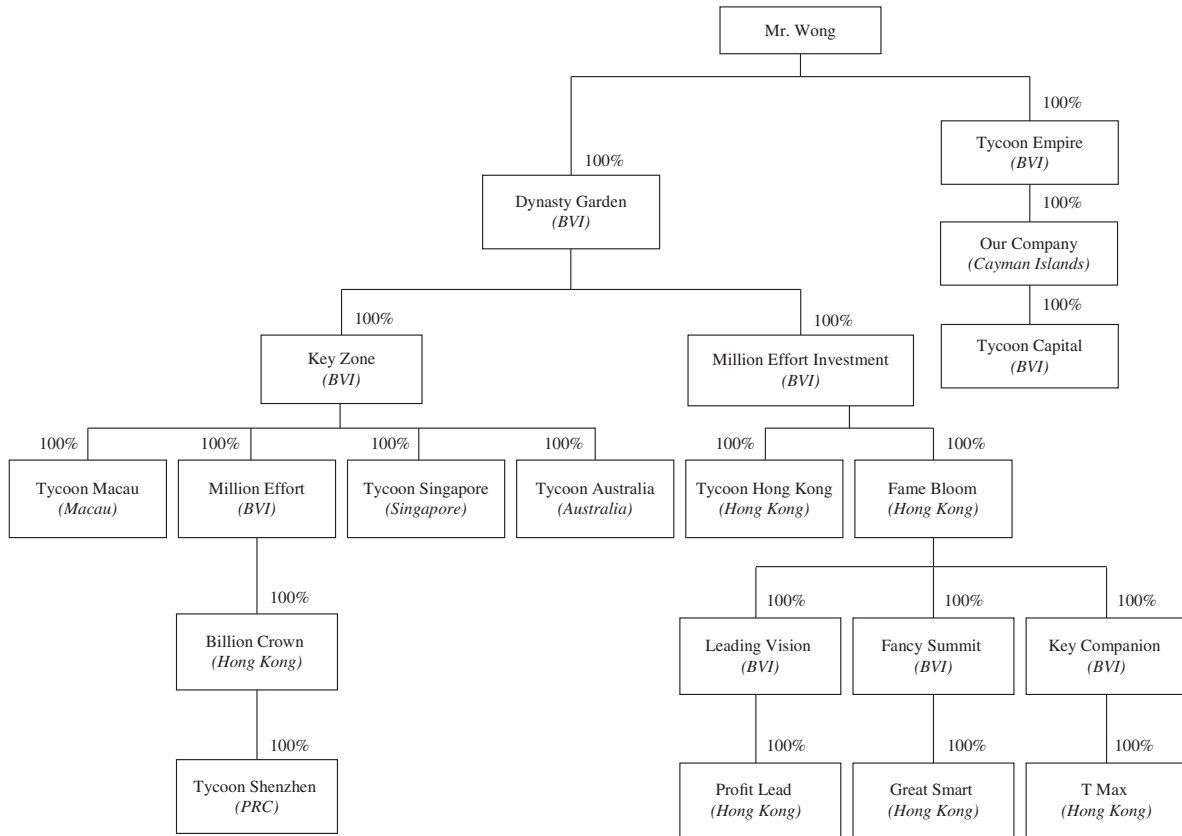
## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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- (4) on 22 November 2018, Mr. Wong transferred the 10,000 shares of Tycoon Hong Kong held by him, representing all the issued shares in Tycoon Hong Kong, to Million Effort Investment at a nominal consideration of HK\$1. Upon completion of such share transfer, Mr. Wong remained to be the sole ultimate beneficial owner of Tycoon Hong Kong;
- (5) on 26 November 2018, Mr. Wong transferred the one share of Tycoon Capital held by him, representing all the issued shares in Tycoon Capital, to our Company at a nominal consideration of HK\$1. Upon completion of such share transfer, Mr. Wong remained to be the sole ultimate beneficial owner of Tycoon Capital;
- (6) on 26 November 2018, Fame Bloom transferred the one share of Dynasty Garden held by it, representing all the issued shares in Dynasty Garden, to Mr. Wong at a nominal consideration of HK\$1. Upon completion of such share transfer, Mr. Wong remained to be the sole ultimate beneficial owner of Dynasty Garden; and
- (7) on 26 November 2018, Mr. Wong transferred all his shares in each of Key Zone and Million Effort Investment to Dynasty Garden at a nominal consideration of HK\$1 each. Upon completion of such share transfer, Mr. Wong, through Dynasty Garden, remained to be the sole ultimate beneficial owner of each of Key Zone and Million Effort Investment.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the share transfers as set out above, each of the members of our Group (other than our Company and Tycoon Capital) has become a direct or indirect wholly-owned subsidiary of Dynasty Garden, which is wholly-owned by Mr. Wong. The following diagram illustrates the shareholding and corporate structure of our Group immediately after the share transfers as set out above:

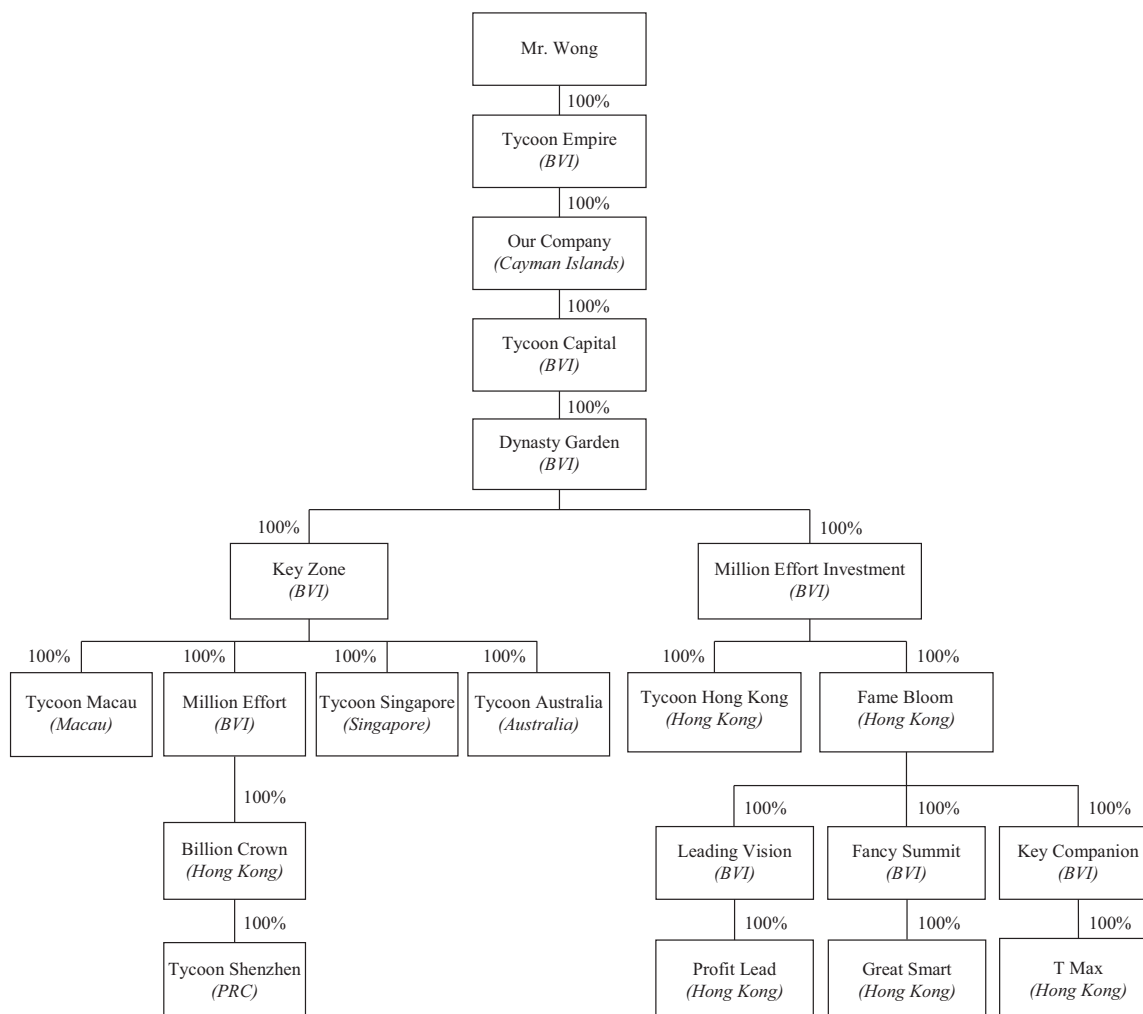


### Step 2: Acquisition of Dynasty Garden by our Company

On 30 November 2018, our Company, as purchaser, entered into the Reorganisation Agreement with Mr. Wong as vendor pursuant to which the entire issued share capital of Dynasty Garden was transferred to our Company (and held through Tycoon Capital) at the consideration which was satisfied by our Company (i) crediting as fully paid, the nil-paid first member Share held by Tycoon Empire; and (ii) allotting and issuing, credited as fully paid, 9,999,999 Shares to Tycoon Empire, in each case as directed by Mr. Wong. The transactions contemplated under the Reorganisation Agreement were completed on 30 November 2018, and as a result our Company (through Tycoon Capital) became the sole owner of Dynasty Garden and the holding company of our Group. The effective shareholding of Mr. Wong in our Group remained the same immediately before and immediately after such acquisition.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram illustrates the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to the Pre-IPO Investments:



Each of the steps as mentioned above in the Reorganisation was properly and legally completed and settled.

### COMPLIANCE WITH RELEVANT PRC LAWS

#### Circular 37

The SAFE issued a public notice named the Circular on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”), which become effective on 4 July 2014. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with the SAFE or its local branches in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, such offshore entity being referred to as an offshore special purpose vehicle. In addition, such



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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PRC residents must update their foreign exchange registrations with the SAFE or its local branches when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

Our PRC Legal Advisers has confirmed that as Mr. Wong, our ultimate Controlling Shareholder, is a Hong Kong permanent resident and does not habitually reside in China mainland, he is not an individual domestic resident defined under the Circular 37, thus Mr. Wong is not subject to the registration requirements under Circular 37.

### **Circular 13**

The Notice of the State Administration of Taxation on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**Circular 13**”), which become effective on 1 June 2015, mainly has simplified the foreign exchange registration of foreign direct investment, by allowing designated banks to carry out foreign exchange registrations and that the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

Tycoon Shenzhen is under regulation of Circular 13, and Tycoon Shenzhen has filed the foreign exchange registration in accordance with Circular 13.

### **PRE-IPO INVESTMENTS**

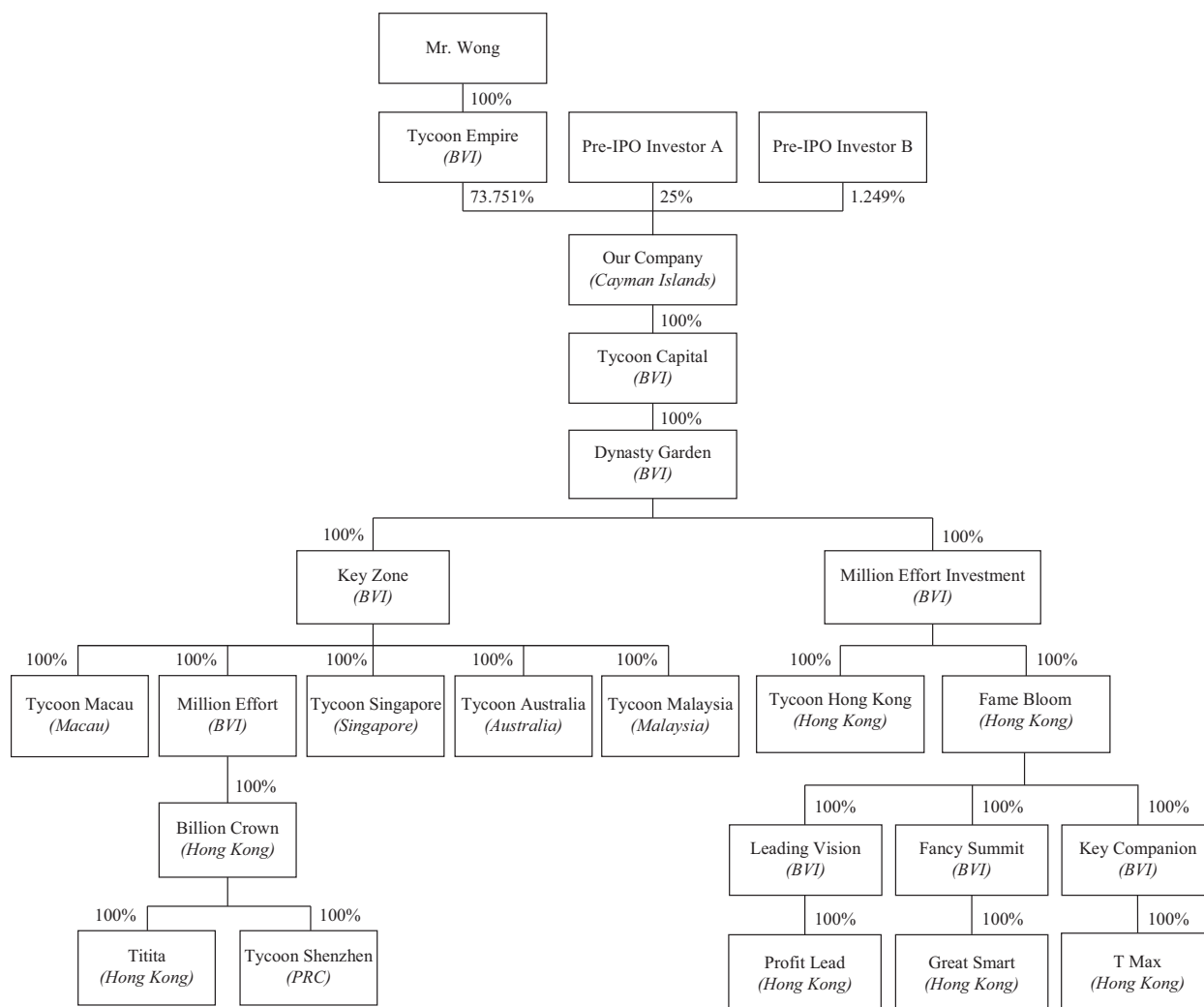
Our Group and our Controlling Shareholders have concluded the following Pre-IPO Investments:

- (1) the Pre-IPO CN Investment whereby the Pre-IPO Convertible Note with a principal amount of HK\$50,000,000 was issued to the Pre-IPO CN Holder (and such Pre-IPO Convertible Note was redeemed in full and cancelled by our Company on 14 December 2018);
- (2) Pre-IPO Investment A whereby Pre-IPO Investor A purchased from Tycoon Empire an aggregate of 2,500,000 Shares, representing 25% of the then issued share capital of our Company, for an aggregate consideration of HK\$248,170,750; and
- (3) Pre-IPO Investment B whereby Pre-IPO Investor B purchased from Tycoon Empire an aggregate of 124,900 Shares, representing 1.249% of the then issued share capital of our Company, for an aggregate consideration of HK\$12,400,000.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Please see “Pre-IPO Investments” in this prospectus for further details.

The following diagram illustrates the shareholding and corporate structure of our Group as at the Latest Practicable Date:



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## PRE-IPO INVESTMENTS

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Prior to the Latest Practicable Date, our Group and our Controlling Shareholders had concluded the following Pre-IPO Investments:

- (1) the Pre-IPO CN Investment whereby the Pre-IPO Convertible Note with a principal amount of HK\$50,000,000 was issued to the Pre-IPO CN Holder (and such Pre-IPO Convertible Note was redeemed in full and cancelled by our Company on 14 December 2018);
- (2) Pre-IPO Investment A whereby Pre-IPO Investor A purchased from Tycoon Empire an aggregate of 2,500,000 Shares, representing 25% of the then issued share capital of our Company, for an aggregate consideration of HK\$248,170,750; and
- (3) Pre-IPO Investment B whereby Pre-IPO Investor B purchased from Tycoon Empire an aggregate of 124,900 Shares, representing 1.249% of the then issued share capital of our Company, for an aggregate consideration of HK\$12,400,000.

Further details of the Pre-IPO Investments are set out below.

### PRE-IPO CN INVESTMENT

Our Group has undertaken the Pre-IPO CN Investment with the Pre-IPO CN Holder whereby Tycoon Hong Kong and Mr. Wong entered into the Pre-IPO CN Subscription Agreement dated 14 November 2017 with the Pre-IPO CN Holder pursuant to which Tycoon Hong Kong issued the Pre-IPO Convertible Note with a principal amount of HK\$50,000,000 to the Pre-IPO CN Holder on 21 November 2017 (as varied and supplemented by a supplemental deed dated 13 December 2018 entered into between our Company, Tycoon Hong Kong and the Pre-IPO CN Holder).

The terms of the Pre-IPO Convertible Note (including the basis of determination of the consideration) were arrived at after arm's length negotiation between the Pre-IPO CN Holder and Tycoon Hong Kong. The principal terms of the Pre-IPO Convertible Note were as follows:

<b>Issue date</b>	:	21 November 2017.
<b>Principal amount</b>	:	HK\$50,000,000.
<b>Subscriber</b>	:	The Pre-IPO CN Holder.
<b>Issuer</b>	:	Tycoon Hong Kong.
<b>Substitution</b>	:	Tycoon Hong Kong will have the right to the substitution of our Company in place of Tycoon Hong Kong as the company the shares of which will be subject to the conversion pursuant to the instrument constituting the Pre-IPO Convertible Note.
<b>Interest rate</b>	:	7% per annum.

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## PRE-IPO INVESTMENTS

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- Maturity date** : The last day of the 30th month after the issue date (“**Maturity Date**”).
- Transferability** : The Pre-IPO Convertible Note may be transferred by the noteholder to its subsidiary undertakings, parent undertakings and the subsidiary undertakings of its parent undertakings from time to time. Without prejudice to the above, the Pre-IPO Convertible Note may only be transferred (in whole or in part) subject to the prior written consent of Tycoon Hong Kong.
- Conversion** : The principal amount of the Pre-IPO Convertible Note may be converted into Shares as determined by an agreed formula under the terms and conditions of the Pre-IPO Convertible Note as follows:
- (i) the noteholder shall have a right at any time on or before the 30th day (or such other longer period as may be required by the Stock Exchange from time to time) before the date of the application for initial public offering (“**QIPO**”) of the Shares on the Main Board of the Stock Exchange or any other recognised stock exchange with market capitalisation being not less than HK\$780,000,000 at the time of its listing, to convert the entire principal amount of the Pre-IPO Convertible Note into Shares; and
  - (ii) on the date on which the Shares are allotted and issued under the QIPO prior to the Maturity Date, the entire outstanding amount of the Pre-IPO Convertible Note shall be automatically converted into Shares.
- Redemption** : Under the original terms of the Pre-IPO Convertible Note, the Pre-IPO Convertible Note will not be repaid or redeemed before the Maturity Date unless under the occurrence of certain events of default.

As varied and supplemented by a supplemental deed dated 13 December 2018 entered into between our Company, Tycoon Hong Kong and the Pre-IPO CN Holder, the entire (but not part of) outstanding principal amount of the Pre-IPO Convertible Note may be redeemed by our Company from time to time prior to the Maturity Date at an aggregate redemption price which is equal to the sum of the then outstanding principal amount of the Pre-IPO Convertible Note and interest accrued but not yet paid up to the date of such redemption (or such other manner as agreed by our Company and the noteholder), and the exercise of this right by our Company shall not require the consent of any noteholder.

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## PRE-IPO INVESTMENTS

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**Events of default** : The Pre-IPO Convertible Note contains certain events of default upon the occurrence of which, the Pre-IPO CN Holder may give notice to request that the Pre-IPO Convertible Note be due and payable at its outstanding principal with an internal rate of return of 12% per annum for the period from the issue date to the date on which the redemption amount is paid, plus all accrued but unpaid interest.

### Background of the Pre-IPO CN Holder

The Pre-IPO CN Holder is an investment holding company incorporated in BVI with limited liability and to the best of the knowledge of our Directors, each of the Pre-IPO CN Holder and its ultimate beneficial owner(s) is an Independent Third Party. The Pre-IPO CN Holder is a professional investor. Our Directors believe that our Group may benefit from the working capital provided by the Pre-IPO CN Holder under the Pre-IPO CN Investment.

### Use of Proceeds

The net proceeds from the issue of the Pre-IPO Convertible Note in the aggregate sum of approximately HK\$49.8 million were utilised by Tycoon Hong Kong as general working capital.

### Redemption of the Pre-IPO Convertible Note

Subsequent to the issue of the Pre-IPO Convertible Note, (a) on 13 December 2018, Mr. Wong and the Pre-IPO CN Holder entered into a sale and purchase agreement pursuant to which the Pre-IPO CN Holder sold and Mr. Wong purchased the entire principal amount of the Pre-IPO Convertible Note held by the Pre-IPO CN Holder; and (b) on 14 December 2018, our Company exercised the right conferred by the terms and conditions of the Pre-IPO Convertible Note to redeem (“**Redemption**”) the outstanding principal of the Pre-IPO Convertible Note in full at an aggregate redemption amount of HK\$50 million to be paid by our Company on a day subsequent to the date of Redemption to be agreed in writing between our Company and Mr. Wong. After the completion of the Redemption, the Pre-IPO Convertible Note has been cancelled. As at the Latest Practicable Date, the redemption amount had been settled in full.

### PRE-IPO INVESTMENT A AND PRE-IPO INVESTMENT B

On 15 February 2019, (a) Tycoon Empire and Mr. Wong entered into the First Pre-IPO SPA with Pre-IPO Investor A in relation to Pre-IPO Investment A pursuant to which Tycoon Empire sold and Pre-IPO Investor A purchased an aggregate of 2,500,000 Shares, representing 25% of the then issued share capital of our Company, for an aggregate consideration of HK\$248,170,750; and (b) Tycoon Empire and Mr. Wong entered into the Second Pre-IPO SPA with Pre-IPO Investor B in relation to Pre-IPO Investment B pursuant to which Tycoon Empire sold and Pre-IPO Investor B purchased an aggregate of 124,900 Shares, representing 1.249% of the then issued share capital of our Company, for an aggregate consideration of HK\$12,400,000.

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## PRE-IPO INVESTMENTS

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The table below sets out the major terms of the First Pre-IPO SPA and the Second Pre-IPO SPA:

	<b>First Pre-IPO SPA</b>	<b>Second Pre-IPO SPA</b>
<b>Date</b>	: 15 February 2019	15 February 2019
<b>Parties</b>	: (a) Tycoon Empire as vendor; (b) Mr. Wong as vendor guarantor; and (c) Pre-IPO Investor A as purchaser	(a) Tycoon Empire as vendor; (b) Mr. Wong as vendor guarantor; and (c) Pre-IPO Investor B as purchaser
<b>Number of Shares sold</b>	: 2,500,000 Shares	124,900 Shares
<b>Consideration paid</b>	: HK\$248,170,750	HK\$12,400,000
<b>Completion date</b>	: 19 February 2019	19 February 2019
<b>Date of payment of consideration</b>	: 15 March 2019	27 February 2019
<b>Cost per Share paid</b> <i>(Note 1)</i>	: HK\$1.63	HK\$1.63
<b>Premium over the Offer Price</b> <i>(Note 2)</i>	: 7.24%	7.24%
<b>Approximate percentage of shareholding held in our Company upon Listing</b> <i>(Note 3)</i>	: 18.99%	0.95%
<b>Basis of determination of the consideration</b>	: Based on arm's length negotiation between the parties thereto with reference to an agreed valuation of our Company at approximately HK\$992,683,000 as at 31 December 2018.	Based on arm's length negotiation between the parties thereto with reference to an agreed valuation of our Company at approximately HK\$992,683,000 as at 31 December 2018.
<b>Adjustment to consideration</b>	: Nil	Nil

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## PRE-IPO INVESTMENTS

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	<b>First Pre-IPO SPA</b>	<b>Second Pre-IPO SPA</b>
<b>Public float</b>	: Pre-IPO Investor A would be a substantial Shareholder immediately upon Listing and the Shares held by Pre-IPO Investor A would not be considered as part of the public float.	As Pre-IPO Investor B holds less than 10% of the total issued share capital of our Company immediately upon Listing and is not a core connected person of our Company nor an associate of such core connected persons, the Shares held by Pre-IPO Investor B will be part of the public float.
<b>Lock-up</b>	: Under the Pre-IPO Shareholders Agreement, the Shares held by Pre-IPO Investor A is subject to a lock-up period. Please see “Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement” in this section below.	Nil
<b>Special rights and other terms</b>	: Pre-IPO Investor A is entitled to certain terms and granted certain special rights in relation to the Shares held by it. Please see “Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement” in this section below.	Nil

*Notes:*

- (1) For illustration purpose only, assuming that the Global Offering and the Capitalisation Issue are completed, but without taking into account the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.
- (2) For illustration purpose only, calculated based on the Offer Price of HK\$1.52 per Offer Share.
- (3) Calculated based on the Shares to be held by the relevant Pre-IPO Investor upon completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

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## PRE-IPO INVESTMENTS

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### Special Rights under Share Charge and Pre-IPO Shareholders Agreement

#### *Share Charge*

Upon completion of Pre-IPO Investment A, Tycoon Empire charged 2,500,000 Shares held by it, representing 25% of all the then issued Shares, in favour of Pre-IPO Investor A (“**Share Charge**”) as security for the performance by Tycoon Empire and Mr. Wong of their obligations to Pre-IPO Investor A under the First Pre-IPO SPA and the Pre-IPO Shareholders Agreement (as discussed in more detail below). The Share Charge requires Tycoon Empire to, for the duration of the Share Charge, in the event that the subject Shares under the Share Charge falling to less than 25% of all issued Shares, provide such additional number of Shares to be charged under the Share Charge so as to maintain that the Shares under the Share Charge to amount to 25% of all issued Shares. The Share Charge shall be effective until 30 June 2021. In the event that the Share Charge is required to be amended or terminated in accordance with the applicable laws and regulations, the Listing Rules and/or the requirements of relevant regulatory body(ies) before the end of such effective period, Pre-IPO Investor A and Tycoon Empire shall enter into supplemental agreement(s) thereto to such effect. Prior to any event of default which would enable Pre-IPO Investor A to enforce its right under the Share Charge, Tycoon Empire continues to be entitled to exercise its voting rights on its Shares.

Pre-IPO Investor A has executed an undertaking in favour of the Stock Exchange pursuant to which Pre-IPO Investor A has unconditionally and irrevocably undertaken that:

- (a) notwithstanding any provisions of the Share Charge, in the period commencing on the date of Listing and ending on the date which is six months from the date of Listing, regardless of whatsoever reason (including any default of Tycoon Empire’s/Mr. Wong’s obligations), it will not and will procure any person to not to, enforce its right under the Share Charge, and/or dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the subject Shares under the Share Charge; and
- (b) notwithstanding any provisions of the Share Charge, during the period of six months commencing on the date on which the period as set out in paragraph (a) above expires, regardless of whatsoever reason (including any default of Tycoon Empire’s/Mr. Wong’s obligations), it will not and will procure any person not to, enforce its right under the Share Charge and/or dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the subject Shares under the Share Charge if, immediately following such enforcement and/or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Tycoon Empire would cease to be a Controlling Shareholder of our Company.



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## PRE-IPO INVESTMENTS

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### *Pre-IPO Shareholders Agreement*

Upon completion of Pre-IPO Investment A, Tycoon Empire, Mr. Wong, Pre-IPO Investor A and our Company executed and entered into the Pre-IPO Shareholders Agreement. Pre-IPO Investor B was joined as a party to the Pre-IPO Shareholders Agreement by way of a deed of adherence dated 19 February 2019. Under the Pre-IPO Shareholders Agreement, Pre-IPO Investor A was granted a number of special rights by our Controlling Shareholders. Below is a summary of the special rights granted by our Controlling Shareholders to Pre-IPO Investor A which shall survive after Listing:

- (1) Profit guarantee : 2018 profit guarantee: In the event that the audited consolidated net profit of our Company for the year ended 31 December 2018 (“**Actual 2018 Net Profit**”) was less than HK\$100,780,000 (“**Expected 2018 Net Profit**”), Tycoon Empire and Mr. Wong shall pay to Pre-IPO Investor A as compensation an amount as determined as follows:  $(\text{Expected 2018 Net Profit} - \text{Actual 2018 Net Profit}) \times 9.85 \times 25\%$ . Based on the Accountants’ Report, the Expected 2018 Net Profit has been met.

2019-2020 profit guarantee: In the event that the aggregate sum of the audited consolidated net profit of our Company for two years ending 31 December 2020 (“**Actual 2019-2020 Net Profit**”) was less than HK\$274,000,000 (“**Expected 2019-2020 Net Profit**”), Tycoon Empire and Mr. Wong shall pay to Pre-IPO Investor A as compensation an amount as determined as follows:  $(\text{Expected 2019-2020 Net Profit} - \text{Actual 2019-2020 Net Profit}) / \text{Expected 2019-2020 Net Profit} \times \text{HK\$248,170,750}$ .

The profit guarantees above do not constitute any profit forecast of our Group under Rules 11.16 to 11.19 of the Listing Rules, and the profit guarantee amount should not be regarded in any way as an indication of the projected profit of our Group for the relevant financial year.

- (2) Dividend : Our Company shall, and Tycoon Empire and Mr. Wong shall procure our Company to, declare dividends of not less than HK\$30,000,000 within 15 business days of completion of Pre-IPO Investment A and that such dividends shall be paid to the then Shareholders within 2 months of such date of declaration of dividends.

Dividends of an aggregate amount of HK\$30,000,000 were declared on 12 March 2019 and paid to the then Shareholders on 12 May 2019.

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## PRE-IPO INVESTMENTS

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- (3) Lock-up period : Pre-IPO Investor A has undertaken that save as permitted as set out below, without the prior written consent of Tycoon Empire/Mr. Wong, at any time during the period commencing from the listing of a Qualified IPO (as defined below) and up to 12 months after the listing of a Qualified IPO, Pre-IPO Investor A shall not in any manner transfer or dispose of the Shares held by it, including but not limited to, whether direct or indirectly, transfer any interests in or otherwise create any encumbrances in respect of any part of the Shares held by Pre-IPO Investor A. Such lock-up restrictions do not prohibit the transfer of Shares from Pre-IPO Investor A to its connected persons or restrict Pre-IPO Investor A from making mortgages or pledges on its Shares for the purpose of obtaining general commercial bank loans, provided that if any such Shares are transferred to Pre-IPO Investor A's connected person(s), Pre-IPO Investor A shall procure any such person or company to observe and comply with the aforementioned lock-up restrictions.

Prior to the Qualified IPO, Tycoon Empire/Mr. Wong shall not transfer, dispose or create any encumbrance on any of the Shares held by it/him unless with the prior written consent of Pre-IPO Investor A, provided that such restrictions shall not prohibit the transfer of Shares from Tycoon Empire/Mr. Wong to its/his connected persons.

“**Qualified IPO**” means an initial public offering of our Company which, unless otherwise approved by Pre-IPO Investor A, has a market capitalisation at Listing of not less than 120% of the agreed valuation at which Pre-IPO Investment A was made (that valuation being HK\$992,683,000). Based on the mid-point of the Offer Price range of HK\$1.50 per Offer Share, the market capitalisation of our Group upon completion of the Global Offering is expected to be HK\$1,200 million (before any exercise of the Over-allotment Option and any Shares which may be issued pursuant to the Share Option Scheme), and on this basis, the Global Offering is expected to be a Qualified IPO.

- (4) Right of first refusal : Each of Tycoon Empire/Mr. Wong and (as the case may be) Pre-IPO Investor A shall not transfer any of its/his Shares to any third party unless it/he first offers them for sale to Pre-IPO Investor A (or as the case may be, Tycoon Empire and Mr. Wong) at the same price and terms as the proposed transfer to the proposed transferee.

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## PRE-IPO INVESTMENTS

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- (5) Tag-along right : Where Pre-IPO Investor A does not exercise its right of first refusal in respect of a proposed disposal by Tycoon Empire/Mr. Wong of its/his Shares, it will have the right to participate in the sale of its Shares to the prospective transferee at the same price and terms as the proposed transfer to the proposed transferee, in proportion to the percentage of Shares held by Pre-IPO Investor A among the total sum of the Shares held by Tycoon Empire/Mr. Wong and Pre-IPO Investor A.
- (6) Restricted transfers : Tycoon Empire/Mr. Wong shall not, without the prior written consent of Pre-IPO Investor A, approve, consent to or by any means undertake any Share transfer to certain specified competitors of Pre-IPO Investor A. Pre-IPO Investor A shall not without the prior written consent of Tycoon Empire and Mr. Wong by any means transfer its Shares where the transferee of such transfer are certain specified competitors of our Company.
- (7) Preference in winding up : In the event of any liquidation, dissolution or winding up of our Company, Pre-IPO Investor A shall in terms of the Shares held by it be entitled to the sum (“**Entitled Winding-Up Amount**”) of the following amounts: (i) 100% of the purchase price paid by Pre-IPO Investor A to Tycoon Empire/Mr. Wong for such Shares, (ii) all declared but unpaid dividends (if any) on the Shares held by Pre-IPO Investor A; and (iii) any remaining assets of our Company available to Pre-IPO Investor A in the distribution to the Shareholders in accordance with their shareholding proportions. If the actual amount distributed to Pre-IPO Investor A in the event of any liquidation, dissolution or winding up of our Company was less than the Entitled Winding-Up Amount, Tycoon Empire/Mr. Wong shall pay to Pre-IPO Investor A the difference between such amount and the Entitled Winding-Up Amount.
- (8) Appointment of director : After the Listing, our Controlling Shareholder shall exercise its voting right in our Company to vote in favour of the nominee of Pre-IPO Investor A as a Director.

After the Listing, if so requested by Pre-IPO Investor A, our Controlling Shareholder shall procure a nominee of Pre-IPO Investor be appointed as a director of Tycoon Hong Kong.

As the rights as mentioned above are rights granted by Tycoon Empire/Mr. Wong to Pre-IPO Investor A which are private arrangements pursuant to the Pre-IPO Shareholders Agreement, such rights will not lapse upon Listing. The survival of such special rights after Listing does not contravene guidance letter HKEX-GL43-12 issued by the Stock Exchange.

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## PRE-IPO INVESTMENTS

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The Pre-IPO Shareholders Agreement shall be effective from 19 February 2019 (date of completion of Pre-IPO Investment A) and shall cease to be effective when the earliest of the following occurs: (a) in the case that the Qualified IPO has not yet occurred, when Pre-IPO Investor A is no longer a Shareholder; or (b) in the case that the Qualified IPO has taken place, when Pre-IPO Investor A holds less than 5% of the issued Shares; or (c) when Tycoon Empire/Mr. Wong are no longer Shareholders.

### **Background of Pre-IPO Investor A and Pre-IPO Investor B**

Pre-IPO Investor A is an investment holding company incorporated in BVI with limited liability and a wholly-owned subsidiary of CR Pharmaceutical (stock code: 3320), a company whose shares are listed on the Main Board of the Stock Exchange. CR Pharma Group is principally engaged in the research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products. One of the members of CR Pharma Group is CR Care, a health chain retailer in Hong Kong and one of our top five customers during the Track Record Period.

Pre-IPO Investor A will be holding approximately 18.99% of the issued Shares of our Company upon Listing (assuming the Over-allotment Option is not exercised), and thus will become a substantial Shareholder and connected person of our Company under the Listing Rules.

Pre-IPO Investor B is an investment holding company incorporated in BVI with limited liability.

Mr. Yao Qingqi, our non-executive Director, is (i) a director of Pre-IPO Investor A; and (ii) a shareholder of Pre-IPO Investor B holding approximately 17.74% of its issued shares. Ms. Chong Yah Lien, our non-executive Director, is (i) a director of Pre-IPO Investor A; and (ii) the sole director and a shareholder of Pre-IPO Investor B holding approximately 12.90% of its issued shares. The remaining shareholders of Pre-IPO Investor B are individuals who are employees, former employee or family members of employees of the members of CR Pharma Group. Save as mentioned above, to the best of the knowledge of our Directors, each of Pre-IPO Investor B and its ultimate beneficial owner(s) is an Independent Third Party.

Our Directors believe that Pre-IPO Investment A and Pre-IPO Investment B would widen the shareholder base of our Company and our Group may benefit from the experience and business connections provided by Pre-IPO Investor A (and thus CR Pharma Group) and Pre-IPO Investor B.

### **View of the Sole Sponsor**

As the consideration for each of Pre-IPO Investment A and Pre-IPO Investment B was all settled more than 28 days before the date of our first submission of the listing application to the Stock Exchange in relation to the Listing and the special rights granted to Pre-IPO Investor A which will survive after Listing are private arrangements between Pre-IPO Investor A and our Controlling Shareholders, having reviewed the relevant information and documentation, the Sole Sponsor is of the view that each of Pre-IPO Investment A and Pre-IPO Investment B is in compliance with guidance letters (HKEX-GL29-12, HKEX-GL43-12 and HKEX-GL44-12), to the extent applicable, on pre-IPO investments issued by the Stock Exchange.

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## PRE-IPO INVESTMENTS

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### STRATEGIC COOPERATION AGREEMENT

Our Company and Pre-IPO Investor A have entered into the Strategic Framework Cooperation Agreement to provide for a framework for both parties to engage in strategic co-operation to allow our Group to tap into the selling, distribution and marketing of our products principally to the PRC through Pre-IPO Investor A's sales experience and network. Pursuant to the Strategic Framework Cooperation Agreement, our Group and CR Pharma Group have also entered into an agreement for the establishment of a joint venture in the PRC. Such joint venture is expected to leverage the network of CR Pharma Group to distribute, among others, our products in the PRC. Please see "Business – Business Strategies – (A) Further Developing Our Supply Chain and Retail Management by (i) increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions – Expanding our Distribution Business to the PRC" in this prospectus for further details.

For so long as Pre-IPO Investor A remains as a connected person, the transactions contemplated under the Strategic Framework Cooperation Agreement, if materialised, will constitute connected transactions or, as the case may be, continuing connected transactions, of our Company. Our Company will comply with all applicable requirements under the Listing Rules (if any) in respect of such transaction(s) as and when required.

## BUSINESS

### OUR MISSION

We aim to become a leading and reputable provider of a suite of health and well-being related products through diversified online and offline sales channels with the mission of bringing health and vitality to consumers.

### OVERVIEW AND OUR BUSINESS MODEL

We are a provider of a variety of PCM (i.e. “proprietary Chinese medicine” as defined in the Chinese Medicine Ordinance), health supplement, skin care, personal care and other healthcare products, predominantly selling and distributing such products in Hong Kong. PCM and health supplement products have been our top-selling product categories, the revenue from the sales of which amounted to over 79.0% of our total revenue altogether throughout the Track Record Period. In FY2019, our revenue from the sales of health supplement products exceeded our revenue from the sales of PCM products for the first time, where the former accounted for approximately 41.0% of our total revenue and the latter accounted for approximately 38.2% of our total revenue for the year. According to the Ipsos Report, we ranked third (3rd) in the PCM distribution market in Hong Kong in FY2018 in terms of revenue with a market share of about 8.1%, whilst the top five (5) market players in aggregate held a market share of approximately 43.3%. On the other hand, the health supplement distribution market in Hong Kong is highly fragmented with no dominant players, in which market players primarily compete with one another on product quality, popularity and pricing, etc.

We bring our products to consumers through our two operating segments, namely the Distribution Business and the Retail Business. Set forth below is an analysis of our total revenue by sales channel during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %
<b><u>Distribution Business</u></b>						
Chain retailers	347,654	94.9	625,879	90.3	586,243	83.7
Non-chain retailers and traders	18,769	5.1	47,512	6.9	80,699	11.5
	<u>366,423</u>	<u>100.0</u>	<u>673,391</u>	<u>97.2</u>	<u>666,942</u>	<u>95.2</u>
<b><u>Retail Business</u></b>						
Online stores	55	0.0	12,664	1.8	15,279	2.2
Retail stores in Macau	–	–	7,271	1.0	18,534	2.6
	<u>55</u>	<u>0.0</u>	<u>19,935</u>	<u>2.8</u>	<u>33,813</u>	<u>4.8</u>
<b>Total</b>	<u><u>366,478</u></u>	<u><u>100.0</u></u>	<u><u>693,326</u></u>	<u><u>100.0</u></u>	<u><u>700,755</u></u>	<u><u>100.0</u></u>

### **Our Distribution Business**

The Distribution Business is our major operating segment, which brought in over 95.0% of the total revenue of our Group throughout the Track Record Period. In our Distribution Business, we distribute our products to chain retailers, non-chain retailers (which are mostly pharmacies) and traders. The products distributed by us include products bearing the brands of third-party brand owners, which are sourced from the brand owners and/or distributors and traders, and Private Label Products, i.e. products developed and marketed under the brands of our Group and produced by external manufacturers engaged by us on an ODM basis.

As a distributor, we play a pivotal role in the value chain in the distribution of PCM, health supplement, skin care, personal care and other healthcare products. On the upstream side of the supply chain, according to the Ipsos Report, brand owners tend to distribute their products through distributors to various retail channels, and it is the industry norm for them to take advantage of the extensive retail network of chain retailers in the sales and distribution of their products so as to maximise the market coverage. In addition, from the perspective of the brand owners, distributors do not merely act as general merchandisers, but they also help take care of retailer relationship management and the distribution workflow and serve additional functions including storage, logistics, marketing and brand building. As regards the downstream side of the supply chain, according to the Ipsos Report, retailers also tend to rely on a range of services including sourcing, storage, logistics, product labelling and packaging and marketing services provided by their distributors as it may not be cost-effective for them to deal with numbers of suppliers directly and perform these functions on their own. In particular, the sourcing of the products from the brand owners may involve ample negotiation time and paperwork and is likely to significantly tie up the resources of the retailers given their large and diverse product portfolio; moreover, with limited storage space available, each retail store usually carries a limited amount of stock only and the retailers may not be able to meet the minimum purchase requirements of the brand owners.

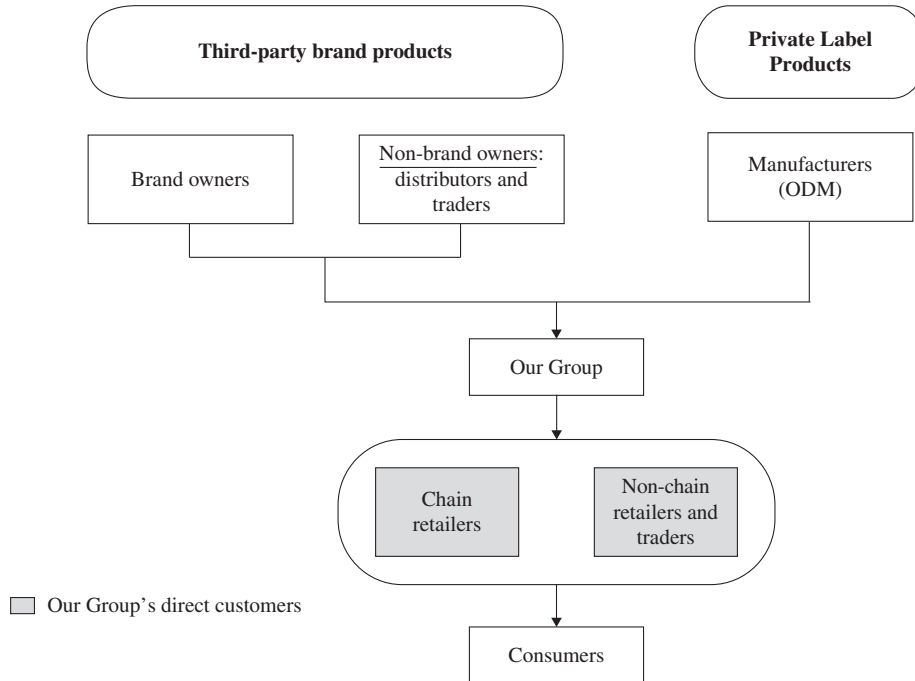
As such, distributors perform a wide range of value-adding functions in the supply chain and our role is not lightly dispensable or easily replaceable. While it is technically feasible for brand owners to engage retailers for direct distribution and for retailers to procure products directly from the brand owners, brand owners and retailers, especially those which are more resource-constrained, have generally opted to distribute and source their products through distributors, including us. By so doing, the brand owners and the chain retailers could dedicate their manpower and resources to product development and manufacturing and to retail management respectively and improve the cost-effectiveness and efficiency of their operations. Among others, our Directors believe that the wide range of marketing and promotional activities performed by our Group are effective in increasing the exposure and recognition of our products and highly valued by both the third-party brand owners and our chain retailer customers, and have been instrumental in bringing about our growth since our inception.

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Set forth below is a diagram depicting the model of our Distribution Business:



In particular, throughout the Track Record Period, over 83.0% of our total revenue came from the sales of our products to chain retailers. Leading chain retailers are characterised by their extensive network of POS with a wide geographical coverage and direct access to the mass of consumers. As at 31 December 2019, Ipsos estimated that our top two (2) customers, which are both chain retailers, operated 359 stores and 232 stores in Hong Kong respectively. Given that the major chain retailers in Hong Kong are our direct customers, we are in a competitive position in distributing, selling and marketing our products to the consumers leveraging the widespread POS network in Hong Kong of such chain retailers. We consider that our relationship with the chain retailers is mutual. On one hand, we avail ourselves of the chain retailers' sales network to enable our suppliers, which are mostly the brand owners of our third-party brand products, to break the entry barriers and gain access to the market, so as to establish ourselves as the preferred sales channel of our suppliers. On the other hand, we are a distributor offering 120 Hong Kong and overseas brands of health and well-being related products during FY2019 that are sought-after by consumers to the chain retailers and providing supply chain support in areas such as warehousing and logistics. As such, by procuring products from us, the chain retailers could gain instant access to a wide variety of products without the need to deal with each brand owner individually or attend to certain major supply chain operations and could thus minimise their administrative and operational burden and costs.



### **Our Retail Business**

In our Retail Business, we sell third-party brand products bearing the brands of third-party brand owners and our Private Label Products directly to the general public. With a vision of making our products available through diversified sales channels, we have been developing both online and offline sales of our products to consumers. Our Retail Business is in an early stage of development: for FY2019, our revenue from online and offline sales to consumers accounted for approximately 2.2% and 2.6% of our total revenue, respectively.

We consider that e-commerce provides a sales channel which enables us to reach consumers on a borderless and 24/7 basis. As such, we commenced online sales of our products to consumers in FY2017. During the Track Record Period, online sales of our products to consumers were conducted primarily through two (2) e-commerce portals, namely JD.hk (海囤全球 京東旗下全球直購平台) and Tmall.hk (天貓國際). As regards the offline limb of our Retail Business, offline sales of our products to consumers have been conducted at our two (2) brick-and-mortar retail stores under the trading name of Tianyi (天一) since July and November 2018 respectively in Macau, which market, as compared to Hong Kong, is less dominated by leading chain retailers according to the Ipsos Report.

While our Retail Business is still in its early development phase, it allows us to reach and interact with a broader spectrum of customers directly, so as to observe and understand the consumer needs and preference, market trend and general retail environment. The data and information collected will be of high reference value as we seek to identify and introduce new products. In addition, through our retail channels, we could test the market acceptance and popularity of our new products, which we may launch in our Distribution Business upon receiving favourable market response. At the same time, our online stores and retail stores also serve as a brand and product promotion platform so as to increase consumers' awareness of our brands and products. As such, we believe that the expansion of our Retail Business, both online and offline, is conducive to the overall development of our business, as it facilitates the operation of our Distribution Business and inspires confidence in our capability as a distributor among our suppliers of third-party brand products and our customers sourcing products from us.

### **Our Products**

In both our Distribution Business and our Retail Business, we sell and distribute (i) PCM, health supplement, skin care, personal care and other healthcare products bearing the brands of third-party brand owners; and (ii) our Private Label Products, which are mostly health supplement products.

During FY2017, FY2018 and FY2019, we recorded revenue in the amount of approximately HK\$357.7 million, HK\$648.9 million and HK\$640.1 million from the distribution of 74, 100 and 112 brands of third-party brand products in our Distribution Business, representing approximately 97.6%, 93.6% and 91.3% of our total revenue, respectively.

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With a vision of establishing our own brands of products, we have engaged independent manufacturers to develop and produce on an ODM basis our Private Label Products under our own brands, including the brands of “Boost & Guard (BG博健科研)”, “和漢 (Wakan)” and “金門 (Kinmen)”. We have registered or made applications for registration of the trademarks used for all of our Private Label Products. For FY2017, FY2018 and FY2019, our revenue from the sales of Private Label Products in our Distribution Business amounted to approximately HK\$8.8 million, HK\$24.5 million and HK\$26.9 million, representing 2.4%, 3.5% and 3.9% of our total revenue, and was attributable to 10, 8 and 8 brands of Private Label Products respectively.

Our third-party brand products are primarily sourced from the third-party brand owners directly. For FY2017, FY2018 and FY2019, our revenue from the sales of products sourced from third-party brand owners accounted for approximately 82.6%, 64.7% and 62.7% of our total revenue respectively. We have entered into distribution agreements with and/or received authorisation letters in respect of our distribution rights from some of the brand owners. In particular, we are an authorised distributor for a number of non-pharmaceutical products (including health supplement, skin care and personal care products) sourced from overseas brand owners. We believe the fact that we are headquartered in Hong Kong appeals to overseas suppliers and is favourable for our business development, since Hong Kong, unlike certain other jurisdictions such as the PRC, is a free port pursuing a free trade policy with no trade barrier and relatively simple licensing procedures for the import and export of goods.

Where we are unable to procure third-party brand owners directly from the brand owners, we may turn to their authorised distributors or other distributors and traders. Our Private Label Products are produced on an ODM basis and supplied by our external manufacturers.

### COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

#### **We have sound business relationships with our chain retailer customers**

Our Directors believe that one of our key competitive advantages is the established business relationships we have built with our chain retailer customers. According to the Ipsos Report, established distribution networks are crucial in the PCM and health supplement distribution industries; yet, new entrants may find it difficult to approach and become one of the suppliers of large retail chains, since large retail chains generally have stringent selection criteria for their suppliers and expect their distributors to have proven track records in the distribution industry and possess demonstrated ability to promote products in the market. Hence, the establishment of distribution networks may form an entry barrier for new entrants.

Leveraging the networks of Mr. Wong in the industry, we commenced business dealings with a number of major chain retailers in Hong Kong upon the formation of our Group in 2015 under the lead of Mr. Wong. As we offer a wide variety of products and provide comprehensive supply chain services to our chain retailer customers, our sales to the chain retailer customers have generally increased over the years and up to the Latest Practicable Date, they remained to be our major customers. We are able to meet the supplier selection criteria of our chain retailer customers and have built sound business relationships with them. We foresee that we will be able to maintain long-term business relationships with the chain retailers, which will allow us to take advantage of their extensive sales network and stay competitive in the healthcare product distribution industry.

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### **Our chain retailer customers provide us with access to the general public and enable us to maintain a sizeable and effective distribution network**

Our Directors believe that one of our key success factors is the widespread network of POS in Hong Kong operated by our retail chain customers, which in effect are our selling platforms providing us with access to consumers who are the primary source of our product demand. Distribution to retail chain customers is our main stream of revenue, which accounted for approximately 94.9%, 90.3% and 83.7% of our total revenue for each of FY2017, FY2018 and FY2019, respectively. According to the Ipsos Report, as at 31 December 2019, our top two customers operated 359 and 232 stores in Hong Kong respectively. Through their extensive network of POS in Hong Kong, we may effectively accelerate the penetration of our products into the general public, which is the primary source of our product demand.

In addition, CR Pharmaceutical, one of our substantial Shareholders holding approximately 18.99% of the issued capital of our Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue through Pre-IPO Investor A, operates an extensive distribution network in Hong Kong and the PRC. As reported by Ipsos, CR Care, a wholly-owned subsidiary of CR Pharmaceutical and one of our top five customers during the Track Record Period, operated 96 retail outlets in Hong Kong as at 31 December 2019. In addition, according to the 2019 interim report of CR Pharmaceutical, CR Pharmaceutical operated over 840 retail pharmacies in the PRC. We have entered into the Strategic Framework Cooperation Agreement with Pre-IPO Investor A pursuant to which the parties have agreed to explore the business opportunities regarding offline sales of our Group's products to the PRC market. Our Directors believe that such strategic relationship with CR Pharma Group provides us with a niche for penetration of our products into the consumer market in the PRC.

### **We operate a dual business model for both our Distribution Business and Retail Business through online and offline sales channels**

We operate our business through our Distribution Business (offline) and our Retail Business conducted through online and offline sales channels. During the Track Record Period, over 83.0% of our total revenue was attributable to our sales to chain retailers on an offline basis through our Distribution Business. Leveraging the extensive network of POS in Hong Kong operated by these chain retailers and the demand for our products by consumers, we are able to secure access to our products by consumers in Hong Kong on one hand, and to promote the sales of our products on the other hand. Since 2018, we have commenced our Distribution Business in Singapore by supplying our products to local chain stores.

In addition to our Distribution Business, we also sell our products on an online and offline basis through our Retail Business. In particular, we commenced online sales of our products to consumers in FY2017, which had been conducted primarily through the two e-commerce portals JD.hk (海囤全球 京東旗下全球直購平台) and Tmall.hk (天貓國際) during the Track Record Period. Please see "Our Retail Business – Online Sales" in this section for further details. Since 2018, we have also operated two brick-and-mortar retail stores in Macau under the trading name of Tianyi (天一) for direct offline sales of our products. Although our Retail Business is still at its developing stage and in aggregate accounted for less than 5.0% of our total revenue throughout the Track Record Period, through developing our Retail Business, we are able to reach a broader spectrum of customers directly, allowing us to observe and understand the needs of consumers, testing the market acceptance and popularity of our products in Hong Kong or other markets,

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and enabling us to collect data on the market trend, consumer preference and the general retail environment. At the same time, our online stores and retail stores also serve as a brand and product promotion platform for our products so as to increase consumers' awareness of our brands and products.

Our Directors believe that our dual business model allows us to competitively position ourselves as a provider of health and well-being related products with multiple online and offline sales channels. It is one of our strategies to continue to increase the accessibility and availability of our products through online and offline sales channels. Please see "Business Strategies – (A) Further Developing Our Supply Chain and Retail Management by (i) increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions" in this section for further details.

### **We are one of the leading PCM product distributors in Hong Kong and well-positioned to expand our product portfolio by entering into business relationships with other PCM product brand owners**

According to the Ipsos Report, PCM product brand owners in Hong Kong tend to select those distributors with proven track records, and distributors which have successfully obtained the right of distribution to large retail chains are likely to have a stable demand from customers and be able to capture market share in the industry. The above constitutes an entry barrier for new entrants in the PCM product distribution industry.

With a well-founded distribution network through our chain retailer customers in Hong Kong and leveraging the networks of Mr. Wong in the industry, we have been able to win the trust of a number of PCM product brand owners and secure the direct supply of products from them, and developed into one of the leading PCM product distributors in Hong Kong. For each of FY2017, FY2018 and FY2019, our revenue from the sales of our PCM products in our Distribution Business amounted to approximately HK\$219.3 million, HK\$293.8 million and HK\$267.4 million, representing 59.9%, 42.4% and 38.2% of our total revenue respectively.

As reported by Ipsos, our ranking in the PCM product distribution market in Hong Kong improved from the fourth in 2017 to the third in 2018, where our market share in the PCM product distribution market in Hong Kong increased from approximately 6.5% in 2017 to 8.1% in 2018.

We enjoy a competitive advantage when we seek to expand our product portfolio, as our experience and profile will help instil confidence in other PCM product brand owners in the market and facilitate the building of our business relationships with them. As such, we will be able to continue rolling out new products and increase our product offerings, thereby ensuring the continuous growth of our market share and maintaining our leading status in the PCM product distribution industry in Hong Kong.

### **We are strategically headquartered in Hong Kong as an authorised distributor for a wide variety of products**

Unlike certain jurisdictions such as the PRC, Hong Kong, as a free port, pursues a free trade policy and does not maintain any barrier on trade. Although a licence is required for the import and export of some goods, the licensing procedures are relatively simple. The foregoing creates a favourable condition for the development of our Distribution Business and allows us to become an authorised distributor for a number of products, most notably non-pharmaceutical products (including health supplement, skin care and personal care products) sourced from overseas brand owners.

We believe that another key contributor to our success is the wide variety of quality products we offer to the customers which covers PCM, health supplement, skin care, personal care and other healthcare products. Our Directors believe our products can cater to different needs of consumers, depending on their respective health condition, age, gender and consumption preferences. We aim to keep our product portfolio relevant to the prevailing market needs. Thanks to our sourcing team and product development team who keep track of new products launched in the market that are sought-after by consumers, we were able to roll out new products to our customers every year in the past. During the Track Record Period, the number of products in the product portfolio for our Distribution Business increased from 187 for FY2017 to 291 for FY2018, and then to 478 for FY2019. For further details, please see “Our Distribution Business – Product Categories” and “Rollout of New Products” in this section.

We are an authorised distributor for the distribution of the majority of our products. For each of FY2017, FY2018 and FY2019, our revenue generated from the sales of products that were sourced from brand owners pursuant to general distribution agreements entered into with them and/or authorisation letters issued by them to us amounted to approximately HK\$270.2 million, HK\$389.9 million and HK\$359.3 million respectively. For further details, please see “Our Suppliers – Sourcing Channels” in this section.

In addition to our third-party brand products, we have been developing our private label health supplement products, skin care products and personal care products under our own brands. For further details, please see “Our Distribution Business – Third-party Brand Products and Private Label Products – Our Private Label Products” in this section.

Our Directors consider that we are capable of maintaining our business growth and remaining competitive in the market when we continuously expand our product portfolio with different third-party brand products and our Private Label Products, and obtain distribution rights for the former from brand owners.

### **We have a dual role in the distribution of our products**

We consider we have a dual role in the distribution of our products. On one hand, we act as a supply chain partner to our retail chain customers in helping them identify quality brands and products that meet the market trends and consumers’ needs and providing them with the relevant procurement, logistics, warehousing, quality control and marketing support. On the other hand, as a distributor, we offer the suppliers of our third-party brand products access to the strong sales networks operated by our retail chain customers.

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According to the Ipsos Report, chain retailers have a propensity for procuring products from distributors offering a diversified product portfolio in the light of the time and costs involved in the negotiations with multiple brand owners and/or distributors. Given the wide spectrum of products carried by us, it is typical for chain retailers to source from us the mix of products they require according to their respective business needs and take advantage of the convenience in procurement we offer. In addition, according to the Ipsos Report, chain retailers tend to rely on a range of services including sourcing, storage, logistics, product labelling and packaging and marketing services provided by the distributors as it is not cost-effective for them to deal with numbers of suppliers directly and perform these functions on their own. To our retail chain customers, apart from supplying products that meet the consumers' preferences and needs, we also play various important roles in their supply chains. Taking into account the product demand from our retail chain customers and the lead time from order placement to product delivery in the procurement with our suppliers, we work out product demand forecast and maintain sufficient stock level to ensure that our retail chain customers' procurement needs are well taken care of. During the Track Record Period, we engaged external logistics service providers to facilitate timely delivery of products to the warehouses or chain stores as designated by the retail chain customers from time to time. We maintain stringent quality control procedures to ascertain the quality and safety of our products before supplying to our customers. For example, in the selection of suppliers, we require the suppliers to provide us with relevant certificates, licences, permits, etc. in support of their credentials in manufacturing, distributing and/or selling of products. Further, our in-house nutritionists will review the accompanying certificates and reports regarding product quality and/or ingredients to assess if the product ingredients comply with the relevant Hong Kong laws and regulations. For further details of our quality control, please see "Quality Control" in this section. We also leverage our marketing strategies to carry out marketing activities with respect to our products by formulating media plan, building and managing product brands, advertising products, and, when and as needed, collaborating with chain retailers for different marketing campaigns. For further details of our marketing and promotion strategies, please see "Competitive Strengths – We adopt a multifaceted marketing and promotion strategy" in this section.

According to the Ipsos Report, consumers, both the local residents and tourists, who particularly look for authentic and quality products and/or better shopping experience (in terms of service and shopping environment) would have a propensity for retail chain stores as compared to traditional pharmacies. As a distributor, we open up and connect our suppliers of third-party brand products to the widespread sales networks of our retail chain customers, bringing them additional sources of revenue from such consumer groups. Apart from that, we also help our suppliers of third-party brand products take care of retailer relationship management and the distribution workflow and serve additional functions including storage, logistics, marketing and brand building.

Our Directors believe that the manifold value-adding functions we perform have made us a valued supply chain partner and distributor of our retail chain customers and our supplier of third-party brand products respectively and we will be able to cement our position going forward with the adoption of the strategies detailed in "Business Strategies" in this section.

### **We adopt a multifaceted marketing and promotion strategy**

Our Directors believe our success is attributable to our multifaceted marketing and promotion strategy which blends traditional marketing activities and the use of digital media. For our Private Label Products, we aim not only to stimulate sales but also to build the desired brand identities and images and achieve the target market positions through our marketing initiatives. As regards our third-party brand products, we generally focus on promoting the awareness of the products among the consumers taking into account the brand owners' own marketing and positioning strategies. Our Directors believe that the wide range of marketing and promotional activities performed by our Group are effective in increasing the exposure and recognition of our products and highly valued by both the third-party brand owners and our chain retailer customers, and have been instrumental in bringing about our growth since our inception.

In terms of traditional marketing activities, our Group conducts advertising in various forms, including television, newspapers, magazines and radio advertisements, posterads and featureads in trains and at train stations, and advertisements on the exterior and in the interior of buses.

As online media have significant influence on consumers' spending behaviour in recent years, we consider online marketing is an effective and efficient means for promoting our products. During the Track Record Period, we had engaged a number of key opinion leaders in Hong Kong to introduce the features of our products and share their user experience in live streams and/or by posting articles, videos and/or photos on social media. In order to broaden our PRC customer base e.g. tourists from the PRC, we had also engaged key opinion leaders in the PRC to promote our products on social media accessible to Chinese users. For example, the key opinion leaders had been invited to conduct live streams of their shopping experiences at our customers' retail chain stores featuring products sourced from us. The use of social networking platforms allows us to reach out to consumers to obtain their instant feedback on our products, which provides us with useful information when we formulate our marketing and promotion strategies and design and adjust our product portfolio to match the prevailing consumers' preference.

We have also set up a team of sales promoters in Hong Kong, with 51 members as at 31 December 2019. Our sales promoters are stationed at the chain stores operated by our chain retailer customers or the sales booths set up by us from time to time for our special product promotions. They interact with the consumers directly by providing them with advice and recommendations on product usage and selection such that the consumers can gain instant and in-depth knowledge of our products.

### **We have an experienced and dedicated management team**

Our Group is led by Mr. Wong, who is the founder of our Group, the chairman of our Board, an executive Director, the chief executive officer of our Group and one of our Controlling Shareholders. With over 20 years of experience in the healthcare and personal care products industry, Mr. Wong is responsible for the overall business strategies, planning, management and operational development of our Group. In addition, our non-executive Directors, who will participate in formulating the corporate and business strategies of our Company, have 14 to 25 years of experience or above in the relevant industries and are currently or had been members of the senior management of various chain retailers. In particular, Ms. Chong Yah Lien is currently the deputy general manager of the Financial Administration Department of CR Pharmaceutical and Mr. Yao Qingqi is the general manager of CR Care. Mr. Ng Wang Yu Gary had served

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as the managing director of Watsons Hong Kong cum Fortress Hong Kong and the managing director of PARKnSHOP (HK) Limited, and Ms. Li Ka Wa Helen had held the position of the chief executive officer of Mannings Hong Kong & Macau in The Dairy Farm Company Limited.

According to the Ipsos Report, having a well founded network with retailers is always crucial to the distributors and may constitute one of the entry barriers for the PCM and health supplement distribution industries. Given the experience and business connection of our management team in the relevant industries including among others Mr. Wong, albeit our relatively short operating history, our Group was able to break the entry barriers and poised to commence our Distribution Business and conduct it on a sizeable scale shortly after the establishment of our Group, and has been able to establish and maintain sound business relationships with renowned brand owners, manufacturers and chain retailers in Hong Kong and benefited from the associated business opportunities.

We believe that the years of experience working at chain retailers and the in-depth management, financial and accounting knowledge and experience of our current management team will help us effectively formulate and implement efficacious business strategies, carefully evaluate and manage operational risks, accurately anticipate changes in the industry, and promptly capture market opportunities.

For further details of our Directors and senior management, please see “Directors and Senior Management” in this prospectus.

### **BUSINESS STRATEGIES**

In our business operation and development, we endeavour to pursue excellence in (i) supply chain and retail management, where we aim to become the distributor of choice of our suppliers with well-established and effective distribution channels and the supplier of choice of our customers offering a comprehensive suite of products that are sought-after by consumers; and (ii) brand management, where we strive to make the brands of our third-party brand products and our Private Label Products known to the consumers through our sales and marketing strategies with a view to maximising the market share of our products.

To further expand our business and increase our market share, and to achieve our mission and business objectives, we plan to implement the following strategies:

**(A) Further Developing Our Supply Chain and Retail Management by:**

**(i) increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions**

As a provider of a wide range of health and well-being related products, our Group aims to enhance the efficiency of market penetration of our products by increasing their accessibility and availability to consumers through the following measures:



### *Expanding our Distribution Business to the PRC*

According to the Ipsos Report, the increasing purchasing power of people in the PRC, especially in the Guangdong-Hong Kong-Macao Greater Bay Area, together with the improving living standard and increasing health awareness, drove up the PRC's healthcare expenditure per capita from approximately RMB2,326.8 in 2013 to RMB4,148.1 in 2018, rising at a CAGR of 12.3% during such period. In seizing such opportunities, we commenced our cross-border e-commerce business for the sales of our products from Hong Kong to the PRC during the Track Record Period.

Supported by the increasing demand for healthcare products and based on our past success in Hong Kong, we intend to explore the potential expansion of our Distribution Business to the PRC by supplying certain of our products to the PRC market on an offline basis.

As disclosed in "Pre-IPO Investments – Strategic Cooperation Agreement" in this prospectus, we have entered into the Strategic Framework Cooperation Agreement with Pre-IPO Investor A, a wholly-owned subsidiary of CR Pharmaceutical (stock code: 3320), a company whose shares are listed on the Main Board of the Stock Exchange which became our substantial Shareholder upon completion of Pre-IPO Investment A. CR Pharmaceutical is a leading integrated pharmaceutical company which has developed into one of the five largest pharmaceutical manufacturers and one of the three largest pharmaceutical distributors in the PRC, and operated over 840 retail pharmacies in the PRC, as reported in its interim report for FY2019. Pursuant to the Strategic Framework Cooperation Agreement, the parties have agreed to collectively explore the business opportunities regarding offline sales of our Group's products to the PRC market whereby Pre-IPO Investor A shall be responsible for procuring and assisting in obtaining all necessary filings, approvals and/or registrations from the relevant government agencies, and our Group shall be responsible for procuring and obtaining the distributorships or sales rights of new products in the PRC. In addition, it is expected that Pre-IPO Investor A would provide assistance in facilitating the sales of our products by leveraging the network of CR Pharma Group in the PRC.

We have entered into an agreement with a wholly-owned subsidiary of CR Pharmaceutical regarding the establishment of a joint venture ("JV") with CR Pharma Group as a majority shareholder (holding 70% of the equity interest) and our Group holding a minority stake (being 30% of the equity interest). The JV, which will be established in the PRC and, through itself or its subsidiary, is expected to obtain a food business permit and a pharmaceutical trade licence within FY2020 without material legal impediments as foreseen by our PRC Legal Advisers. Please see "Appendix III – Regulatory Overview – PRC – Conducting Distribution Business in the PRC" in this prospectus for further details regarding, among others, such permit and licence. As a buyer of healthcare and other related products, the JV will leverage the network of CR Pharma Group to distribute, among others, our products in the PRC. The formation of the JV is, therefore, seen as our springboard to the PRC market where our Group would benefit from an additional sales channel to the PRC market which has shown growth potential. In expanding our Distribution Business to the PRC by supplying certain of our products to the JV on an offline basis, our Group will have (i) a broadened revenue base as well as (ii) entitlements

to a share of profits or losses made by the JV, according to our shareholding in the JV, as a result of its business to distribute, among others, our products in the PRC. The operations of the JV (including procurement and sales) are expected to be run by CR Pharma Group, and our Group would be a principal supplier to the JV.

We intend to apply approximately 2.0% of the net proceeds from the Global Offering to finance our initial contribution to the JV and any shortfall of our requisite initial contribution will be financed by our internal resources.

### ***Further developing and optimising our cross-border e-commerce business***

Our Directors believe the Internet provides a platform through which we could reach consumers across the border and sell our products to our customers on a business-to-customer basis. According to the Ipsos Report, e-commerce is a sales channel that is rapidly growing in China. The retail sales by way of e-commerce in the PRC grew from RMB1,863.6 billion in 2013 to RMB9,006.5 billion in 2018, rising at a CAGR of 37.0%. We intend to set up more online stores targeting consumers in the PRC at various popular e-commerce portals in the PRC, such as JD.hk (海囤全球 京東旗下全球直購平台), kaola.com (網易考拉) and youzan.com (有贊) while at the same time further develop and optimise our online stores by conducting additional marketing and promotional activities on the Internet, paying for more favourable screen space on the relevant e-commerce portals, and adopting other search engine optimisation measures so as to increase the visibility and web traffic of our online stores to consumers and capture a wider customer base. In this regard, we intend to apply approximately 1.0% of the net proceeds from the Global Offering for setting up new online stores and further developing and optimising our online stores by engaging in the above measures in increasing their visibility and web traffic.

### ***Expanding our offline sales to other non-chain retailers in Hong Kong through acquisition of a local distributor or trader with an established customer base***

During the Track Record Period, over 83.0% of our total revenue was generated from the sales of our products to chain retailers. With an aim to further expanding our sales channels to non-chain retailers of our products, such as pharmacies, in Hong Kong, we intend to acquire a local distributor or trader with an established customer base of non-chain retailers for PCM, health supplement, skin care, personal care and/or other health or well-being related products in Hong Kong, such that we will have instant access to the existing customer base of such distributor or trader upon acquisition. When evaluating the acquisition target, we primarily take into account the existing customer base and distribution network of the target, the types, number and reputation of the brands of health and well-being related products distributed by the target, the potential synergy with our Group and market potential of the business of the target. As at the Latest Practicable Date, we had not engaged in any negotiation or entered into any letter of intent or agreement for such acquisition nor identified any definite acquisition target. Our Directors estimate that the total investment cost for such acquisition would represent the entire equity value of the target or part of such value that would give us the majority control of its decision making, which amount of value depends on, among others, the scale of operations of the target, its business prospects and the outcome of commercial negotiations with the vendor of the target. In this regard, we intend to apply approximately 7.0% of the net proceeds from

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the Global Offering for the potential acquisition. Any shortfall of the estimated investment cost will be funded by our internal resources and bank loans. Further, we will ensure that we will comply with the applicable Listing Rules in relation to the potential acquisition.

**(ii) broadening product selection by introducing new third-party brand products and developing new Private Label Products for our customers**

We believe that our success largely depends on our ability to source and sell new products that can meet our selection criteria, consumer preferences and changing market demands. Our management considers that the continued supply of new and quality products is an important factor in retaining our customer base, which contributes to our success.

The increase in health consciousness and modern lifestyle have prompted consumers in Hong Kong to purchase and consume more health supplement products. The consumption expenditure on medical care and health expenses increased from approximately HK\$63.6 billion in 2013 to HK\$96.5 billion in 2019 at a CAGR of 7.2%, according to the Ipsos Report. Given the rising expenditure on medical care and health expenses, we expect that the demand for health supplement products will further increase in Hong Kong and China. In view of that, we plan to expand our portfolio of third-party brand products and Private Label Products by introducing and developing new health supplement products under our existing and new product lines.

In addition, according to the Ipsos Report, the sales value of the skin care and personal care product distribution industry in Hong Kong is expected to rise from approximately HK\$35.9 billion in 2019 to HK\$38.7 billion in 2022, representing an estimated CAGR of 2.5%, and the skin care and personal care product distribution industry in Hong Kong is highly fragmented containing a large number of distributors with no dominant player. Given (i) the significant size of the distribution industry of the skin care and personal care products as compared with that of the PCM and health supplements in Hong Kong and the high degree of fragmentation of the industry, which leave us with considerable room for business expansion; (ii) our revenue generated from the sales of skin care products only accounted for approximately 4.6%, 5.8% and 5.6% of our total revenue for FY2017, FY2018 and FY2019 respectively whereas our revenue generated from the sales of personal care products only accounted for approximately 3.3%, 3.0% and 3.0% of our total revenue for the same years; and (iii) our established business relationships with our chain retailer customers and our sound track record of helping them in identifying quality brands and products that meet the market trends and consumers' needs, our Directors consider that there is a significant growth potential in the skin care and personal care distribution market and we will therefore devote more resources to these product categories and enrich our product offerings by introducing new skin care and personal care products sourced from third-party brand owners. To this end, we intend to add, among others, a range of Japanese skin care products, mosquito repellents from Thailand and sunscreens from Australia to the list of products carried by us in our Distribution Business. That way, we will have a more balanced and complete product portfolio, which our Directors believe will further strengthen our capability and competitiveness as a provider of health and well-being related products and promote our suppliers' and chain retailer customers' confidence in us as their distributor and supply chain partner respectively.

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In view of the ageing population in Hong Kong and China and the relaxation of the one child policy in China since October 2015, the new third-party brand products and Private Label Products to be launched by us will include prenatal care products and products that cater to the needs of infants and the elderly.

In this regard, we intend to apply approximately 5.0% of the net proceeds from the Global Offering for introducing new health supplement, skin care and personal care products sourced from third-party brand owners and approximately 5.0% of the net proceeds from the Global Offering for developing new health supplement products under our own brands, both including the initial purchase of inventories and the related marketing efforts in the promotion of these new products, as follows:

	<b>As regards third-party brand products</b> <i>HK\$ million</i>	<b>As regards Private Label Products</b> <i>HK\$ million</i>
Market research expenses	0.6	1.3
Expansion of our sourcing team	2.2	–
Expansion of our product development team	–	2.2
Advertising and promotion expenses for initial product launch	3.1	3.5
Enhancing brand awareness of our Private Label Products (e.g. engaging spokespersons)	–	1.3
Initial purchase of inventories	5.6	3.2
<b>Total</b>	<b>11.5</b>	<b>11.5</b>

**(iii) Enhancing enterprise resources planning, customer relationship management and warehouse management through the application of information technology and the upgrade of our systems**

Our Directors believe that an advanced and effective information technology system is crucial for improving operational efficiency, controlling and reducing operating costs and achieving higher profitability. Therefore, as we grow our business, we will upgrade our information technology system in a number of ways to make sure that it could provide us with the support we require and accommodate and facilitate our future business development.

We intend to acquire a new enterprise resources planning (**ERP**) system, which refers to a suite of software that may be used to manage the day-to-day business activities of an organisation, such as accounting, procurement, project management, risk management and compliance, and supply chain operations, and also to plan, budget, predict, and report on the organisation's financial results. An ERP system ties together different business processes and enables the flow of data between them and ensures the integrity of transactional data collected from multiple sources. Given our strategy to expand our sales and distribution channels and business operations progressively, we believe a new ERP system will help optimise our operational efficiency.

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We will also apply information technology in customer relationship management with a view to fostering long-lasting relationships with our customers in the Retail Business. Particularly, our Group intends to develop a mobile application mainly for use by the customers in our Retail Business for the purpose of building customer loyalty. Through the mobile application, our customers will be able to receive the latest information about the targeted offers from us and other forms of sales promotion conducted by us. In addition, we plan to set up a customer loyalty programme through our mobile application where our customers can obtain rewards points for every registered purchase. We believe that the above forms of customer engagement will not only stimulate sales of our products, but can also help enhance the bonding between our customers and us. Moreover, the mobile application will enable us to collect further information about the demographics, preference and spending patterns of our customers, such that we can formulate product, marketing and promotion strategies that meet our customers' demand and expectations through further analysis. In such ways, customer loyalty could be accomplished, thereby boosting repeated purchases and promoting our revenue.

To cope with the expansion of our distribution network in Hong Kong, we intend to implement an improved warehouse operation model by upgrading the warehouse management system for our warehouses located in Shatin and Fanling. The upgraded system will help us control and administer our warehouse operations from the time products are stored until they are moved out. We will be able to achieve automation of the stock receipt and registration and product picking procedures through the system. It will also provide us with easy access to information about the products stored, including their arrival dates and shelf lives so that we could take necessary actions in time where we are having insufficient or an overstock of products, and allow us to track product delivery so as to ensure that our products are delivered to our customers in accordance with the schedule as promised. As such, the system will help enhance our warehouse management efficiency.

In this regard, we intend to apply approximately 2.0%, 2.0% and 1.0% of our net proceeds from the Global Offering to acquire a new ERP system, develop the mobile application mainly for use by the customers in our Retail Business and upgrade our warehouse management system in Hong Kong, respectively.

### **(B) Further Investing in Our Brand Management to Increase Mass Awareness of Our Group and Our Products**

We plan to expand our marketing efforts through different marketing means to enhance the awareness of our Private Label Products by formulating a comprehensive marketing plan which covers a range of marketing initiatives to be taken not only to stimulate sales but also to build the desired brand identities and images and achieve the target market positioning. In order to reach out to more customers of diversified spectrum and further strengthen the brand recognition and competitiveness of our Private Label Products, we plan to restage and relaunch some of our existing Private Label Products under the brand "Boost & Guard (BG博健科研)" with a refreshed image given it was our best-selling brand of Private Label Products in FY2018.

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For our third-party brand products, we plan to promote the awareness of the products among the consumers and enhance the sales of these products through marketing by further promoting them through social media platforms such as Facebook, YouTube and Google and engagement of key opinion leaders while at the same time making sure that the activities conducted by us are in line with the brand owners' own marketing and positioning strategies.

We also plan to strengthen our marketing and promotion efforts to promote the mass awareness of our Group as a provider of health and well-being related products under the brand "TYCOON". As we conduct marketing and promotional activities in respect of our third-party brand products and Private Label Products, we will put a stronger emphasis on our identity as the seller and distributor and our brand. For example, we will seek to convey the above message in the advertisements to be placed by us on television, in the printed media and social media and through outdoor billboards, and will set up branded gondola ends of our most popular third-party brand products and Private Label Products at the POS of our chain retailer customers under the brand "TYCOON". We believe such initiatives will effectively increase our brand presence and enhance our brand image.

Furthermore, we will diversify our marketing and promotional activities with the adoption of online marketing, including search engine marketing.

In this regard, we intend to apply approximately 8.0% and 7.0% of our net proceeds from the Global Offering to implement the marketing and promotional activities in respect of our Private Label Products and third-party brand products respectively.

### OUR DISTRIBUTION BUSINESS – PRODUCT CATEGORIES

Our Distribution Business is our major operating segment, which accounted for over 95.0% of our total revenue during the Track Record Period.

Set forth below is an analysis of our revenue from our Distribution Business by product categories with the number of products contributing thereto respectively during the Track Record Period:

Products	FY2017			FY2018			FY2019		
	Revenue <i>HK'000</i>	% of total revenue %	Number of products	Revenue <i>HK'000</i>	% of total revenue %	Number of products	Revenue <i>HK'000</i>	% of total revenue %	Number of products
PCM	219,347	59.9	71	293,816	42.4	85	267,377	38.2	117
Health supplement	85,143	23.2	49	261,109	37.7	117	287,523	41.0	203
Skin care	17,020	4.6	21	40,133	5.8	33	39,482	5.6	56
Personal care	11,953	3.3	25	20,971	3.0	33	21,183	3.0	45
Other healthcare	32,960	9.0	21	57,362	8.3	23	51,377	7.4	57
<b>Distribution</b>									
Business revenue	<u>366,423</u>	<u>100.0</u>	<u>187</u>	<u>673,391</u>	<u>97.2</u>	<u>291</u>	<u>666,942</u>	<u>95.2</u>	<u>478</u>

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*Note:* A “**product**” refers to an article or substance that is manufactured for sale. A “**brand**” denotes the type of products manufactured under a particular name, and an “**SKU**”, the acronym for “stock keeping unit”, is the unique identifier for each distinct form in which a product can be purchased. Accordingly, various products may be manufactured under the same brand, and a product may be packaged, stored and sold in more than one SKU.

During the Track Record Period, our revenue was mainly generated from the sales of PCM and health supplement products. Sales of health supplement products grew substantially during the Track Record Period. For the first time, our revenue from the sales of health supplements exceeded our revenue from the sales of PCM in FY2019.

Our Directors confirm that we had obtained all the licences required under the applicable laws and regulations for the sales and distribution of our products in our Distribution Business throughout the Track Record Period and as at the Latest Practicable Date. For further details, please see “Licences, Permits and Approvals” in this section.

### **PCM Products**

Our PCM products are proprietary Chinese medicines as defined in the Chinese Medicine Ordinance. They are proprietary products composed solely of any Chinese herbal medicines (as specified in Schedule 1 or 2 to the Chinese Medicine Ordinance) or any materials of herbal, animal or mineral origin customarily used by the Chinese as active ingredients. In addition, such products must be formulated in a finished dose form, and known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body.

Our PCM products generally take the forms of pills, tablets, powders and soft capsules for oral intake. For example, some of our most notable PCM products help ease coughs, menstrual disorders, cardiovascular problems or fever, cold and diarrhoea. The products generally have a shelf life of two to five years.

### **Health Supplement Products**

Our health supplement products contain substances that may be taken to supplement the diet with additional nutrients and generally take the forms of pills, tablets or liquids for oral intake. For example, some of our most notable health supplement products serve to enhance the growth and development of foetus, infants and children or lessen neck and shoulder pain. The products generally have a shelf life of two to three years.

### **Skin Care Products**

Our skin care products are a range of products which enhance or alter appearance and skin conditions and generally take the form of creams, gel or lotions for external application. Our most notable skin care products include, among others, creams and lotions which provide soothing relief to dry, sensitive, eczema-prone skin or help repair rough, cracked, calloused hands, and a gel-type makeup remover and facial cleanser. The products generally have a shelf life of two to three years.

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### Personal Care Products

Our personal care products include various types of products for external use for maintenance of personal hygiene or bodily comfort, such as shampoos, body washes, mouthwashes and foot patches. The products generally have a shelf life of two to three years.

### Other Healthcare Products

We also offer other healthcare products in our Distribution Business which do not fall within any of the above categories, including but not limited to other traditional Chinese health products which do not fall within the definition of PCM under the Chinese Medicine Ordinance. Our most notable products under the other healthcare products category include Chinese medicated oils which may be applied externally to ease bone pain, and reishi spore capsules for oral intake which may help enhance the immune system. Other products include, among others, powders for oral intake to alleviate headache, toothache, fever and influenza. The products generally have a shelf life of two to three years.

### OUR DISTRIBUTION BUSINESS – THIRD-PARTY BRAND PRODUCTS AND PRIVATE LABEL PRODUCTS

In respect of our Distribution Business, our product portfolio is divided into two broad categories: (i) third-party brand products, supplied to us primarily by brand owners, distributors and traders; and (ii) Private Label Products, supplied to us primarily by manufacturers on an ODM basis.

Set forth below is an analysis of our revenue from our Distribution Business dividing between the third-party brand products and our Private Label Products with the number of brands contributing thereto respectively during the Track Record Period:

	FY2017			FY2018			FY2019		
	Revenue	% of total revenue	Number of brands	Revenue	% of total revenue	Number of brands	Revenue	% of total revenue	Number of brands
	HK\$'000	%		HK\$'000	%		HK\$'000	%	
Third-party brand products	357,673	97.6	74	648,861	93.6	100	640,083	91.3	112
Private Label Products	8,750	2.4	10	24,530	3.6	8	26,859	3.9	8
<b>Distribution Business revenue</b>	<b>366,423</b>	<b>100.0</b>	<b>84</b>	<b>673,391</b>	<b>97.2</b>	<b>108</b>	<b>666,942</b>	<b>95.2</b>	<b>120</b>

For FY2019, over 91.0% of our total revenue was attributable to 112 brands of our third-party brand products whilst less than 4.0% of our total revenue was attributable to eight brands of our Private Label Products.



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### Top 10 Products

Set forth below are our top 10 products in our Distribution Business for each year during the Track Record Period:

Product	Product category	Exclusive distribution rights (to specified chain retailers) <sup>(1)</sup>	Ranking in terms of revenue			FY2017					FY2018					FY2019				
			FY2017	FY2018	FY2019	Revenue HK\$ million	Sales volume thousand pieces	Average selling price <sup>(2)</sup> HK\$	Gross profit HK\$ million	Gross profit margin %	Revenue HK\$ million	Sales volume thousand pieces	Average selling price <sup>(2)</sup> HK\$	Gross profit HK\$ million	Gross profit margin %	Revenue HK\$ million	Sales volume thousand pieces	Average selling price <sup>(2)</sup> HK\$	Gross profit HK\$ million	Gross profit margin %
1. Product A	PCM	Yes	1	1	2	49.3	332	148.6	20.2	41.0	65.2	416	156.7	27.7	42.5	49.8	337	147.8	18.0	36.1
2. Product B	PCM	Yes	2	3	5	35.3	107	328.2	4.7	13.3	41.1	126	326.8	5.1	12.4	25.7	82	313.4	2.2	8.6
3. Product C	Health supplement	-	3	2	1	31.6	248	127.4	9.1	28.8	51.6	424	121.7	14.8	28.7	55.0	456	120.6	15.5	28.2
4. Product D	PCM	Yes	4	6	8	31.5	124	254.8	7.5	23.8	27.3	95	286.8	6.6	24.2	18.6	64	290.6	4.5	24.2
5. Product E	PCM	-	5	4	4	21.9	515	42.4	5.4	24.7	30.5	707	43.1	5.1	16.7	30.2	724	41.7	3.8	12.6
6. Product F	PCM	Yes	6		10	16.3	255	63.9	6.6	40.5					14.6	188	77.7	5.1	34.9	
7. Product G	PCM	Yes	7	5	6	13.3	587	22.7	1.3	9.8	28.7	1,254	22.9	3.5	12.2	24.4	1,123	21.7	1.1	4.5
8. Product H	Health supplement	Yes	8			9.3	103	90.2	3.2	34.4										
9. Product I	PCM	-	9			8.5	30	284.5	3.3	38.8										
10. Product J	Skin care	-	10			8.5	71	118.8	1.7	20.0										
11. Product K	Health supplement	-		7	7						26.5	184	144.0	9.1	34.3	23.8	183	130.1	8.3	34.9
12. Product L	Health supplement	-		8	3						26.1	178	146.5	5.6	21.5	31.8	227	140.1	8.0	25.2
13. Product M	Health supplement	-		9	9						17.6	155	114.1	5.8	33.0	17.5	168	104.2	6.0	34.3
14. Product N	Health supplement	Yes		10							17.4	69	250.6	9.5	54.6					
<b>Top 10 total</b>						<b>225.5</b>					<b>332.0</b>					<b>291.4</b>				
<b>Our total revenue</b>						<b>366.5</b>					<b>693.3</b>					<b>700.8</b>				
<b>% of our total revenue</b>						<b>61.5%</b>					<b>47.9%</b>					<b>41.6%</b>				

#### Notes:

- (1) During the Track Record Period, we had been appointed as the exclusive or designated distributor in relation to the distribution of Products A, B, D, F, G, H and N to the specified chain retailers. For further details of the distribution arrangements, please see “Our Suppliers – Sourcing Channels” in this section.
- (2) Revenue generated from the sales of the products divided by sales volume

As a result of our broadened product portfolio in terms of number of products offered during the Track Record Period, the proportion of our revenue attributable to top 10 products decreased from approximately 61.5% of our total revenue for FY2017 to 41.6% of our total revenue for FY2019. There was no revenue generated from one single product that exceeded 10% of our total revenue for FY2019.

Each of our top 10 products in each year is our third-party brand product and none of them is our Private Label Product. Thanks to our broadened product portfolio, seven out of our 10 top products in FY2017 remained our top 10 products in FY2019 whilst the remaining three products (one PCM product, one health supplement product and one skin care product) in FY2017 ranked outside our top 10 products in FY2019, two of which were replaced by health supplement products.

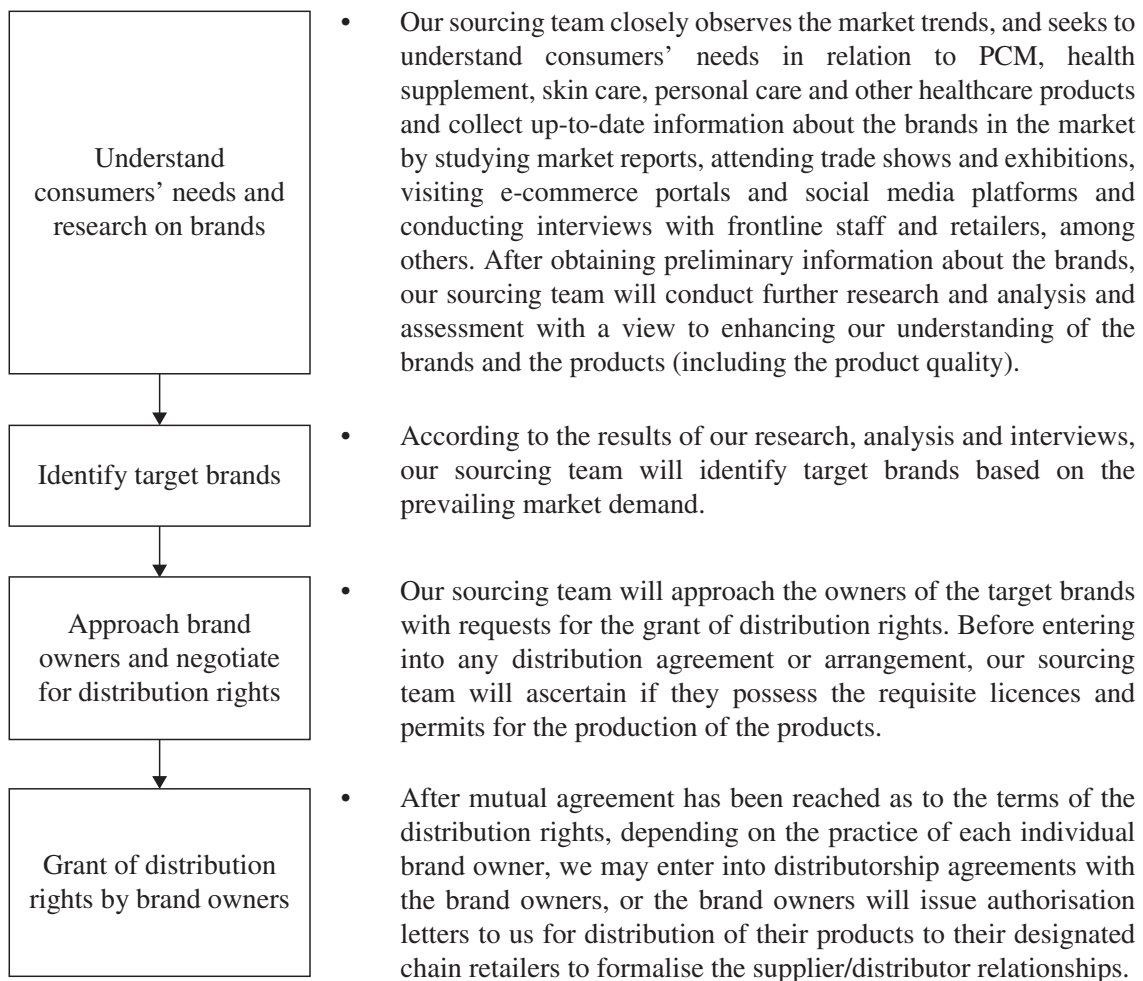
Our Directors confirm that there was no change in the selling price of any of our products that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

### **Our Third-party Brand Products**

Our third-party brand products are products bearing the brands of third-party brand owners and sourced by our Group for distribution in our Distribution Business, which include PCM, health supplement, skin care, personal care and other healthcare products.

#### ***Development Process for Our Third-party Brand Products***

We continuously collect up-to-date information about different brands of PCM, health supplement, skin care, personal care and other healthcare products in the market through market research and analysis and attending trade shows and exhibitions regularly. The following diagram illustrates the process adopted by us in the identification and selection of new suppliers for our third-party brand products:



Some of Our Third-Party Brand Products



**Tai Wo Tung Cough Pills (太和洞久咳丸)**  
A PCM product for relieving cough  
and reducing sputum  
Sourced from a brand owner in Hong Kong



**Baby Ddrops Liquid Vitamin D<sub>3</sub>**  
A health supplement product  
containing vitamin D<sub>3</sub> for babies  
Sourced from a brand owner in Canada



**Yianning Pills (益安寧丸)**  
A PCM product for invigorating qi and  
promoting blood circulation;  
strengthening liver and kidney function;  
and nourishing and soothing the mind  
Sourced from a brand owner in Hong Kong



**Nordic Naturals Baby's DHA**  
A health supplement product  
containing DHA and Omega 3  
Sourced from a brand owner in the United States



**Po Chai Pills (保濟丸)**  
A PCM product for relieving, vomiting,  
diarrhoea and gastrointestinal discomforts, etc.  
Sourced from a brand owner in Hong Kong



**California Baby Calendula Cream**  
A skin care product for soothing  
and moisturising skin  
Sourced from a brand owner in the United States

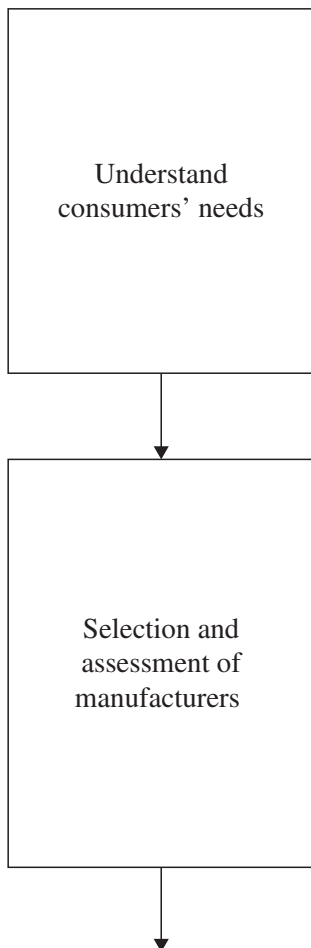
### **Our Private Label Products**

With a vision of establishing our own brands of products, we have engaged independent manufacturers to develop and produce our Private Label Products on an ODM basis. We conceptualise the products to be launched based on our understanding of the market trends and demand and consumers' needs. We then engage the manufacturers to design and manufacture the products based on the product concept formulated by us and presented to them. The manufacturers shall own the intellectual rights in respect of the product formulas and production methods provided by them, and it is agreed that the manufacturers shall have the rights to apply for patents for the technologies invented in connection with the production of the products. We, on the other hand, are entitled to sell such products under our own brand names and to register trademarks for such purpose.

Our Private Label Products are mostly health supplement products. We have registered or made applications for registration of the trademarks for all of our Private Label Products.

#### ***Development Process for Our Private Label Products***

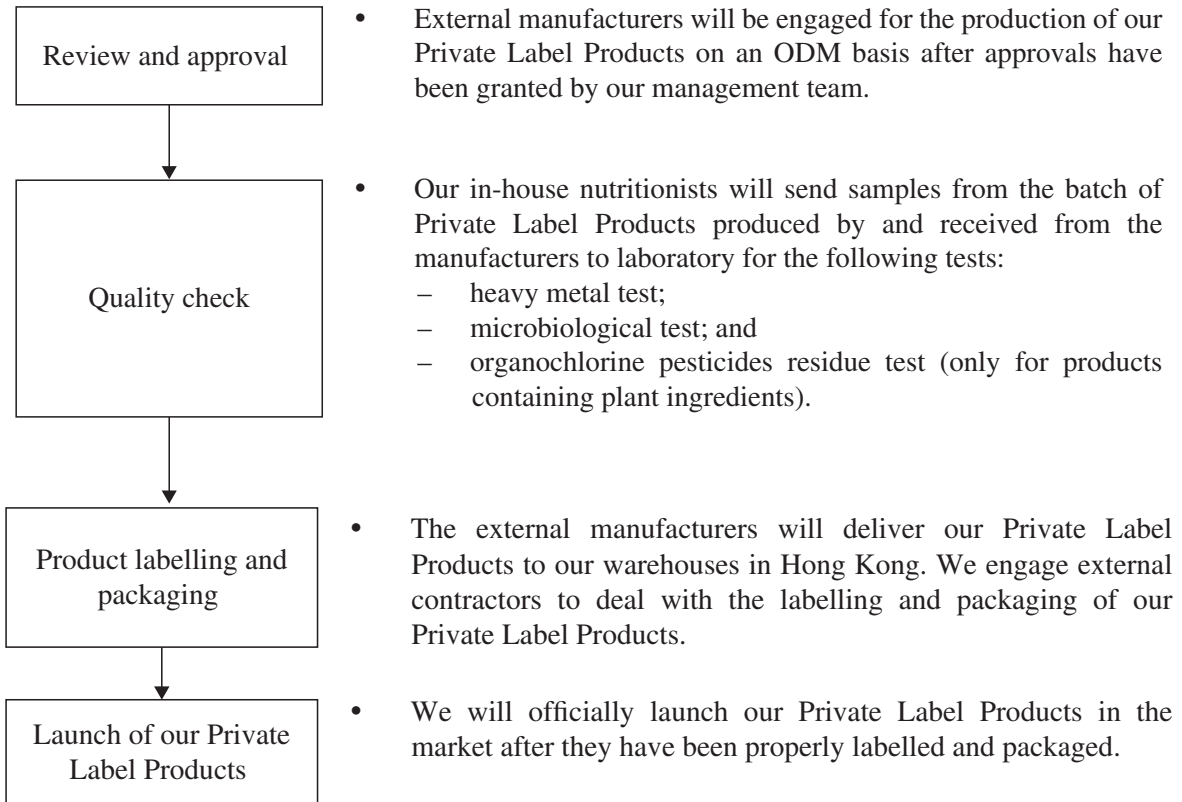
Our product development team closely observes the market trends, and seeks to understand consumers' needs in relation to health supplement, skin care, personal care and other healthcare products through market research and analysis. The following diagram illustrates the process adopted by us in the development of our Private Label Products:



- Our product development team closely observes the market trends and demand, and seeks to understand consumers' needs in relation to health supplement, skin care, personal care and other healthcare products through market researches and analyses (including, among others, studying market reports, attending trade shows and exhibitions, visiting e-commerce portals and social media platforms and conducting interviews with frontline staff and retailers). Based on our understanding of consumer's expectations as to product functions and effectiveness, we will identify suitable external manufacturers for the production of our Private Label Products on an ODM basis.

- We will consider and assess the potential manufacturers by collecting information about their corporate background and reputation in the industry and inspecting their production facilities during site visits. The potential manufacturers will also be requested to provide the certificates, licences, permits and all other supporting documents in respect of their credentials. For further details, please see "Our Suppliers – Selection Criteria for Manufacturers of Our Private Label Products" in this section. Our in-house nutritionists will review the certificates and reports regarding product quality, efficacy and ingredients to assess if the products (including their ingredients) comply with the relevant laws and regulations.

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### Some of Our Private Label Products



#### **Boost & Guard Anti-aging Probiotics (BG博健科研水肌益生菌)**

A health supplement product containing hyaluronic acid producing probiotics, and blueberry, pu'er tea and walnut extract  
Manufactured in Taiwan



#### **Wakan Japanese Probiotics (Advanced Formula) (和漢日本多元益生菌(強效版))**

A health supplement product containing multiple strains probiotics and prebiotics  
Manufactured in Japan



**Kinmen Qiangxiao I-Tiao-Gung Plaster**  
(金門強效一條根精油貼布)

An other healthcare product for easing joint and muscle pain and soothing stiff joints  
Manufactured in Taiwan



**Angitore Knee Pad**  
(炎之妥除膝痛)

A personal care product for relieving knee pain  
Manufactured in Taiwan

## ROLLOUT OF NEW PRODUCTS

Armed with well founded retail distribution channels through our chain retailer customers in Hong Kong, we are well positioned to achieve growth in our business through rolling out new products that are sought-after by consumers. We have placed great emphasis on identifying and sourcing or developing for our customers third-party brand products and Private Label Products that meet the market trends and consumers' needs. We believe the foregoing strategy is central to the significant growth of our Group since our inception.

Our sourcing team and product development team ascertain the prevailing market trends and consumers' needs through market researches and analyses, for example, studying market reports, attending trade shows and exhibitions, visiting e-commerce portals and social media platforms and conducting interviews with frontline staff and retailers. Based on the information obtained and the results of further researches and analyses, our sourcing team and product development team make recommendations to the management as to the brands, products and SKUs which our Group may source from brand owners or engage external manufacturers to produce on an ODM basis.

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Set forth below is an analysis of how the products rolled out each year (i.e. sold by us for the first time in our Distribution Business) contributed to our revenue in that year and each subsequent year during the Track Record Period, including the amount of revenue generated and the number of products which were or remained revenue-generating (as the case may be) in the relevant year:

	FY2017			FY2018			FY2019		
	Revenue	% of total revenue	Number of products	Revenue	% of total revenue	Number of products	Revenue	% of total revenue	Number of products
	HK\$'000	%		HK\$'000	%		HK\$'000	%	
Products rolled out in:									
– FY2015 <sup>(Note)</sup>	224,978	61.4	61	273,746	39.5	56	212,826	30.4	49
– FY2016	90,110	24.6	57	144,623	20.9	48	117,766	16.8	48
– FY2017	51,335	14.0	69	153,234	22.1	59	130,690	18.6	55
– FY2018				101,788	14.7	128	155,308	22.2	105
– FY2019							50,352	7.2	221
<b>Distribution</b>									
<b>Business revenue</b>	<u>366,423</u>	<u>100.0</u>	<u>187</u>	<u>673,391</u>	<u>97.2</u>	<u>291</u>	<u>666,942</u>	<u>95.2</u>	<u>478</u>

*Note:* It was the year when our Group was founded.

Set forth below is a further analysis by product categories of our revenue generated from the sales of products rolled out in our Distribution Business each year during the Track Record Period and the corresponding number of revenue-generating products (i.e. the bracketed figures in the table above):

Products	FY2017			FY2018			FY2019		
	Revenue from new products	% of total revenue	Number of products	Revenue from new products	% of total revenue	Number of products	Revenue from new products	% of total revenue	Number of products
	HK\$'000	%		HK\$'000	%		HK\$'000	%	
PCM	18,625	5.1	15	13,190	1.9	21	8,550	1.2	38
Health supplement	19,334	5.3	23	75,297	10.9	74	27,813	4.0	98
Skin care	5,635	1.5	12	10,240	1.5	20	6,649	0.9	30
Personal care	1,871	0.5	13	1,319	0.2	10	1,137	0.2	17
Other healthcare	5,870	1.6	6	1,742	0.2	3	6,203	0.9	38
	<u>51,335</u>	<u>14.0</u>	<u>69</u>	<u>101,788</u>	<u>14.7</u>	<u>128</u>	<u>50,352</u>	<u>7.2</u>	<u>221</u>

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### **Our Revenue Growth During the Track Record Period**

During the Track Record Period, the total revenue of our Group increased from approximately HK\$366.5 million for FY2017 to HK\$700.8 million for FY2019, registering a CAGR of 38.3%. Our Directors believe our growth was primarily attributable to:

- (i) *our ability to identify and source a broad range of new products that met the prevailing market trends and demand of consumers*

With an aim to keeping our product portfolio relevant to the market needs, we rolled out new products to our customers throughout the Track Record Period. For FY2017, FY2018 and FY2019, we had rolled out 69, 128 and 221 new products in our Distribution Business, which generated revenue in the amount of approximately HK\$51.3 million, HK\$101.8 million and HK\$50.4 million respectively. The sales of new products in our Distribution Business contributed approximately 32.3% and 33.2% of the overall increase in our revenue from the Distribution Business as compared with the corresponding prior year for FY2017 and FY2018 respectively. For FY2019, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$50.4 million, representing 7.2% of our total revenue. Among all product categories, during each year in the Track Record Period, our health supplement products recorded the largest amount of additional revenue generated from the sales of new products in our Distribution Business and contributed to approximately 37.7%, 74.0% and 55.2% of such additional revenue for FY2017, FY2018 and FY2019 respectively.

From time to time, we approach brand owners and other suppliers in relation to our new product rollout plan based on the findings and recommendations of our sourcing team and product development team. We have been receiving favourable responses from our suppliers as they may wish to leverage the widespread network of POS of our chain retailer customers to achieve efficiency in the distribution of their products and scale up sales. As such, we had been able to launch a broad range of new products that met the prevailing market trends and demand of consumers and thus kept our product portfolio in line with the market needs during the Track Record Period; and

- (ii) *our ability to sustain and scale up the sales of our existing products rolled out in previous years*

For FY2017, FY2018 and FY2019, our revenue generated from the sales of existing products, i.e. products rolled out in any of the previous years, in our Distribution Business amounted to approximately HK\$315.1 million, HK\$571.6 million and HK\$616.6 million respectively, representing a CAGR of 39.9%. The increase in the sales revenue of the existing products in our Distribution Business accounted for approximately 67.7% and 66.8% of the overall increase in our revenue from the Distribution Business for FY2017 and FY2018 respectively. For FY2019 where our revenue growth momentum was adversely affected by the Social Unrest in Hong Kong during the second half of FY2019, our total revenue increased only by approximately HK\$7.5 million or 1.1% and our revenue from the sales of our existing products decreased by HK\$56.8 million or 8.4%. Taking the products we rolled out in FY2017 as an example, the sales revenue of such products in our Distribution Business was approximately HK\$51.3 million in FY2017, the year of rollout, and subsequently increased to HK\$130.7 million in FY2019, representing a CAGR of 59.6%.



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As illustrated by the figures above, the increase in sales of our existing products was the chief contributor to our overall revenue growth during the Track Record Period. There tends to exist an expansion phase as we roll out new products, which is characterised by continued growth in sales in the years subsequent to introduction. As our products had been rolled out at different points of time during a year, they were first sold on a full-year basis only in the immediately following year; as such, the sales growth had been partially attributable to the full-year effect. Apart from that, our Directors believe the growth trend and the existence of the expansion phase had also been driven by the following factors:

- (a) our efforts to increase the market penetration of our existing products by promoting them to other chain retailer customers based on the sales track record during the initial phase;
- (b) the increased brand and product awareness of our existing products among the consumers resulting from the marketing and promotional initiatives undertaken by us on a continuing basis;
- (c) the scale-up of purchases by our existing chain retailer customers as they sought to increase the availability of our existing products at their POS, after gaining familiarity with such products and the market response and becoming acclimatised to the specific distribution and sale workflow in respect of such products based on the experiences in the initial phase;
- (d) the growing acceptance of our existing products by consumers and the gradual integration into their lifestyle after trial in the initial phase; and
- (e) the insights gained into the consumption patterns of consumers in respect of our existing products and the fine-tuning of the relevant distribution and sale strategies by our chain retailer customers and us.

### OUR RETAIL BUSINESS

With a vision of providing our products to consumers through diversified sales channels, we have been developing online and offline sales of our products to the general public. We consider that e-commerce provides a sales channel which enables us to reach consumers on a borderless and 24/7 basis. Our offline sales of products to consumers have been conducted at our two brick-and-mortar retail stores in Macau under the trading name of Tianyi (天一) since July and November 2018 respectively, which market, as compared to Hong Kong, is less dominated by leading chain retailers according to the Ipsos Report. Our Retail Business conducted through online and offline sales is in an early development stage. The products sold at our two retail stores in Macau comprised principally our third-party brand products that are typically sold by pharmacies while the products sold by us through our online stores comprised a handful of PCM, health supplement and other related products. During the Track Record Period, we generated revenue from our Retail Business through the sales of our products directly to consumers through our online stores and retail stores in Macau, which altogether accounted for approximately 0.0%, 2.8% and 4.8% of our total revenue for FY2017, FY2018 and FY2019 respectively.

#### Online Sales

We commenced online sales of our products to consumers in FY2017. During the Track Record Period, online sales of our products were conducted primarily through two e-commerce portals, namely JD.hk (海囤全球 京東旗下全球直購平台) and Tmall.hk (天貓國際), whereby we made cross-border sales of our products from Hong Kong to the PRC.

Our Directors believe the Internet provides a platform through which we could reach consumers across the border and sell our products to our customers on a business-to-customer basis. According to the Ipsos Report, e-commerce is a sales channel that is rapidly growing in China. The retail sales by way of e-commerce in the PRC grew from approximately RMB1,863.6 billion in 2013 to RMB9,006.5 billion in 2018, rising at a CAGR of 37.0%. In addition to their websites, the e-commerce portals may also be accessed through their mobile applications, the usage of which has gained increasing prevalence in everyday lives in China.

Our cross-border e-commerce business is in an early development stage. In August 2018, we established a wholly-owned subsidiary in Shenzhen, PRC with a branch office in Hangzhou, PRC established in July 2019, which primarily serves to facilitate the development of our cross-border e-commerce business. Built on the experience we had in previous years, we are poised to expand our cross-border e-commerce business and have entered into service agreements with several e-commerce portal providers to increase our presence in the e-commerce sector in the midst of intense market competition.

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Set forth below are the major online stores set up and operated by our Group for the purpose of our cross-border e-commerce business as at 31 December 2019:

	Portals					
	JD.hk (海囤全球 京東旗下全球直購平台)	world.taobao.com (淘寶網全球)	kaola.com (網易考拉)	g.suning.com (蘇寧國際)	pinduoduo.com (拼多多)	Tmall.hk (天貓國際)
<b>Online stores in our own name</b>	TYCOON Overseas Official Flagship Store* (TYCOON 海外官方旗艦店)	TYCOON International Shopping Lifestyle Store* (TYCOON 滿貫全球海淘生活館)	TYCOON Overseas Flagship Store* (TYCOON 海外旗艦店)		TYCOON Official Overseas Flagship Store* (TYCOON 官方海外旗艦店)	Titita Overseas Specialist Store* (Titita 海外專營店)
<b>Online stores under the brands of third-party brand owners</b>						
• California Baby	California Baby Official Overseas Flagship Store* (California Baby 官方海外旗艦店)		California Baby Overseas Flagship Store* (California Baby 加州寶寶海外旗艦店)			
• Nordic Naturals			Nordic Naturals Overseas Flagship Store* (Nordic Naturals 海外旗艦店)	Nordic Naturals Overseas Flagship Store* (Nordic Naturals 海外旗艦店)		
• Ddrops	Ddrops Overseas Flagship Store* (Ddrops 海外旗艦店)					Ddrops Overseas Flagship Store* (Ddrops 海外旗艦店)
• Nature's Care	Nature's Care Overseas Flagship Store* (Nature's Care 海外旗艦店)					
• Bad Air Sponge	Bad Air Sponge Overseas Flagship Store* (Bad Air Sponge 海外旗艦店)					

Our online stores can be classified into two categories: (i) stores operated in our own name; and (ii) stores operated under the brands of brand owners.

As at 31 December 2019, we operated eight flagship stores under the brands of California Baby (two stores), Nordic Naturals (two stores), Ddrops (two stores), Nature's Care (one store) and Bad Air Sponge (one store), each of which carries the products of the relevant brand owner only. In respect of the above brands, we have been granted the rights to use their trademarks and to set up and operate their flagship stores on the relevant portals and their mobile applications, and the rights granted are generally exclusive

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in the sense that the brand owners have undertaken not to set up, nor authorise any other person to set up, any other flagship store with the same trademarks on the respective portals during the term of the authorisation. Set forth below is the respective term of each of the authorisations:

<b>Brand</b>	<b>Term of the authorisation</b>
California Baby	April 2019 to April 2021
Nordic Naturals	March 2019 to December 2020
Ddrops	August 2019 to August 2021
Nature's Care	September 2019 to December 2021
Bad Air Sponge	August 2019 to August 2020

As such, we operate and conduct product sales and provide customer services through the eight flagship stores in the name of the brand owners. Our Directors believe that such authorisation granted to us manifests the amicable business relationship between the brand owners and us and is testimony to their trust and confidence in us as their distributor.

The other online stores of our Group are operated by us in our own name, i.e. the names of our Group companies, where we sell a range of third-party brand products and Private Label Products to the consumers.

The portal providers may require proof of the authenticity and quality of the products offered through their portals. Under the service agreements entered into between certain portal provider and us, admission to the portal as a registered merchant is conditional upon, among others, submission of such supporting documents as the portal provider may require, including among others the authorisation letter issued by each brand owner in respect of our rights to market and sell their products through our relevant online store on the portal.

Set forth below is a summary of other major aspects of the arrangements for the operation of our online stores (other than our Online Shop) as specified in the service agreements entered into between the portal providers and us, which are short-term and generally effective for one year, or as otherwise agreed and adopted:

- **maintenance and operation:** the portals on which our online stores are operated are maintained by the respective portal providers, who are responsible for providing technical support and services to the users of the portals. Our Group, as a registered merchant, is entitled to release product information, interact with third parties, and conduct sales of products to consumers on the portals, and to provide after-sale services to the consumers who have purchased our products via our online stores;
- **deposit and fees:** each online store shall not commence operation until we have paid the amount of deposit and portal user fee prescribed by the respective portal provider. The deposit is collected by the portal provider to secure the performance of the service agreement by us and as a guarantee of the product quality. The portal user fee shall be paid annually in accordance with the term of operation of the online store. In addition, we are also required to pay technical service fees to the portal provider by way of automatic deduction from the purchase prices collected from the consumers;

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- **purchase prices and settlement:** the purchase prices for our products available on the online stores are inclusive of the applicable import taxes. In respect of each transaction between a consumer and us conducted through the online stores, the purchase prices shall be paid to an account designated by the portal provider, and the portal provider shall give payment instructions from time to time, whereupon the designated payment institution shall pay the purchase prices collected, net of the technical service fees and any other applicable fees, to us. During the Track Record Period, the net purchase prices were settled on a monthly basis; and
- **customer services:** we shall provide customer services, including after-sale services such as answering queries about product uses and handling product return requests, through the relevant systems set up by the portal providers.

### OUR CUSTOMERS

Our products are all consumer products in nature. They are sold to retailers (both chain and non-chain) and traders in our Distribution Business and individual customers from the general public in our Retail Business conducted through online and offline sales channels.

For each of FY2017, FY2018 and FY2019, our revenue from our Distribution Business was generated from the sales of our products to 15, 21 and 21 chain retailers, 14, 19 and 33 non-chain retailers and 15, 22 and 45 traders, respectively.

### Top Five Customers

Set forth below are our top five customers for each year during the Track Record Period:

Customer	Ranking in top five	FY2017		Ranking in top five	FY2018		Ranking in top five	FY2019	
		Revenue HK\$'000	% of total revenue %		Revenue HK\$'000	% of total revenue %		Revenue HK\$'000	% of total revenue %
Customer A	1	242,548	66.2	1	470,094	67.8	1	427,063	60.9
Customer B	2	40,352	11.0	2	62,598	9.0	2	69,201	9.9
CR Care	3	24,103	6.6	4	31,664	4.6	3	46,644	6.7
Customer C	4	21,852	6.0	3	41,264	6.0	5	23,955	3.4
Customer D	5	3,824	1.0		3,402	0.5		5,132	0.7
Customer E		3,626	1.0	5	23,193	3.3	4	24,383	3.5
<b>Top five total</b>		<b>332,679</b>	<b>90.8</b>		<b>628,813</b>	<b>90.7</b>		<b>591,246</b>	<b>84.4</b>

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Set forth below is certain information about our top five customers during the Track Record Period:

Customer	Type	Business nature	Location	Commencement year of business relationship with our Group	Credit term	Payment method	Products principally sold
Customer A <sup>(Note)</sup>	Chain retailer	Health and beauty products retail chain with around 359 retail stores in Hong Kong as at 31 December 2019	Hong Kong	2015	30 days from month end	By bank transfer	Full range of our products
Customer B	Chain retailer	Health and beauty products retail chain with around 232 retail stores in Hong Kong as at 31 December 2019	Hong Kong	2015	30 days from month end	By bank transfer	Full range of our products
CR Care	Chain retailer	Health retail chain with around 96 retail outlets in Hong Kong as at 31 December 2019	Hong Kong	2015	30 to 60 days from month end	By cheque	Full range of our products
Customer C	Chain retailer	Cosmetics retail chain with around 107 retail stores in Hong Kong as at 31 December 2019	Hong Kong	2015	60 days from month end	By cheque	Full range of our products
Customer D	Chain retailer	PCM and health products and Chinese medical service retail chain with around 64 retail stores in Hong Kong as at 31 December 2019	Hong Kong	2015	30 days from month end	By cheque	PCM and health supplement products
Customer E	Trader	Trading company	Macau	2017	75 days from month end	By bank transfer	Full range of our products

*Note:* During the Track Record Period, our Group had sales with three retail chains which were operated by the same owner, and Customer A was one of these three retail chains. Our Directors consider that it is not appropriate to treat all the retail chains operated by the owner or its group companies having business relationship with our Group collectively as a single customer, and aggregate the revenue from sales to all these retail chains in this prospectus for the following reasons:

- (i) each of these retail chains operates independently from each other with its particular business model, market position, business strategies, target customers and product portfolio. Customer A is a health and beauty chain in Hong Kong, offering a vast array of products ranging from healthcare to PCM products, with both local residents in Hong Kong and tourists from the PRC who are looking to buy products of assured authenticity and quality

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from reputable chain retailers as target customers. In respect of the other two retail chains, one of them is a convenience store group in Hong Kong with more than 900 stores in town operating under the “around-the-clock” model, offering a limited selection of personal care, beauty and medicine products alongside with foods and drinks, with the offer of convenience to Hong Kong people as its business strategy. For each of FY2017, FY2018 and FY2019, our revenue generated from our sales to this convenience store group amounted to approximately HK\$0.4 million, HK\$1.0 million and HK\$0.9 million, representing approximately 0.1%, 0.1% and 0.1% of our total revenue respectively. The other retail chain is a major supermarket chain in Hong Kong with 271 retail outlets as at 31 December 2019, aiming to provide one-stop shopping convenience to customers and sells a wide range of types of food and other goods needed at home. For each of FY2017, FY2018 and FY2019, our revenue generated from our sales to this major supermarket chain amounted to approximately HK\$0.2 million, HK\$1.7 million and HK\$3.4 million, representing approximately 0.1%, 0.2% and 0.5% of our total revenue respectively;

- (ii) each retail chain has its own management team and staff. Specifically, during the Track Record Period, the trading terms applicable to each retail chain might differ and had in general been settled through negotiations between its own representatives and our Group. The procurement decisions had been individually made by the procurement team of each retail chain, and the products ordered had been delivered by our Group to different warehouses or storage locations as specified by each retail chain. The purchase prices for the products ordered were settled by each retail chain separately, and any product promotion campaign in respect of our Group’s products had been negotiated and agreed with each retail chain individually; and
- (iii) as these three retail chains adopt different business models and have different scopes of operation, it will cause confusion if all these retail chains are blended and presented as a single customer in this prospectus, particularly when each of these retail chains has been considered and dealt with by the management as an individual customer in the day-to-day operation of our Group, and the sales to Customer A during the Track Record Period had been far more significant than that to the other two retail chains.

To the best of the knowledge of our Directors, other than CR Care which is a subsidiary of Pre-IPO Investor A, all the top five customers of our Group during the Track Record Period were Independent Third Parties, and none of our Directors, their close associates or our Shareholders who owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our top five customers at the relevant times.

Our Directors confirm that we did not have any disputes with, or face any return of defective products from, our customers that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

### Chain Retailers

Chain retailers have been the chief customer segment of our Group. For each of FY2017, FY2018 and FY2019, our total revenue generated from the sales to chain retailers amounted to approximately HK\$347.7 million, HK\$625.9 million and HK\$586.2 million, representing 94.9%, 90.3% and 83.7% of our total revenue respectively.

Set forth below is a summary of the transaction arrangements between the major chain retailers and us under the trading terms agreements, which are short-term and generally valid and effective for one to two years, or as otherwise agreed and adopted:

- **product delivery:** the chain retailers place replenishment orders from time to time and we supply products to the chain retailers accordingly by delivering the products ordered to their warehouses or directly to their chain stores;

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- **pricing:** the prices at which our products are sold to the chain retailers are determined on a case-by-case basis based on negotiations between the chain retailers and us. Factors that are taken into account include the wholesale and/or retail prices suggested by the relevant brand owners for the products (which are provided for the chain retailers' reference only, if any), the volume of orders, the services and support to be provided by us to the chain retailers (such as marketing support and promotion), the expected profit margins of us and of the chain retailers, the intended market positioning of the products, and the market response from time to time, among others.

Our relationships with the chain retailers are seller/buyer in nature. We invoice the chain retailers at wholesale prices, which are recognised as revenue by us when the products are accepted by the chain retailers after delivery to their warehouses or chain stores. When the products are sold to the consumers at the chain retailers' stores, the proceeds of sales belong to the chain retailers;

- **product listing:** we are required to pay a one-off listing fee for each new SKU supplied by us in order to obtain shelf space for it at the stores of the chain retailers, which in aggregate amounted to approximately HK\$2.0 million, HK\$1.6 million and HK\$2.3 million for each of FY2017, FY2018 and FY2019 respectively and is offset against amounts payable by the chain retailers to us upon issue of debit notes by them. The amount payable is determined on a case-by-case basis based on negotiations between the chain retailers and us taking into account whether we are the exclusive distributor of the SKU to the chain retailers as appointed by the brand owner and whether it is available from other suppliers, the services and support to be provided by us to the chain retailers (such as marketing and promotion support), and the scale of operations and individual circumstances of each chain retailer, among others;
- **settlement:** the settlement term generally ranges from 30 days to 60 days from month end or the invoice date and payments are made in Hong Kong dollars by cheque and by bank transfer;
- **return of goods:** the products purchased by the chain retailers may be returned to us where product defects or quality issues are identified during inspection upon receipt, or in the event of product recall pursuant to orders from any governmental authorities or as a result of any regulatory issues, among others. In line with the industry norm, product returns may be made in the above circumstances, and refunds shall be made accordingly by way of deductions from the amounts payable to us by the chain retailers. Handling charges may apply in respect of the product returns.

Our Directors confirm that our Group did not experience any product returns that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period;

- **discounts and rebates:** we offer rebates to some chain retailers if their annual purchases reach the mutually agreed target amounts. Rebates are made generally within 60 days after the relevant financial year by way of offset against amounts payable by the chain retailers to us upon issue of debit notes by them.



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Discounts are offered in respect of each bulk order by the chain retailers and are reflected in the purchase price as stated in the relevant invoices. The discounts and rebates are determined on a case-by-case basis based on negotiations between the chain retailers and us taking into account the prevailing market sentiment in the relevant periods.

The discounts and rebates arrangements are intended to incentivise chain retailers to assist us in promoting particular products and/or conducting stock clearance. For each of FY2017, FY2018 and FY2019, the aggregate amount of discounts and rebates offered to the chain retailers amounted to approximately HK\$16.2 million, HK\$40.6 million and HK\$65.7 million respectively; and

- **termination and renewal:** as a general practice, early termination or renewal of the trading terms agreements shall require prior consent of both parties in writing. Before the expiration of each trading terms agreement, our Group will commence liaison with the relevant chain retailer to settle the terms of the new trading terms agreement to be entered into and other matters relating to renewal of the trading terms agreement.

Our Directors confirm that there was no early termination or difficulty in renewal of trading terms agreements that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

Our Directors confirm that our Group does not have any long-term agreements with chain retailers as regards annual minimum purchases by chain retailers from us.

It is our policy that we would not distribute new third-party brand products or launch new Private Label Products that overlap and are in direct competition with our existing products taking into account factors such as the product category, features, image, efficacy and functionality and market positioning and target customers of such products. The above policy has effectively ensured that each of our products (including both third-party brand products and Private Label Products) enjoys a sufficient degree of uniqueness, and minimised the chance of direct competition among our existing products. Our Directors confirm that there was no competition among our products that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

In the light of the risk of potential competition among our existing products (including both third-party brand products and Private Label Products), we also conduct forward planning to ensure that the marketing and promotional activities conducted by us and our chain retailer customers will only feature several selected brands and products within each specific timeframe and marketing and promotional activities in respect of brands and products that may potentially compete with each other will be conducted in turn in different periods of time, in a manner that will not prevent, restrict or distort the competition among our products. In addition, in our marketing and promotional activities, we emphasise the specific features, efficacy and functionality of our products that would differentiate them from the rest of the products available in the market, so as to create and cement the unique image of each of the brands and products carried by us.

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### Non-chain Retailers and Traders

During the Track Record Period, we had made sales to non-chain retailers, which are mostly pharmacies, and traders. To the best of the knowledge of our Directors, they would generally resell our products in Hong Kong, Macau, Singapore and/or the PRC. We have not entered into any long-term agreement with such customers, and they would place an order with us in relation to each purchase. We generally require that the purchase prices be settled in cash on delivery, although for some non-chain retailers and traders, we would allow a credit term ranging from 30 days to 120 days.

### Consumers

With a vision of providing our products to consumers through diversified sales channels, we have been developing online and offline sales of our products to the general public through our Online Shop and online stores operated on several e-commerce portals and through our two brick-and-mortar retail stores in Macau respectively. For further details, please see “Our Retail Business” in this section. Consumers are required to make immediate payment through third-party mobile and online payment platforms in Hong Kong dollars or RMB (as the case may be) for purchases via our Online Shop or online stores operated on the e-commerce portals, and by cash or credit card or through third-party mobile payment platforms in MOP for purchases at our brick-and-mortar retail stores in Macau. For the transactions conducted through our online stores operated on the e-commerce portals, the purchase prices shall be collected by an agent appointed by the portal providers, which shall release the purchase prices net of any fees to us from time to time upon instructions from the portal providers.

### Turnover Analysis of Our Active Customers

Set forth below is a turnover analysis of our active customers under our Distribution Business during the Track Record Period:

	FY2017	FY2018	FY2019
Number of active customers brought forward			
from the previous year	28	46	70
Additions <sup>(1)</sup>	18	25	52
No longer being our active customers <sup>(2)</sup>	–	(1)	(7)
<b>Number of active customers at the end of the year</b>	<b>46</b>	<b>70</b>	<b>115</b>

*Notes:*

- (1) A customer became our active customer during the year when we made our first sale to that customer.
- (2) A customer was no longer our active customer during a year when no sale was made to that customer during that year and the preceding year.

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Throughout the Track Record Period, over 83.0% of our total revenue came from the sales of our products to chain retailers. Despite an increase in active customers from 46 in FY2017 to 115 in FY2019, our top two chain retailer customers who contributed over 70.0% of our total revenue remained unchanged throughout the Track Record Period.

We strived to expand our sales network and increase the market penetration of our products by constantly building business relationships with new customers. Given that we had already commenced business dealings with a number of major chain retailers in Hong Kong in FY2015, the additions to our active customers in each year during the Track Record Period were primarily non-chain retailers and traders.

Since traders generally place orders with us based on back-to-back orders from their customers, certain traders happened not to have sourced any products from us in FY2017 and FY2018 or in FY2018 and FY2019 and ceased to be our active customers in FY2018 or FY2019 accordingly. Our Directors confirm that such losses of active customers were not attributable to any termination of business relationship or replacement.

All of our top five customers were our active customers in each year throughout the Track Record Period. In the light of the dominance of our revenue generated from chain retailer customers, there had not been any material turnover of our customers which, so far as our Directors are aware of, resulted from cannibalisation among our customers during the Track Record Period.

In the light of the risk of cannibalisation among our chain retailer customers, we maintain close contact with them, review their amounts of purchases and keep track of their inventory level. We also conduct forward planning whereby we would seek to procure the chain retailers to focus on different brands and products in their marketing and promotional activities within a specific period of time in such manner that will not prevent, restrict or distort the competition among different brands and different products.

Our Directors confirm that there was no material cannibalisation or competition among our customers that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

### **Dealings with Our Largest Customer – Customer A**

Our business relationship with Customer A commenced in July 2015. For each of FY2017, FY2018 and FY2019, our revenue generated from our sales to Customer A amounted to approximately HK\$242.5 million, HK\$470.1 million and HK\$427.1 million, representing 66.2%, 67.8% and 60.9% of our total revenue, respectively. We maintain a buyer/seller relationship with Customer A and we sell our products to Customer A for its sales to its own customers, i.e. the consumers of our products. Customer A serves as a selling platform through which our products reach the consumers in the supply chain; essentially, Customer A's demand for our products originates from and is backed by the consumers. During the Track Record Period, the products sourced from us by Customer A included a range of PCM, health supplement, skin care,

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personal care and other healthcare products, and Customer A had been the main retail channel of our products in Hong Kong. For the risks relating to our reliance on our largest customer, please see “Risk Factors – Risks Relating to Our Business – We are exposed to risk of heavy reliance on our major customers” in this prospectus.

### ***Background of Customer A***

Customer A is indirectly owned by one of the leading pan-Asian retailers that has approximately 1,500 stores in Asia. As at 31 December 2019, Customer A had approximately 359 stores in Hong Kong and approximately 19 stores in Macau. According to the Ipsos Report, Customer A is the largest health and beauty retail chain in Hong Kong in terms of the number of retail stores. By selling our products through the extensive sales network of Customer A, we are able to effectively make our products available to all groups of target customers in Hong Kong and also tourists from the PRC who are looking to buy authentic PCM, health supplement, skin care, personal care and other healthcare products from reputable chain retailers.

We started supplying our products to Customer A in 2015. The trading terms agreement entered into between our Group and Customer A contains provisions regarding, among others, the settlement term and target rebate arrangements and is subject to renewal each year. In accordance with the industry norm, we have not entered into any long-term agreement with Customer A in relation to the supply of our products.

### ***Our mutual business relationship with Customer A***

Despite the substantial revenue contribution from Customer A during the Track Record Period, our Directors are of the view that our business relationship with Customer A is mutual in nature and our business dealings with Customer A do not give rise to excessive risks in our business operations for the following reasons:

(1) *The demand for our products is ultimately backed by the consumers*

Our products are sold to Customer A for its sales to the consumers, rather than for its own consumption. In essence, Customer A, as a retailer, is a selling platform on which our products are brought to the consumers. Customer A’s demand for our products does not merely represent its demand as a single customer; rather, it is driven by the preference of the consumers and reflects the demand from a large group of consumers as a whole. Our reliance on Customer A, if any, is only prima facie as we are fundamentally catering to the actual demand from the consumers through Customer A as a distribution channel.

According to the Ipsos Report, the retail sales value of PCM products in Hong Kong grew at a CAGR of approximately 2.4% from 2013 to 2018, and is forecasted to continue its growth at a CAGR of approximately 3.0% from 2019 to 2022; the retail sales value of health supplement products is also forecasted to increase at a CAGR of approximately 1.9% from 2019 to 2022. The expected increase is primarily driven by (i) the ageing population and the rising level of health consciousness among the consumers in Hong Kong; and (ii) the increase in the number of Chinese visitors, who constitute one of the contributing customer segments for PCM and health supplement products in Hong Kong, due

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to the launch of major transport infrastructures including the Hong Kong-Zhuhai-Macao Bridge and the Hong Kong section of the Express Rail Link. In view of the current macro-environment, our Directors believe that the public demand for our products is sustainable. It is inherent in the business strategy of Customer A as a chain retailer to source products from its suppliers according to the likings and spending patterns of its customers, i.e. the consumers. So long as the public demand for our products endures, Customer A's demand for our products shall endure. Given that the level of demand for our products from consumers, i.e. the customers of Customer A, is expected to be on the rise, our Directors see no particular grounds for Customer A to terminate its business relationship with us, which has been developing on an ongoing basis according to the market conditions and spanned over four years.

(2) *We provide a wide variety of products and comprehensive supply chain services to Customer A*

According to the Ipsos Report, Customer A is the largest health and beauty chain in Hong Kong in terms of number of retail stores, offering a vast array of products ranging from healthcare to PCM products. Owing to its large and diverse product portfolio, apart from direct dealings with a limited number of brand owners (which are typically larger in scale and have sufficient capacity and expertise in product distribution and may therefore prefer to trade directly with retailers), Customer A generally procures its products from distributors, which accords with the market norm. As each distributor carries a multitude of products supplied by different brand owners, Customer A does not need to deal with each individual brand owner for product sourcing and can minimise its administrative burden and costs. As such, distributors have a pivotal role in the supply chain of Customer A.

We are one of the largest suppliers of PCM and health supplement products of Customer A. We supplied 81 and 105 SKUs of PCM and health supplement products to Customer A in Hong Kong as of December 2019, representing approximately 28.9% and 25.0% of the total number of SKUs of PCM and health supplement products sold by Customer A in Hong Kong respectively according to the Ipsos Report.

Based on the experience in and the insights into the industry of our management, our sourcing team and product development team and the market intelligence we have collected from various channels like pharmacies and online media platforms, we are able to discern the new trends in consumer's preferences and identify and supply to Customer A suitable PCM and health supplement products which meet the prevailing market trends and demand of the consumers to diversify its product offerings. For FY2017, FY2018 and FY2019, we had rolled out 69, 128 and 221 new products in our Distribution Business, which generated revenue in the amount of approximately HK\$51.3 million, HK\$101.8 million and HK\$50.4 million, and contributed 32.3% and 33.2% of the increase in our Distribution Business revenue as compared with the corresponding prior year for FY2017 and FY2018, respectively. In particular, we had introduced 48, 89 and 176 new SKUs to Customer A during FY2017, FY2018 and FY2019 respectively. Our Directors are of the view that our ability in sourcing suitable new brands and products which accord with the prevailing consumers' demand helps Customer A keep abreast of the market trends and is of significance to Customer A in its business development.

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To Customer A, we are not merely a general merchandiser responsible for product supply, but we also play various other roles in its supply chain. For example, we perform warehousing and logistics functions for Customer A and other chain retailer customers and the products are delivered to their warehouses and/or chain stores by the external logistics service providers engaged by us only upon receipt of purchase orders from them. We also engage external contractors to provide product labelling and packaging services to ensure that the products delivered to the chain retailers are properly labelled with the particulars required, such as the product name, specifications, expiry date and batch number, and to protect the products from damage in the course of transportation.

Having a large and diverse product portfolio, Customer A is also reliant on its distributors including us for assistance in brand management, such as organising marketing and brand-building functions and providing after-sale support, while it tends to focus on the marketing and promotional activities in respect of its brand as a retail chain. We also have a team of sales promoters stationed in selected retail stores of Customer A to promote our products directly to the consumers in-store. As at 31 December 2019, the team consisted of 35 sales promoters employed by us. For further details of our marketing activities, please see “Sales and Marketing – Marketing and Promotion” in this section.

Given the wide variety of products and the comprehensive supply chain services we are able to supply and offer to Customer A, our Directors are given to understand that we are a valued business partner from Customer A’s perspective.

*(3) We are able to meet the stringent criteria for selection of suppliers of Customer A and have maintained a sound business relationship with Customer A*

According to the Ipsos Report, large retail chains generally have high selection criteria for their suppliers. As the largest health and beauty retail chain in Hong Kong, Customer A has a set of selection criteria in evaluating its distributors. They generally assess and take into account the following: (i) whether the distributors have proven track records in the distribution industry; (ii) whether the products offered are authentic products; (iii) whether the products in the portfolio can meet the prevailing demand of consumers; (iv) whether the distributors are able to ensure stability in product supply; and (v) whether the distributors possess demonstrated ability to promote their products in the market. To the best of the knowledge of our Directors, for each SKU it sells, Customer A would generally appoint one distributor only. The stringent selection criteria may constitute an entry barrier for new entrants when they seek to establish business relationships with Customer A as one of the leading retail chains.

We have been able to meet the requirements of Customer A in its annual supplier reviews since we entered into business relationship with Customer A in July 2015, and the trading terms agreement between Customer A and us has been renewed annually by mutual agreement. As a trusted supplier with proven capability to deliver products and services that live up to the expectations of Customer A, we believe our business relationship with Customer A is not subject to a high risk of termination initiated by either side.

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Our Directors consider that we have been on good terms with Customer A since the commencement of our business relationship. During the Track Record Period, Customer A had maintained good credibility and made payments to us on a timely basis in accordance with the agreed credit terms, and we had not experienced any product recall requested by, dispute with or complaint from Customer A relating to product quality, delivery timeliness or any other issue which would have had a material adverse impact on our business operations. While any of the foregoing issues may impair our business relationship with Customer A if it does arise in the future, we believe the chance is remote given our track records. The business relationship between Customer A and us has lasted for over four years and we do not foresee any barrier to the long-term development of our business relationship on a continuing basis.

*(4) The revenue contribution percentage of Customer A is expected to fall as we seek to expand the size of our business dealings with other customers*

We intend to diversify our distribution channels by expanding the business dealings with our existing customers. For example, we entered into the Master Supply Agreement with CR Pharmaceutical, pursuant to which CR Pharmaceutical agreed to purchase, through itself or its subsidiary(ies), certain PCM, health supplement and other healthcare products sold by our Group. Throughout the Track Record Period, CR Care, a wholly-owned subsidiary of CR Pharmaceutical, had been one of our major customers. It is our intention to further scale up our transactions with CR Pharma Group through the Master Supply Agreement, which will be valid until 31 December 2021. We will also seek to build business relationships with new customers, which is expected to create further room for growth in revenue from alternative sources. As such, the percentage of our revenue attributable to our sales to Customer A may gradually decline and our income streams may become more balanced in the years to come, thereby reducing the risks associated with our business dealings with Customer A.

### *Views of our Directors and the Sole Sponsor*

As we take advantage of the extensive distribution network of Customer A to broaden the customer reach of our products, our Directors acknowledge that any decision of Customer A to cease to purchase products from us may potentially have a significant impact on our business operations and financial conditions. Nevertheless, taking into account (a) the sustainable public demand for our products; (b) our proven ability to supply a wide variety of products sourced from third-party brand owners or produced by our external manufacturers, identify and introduce new products in accordance with the market trends and provide a comprehensive range of supply chain services; and (c) our track record of meeting the supplier selection criteria of and maintaining a sound business relationship with Customer A, our Directors are of the view that our business relationship with Customer A is mutual in nature and see no compelling reasons for Customer A to terminate our business relationship in the foreseeable future, barring any unforeseen circumstances (such as substantial product quality issues, which did not arise during the Track Record Period). As such, our Directors consider that the risks associated with the relatively high proportion of revenue generated by our sales to Customer A during the Track Record Period are not excessive. In the meantime, we shall seize growth opportunities and further diversify our sales channel and customer base

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by implementing the strategies set out in “Business Strategies” in this section. Accordingly, our Directors believe, and the Sole Sponsor concurs, that we do not have any undue *de facto* reliance on Customer A which may have a material adverse impact on our suitability for Listing.

### Major Customers with a Dual Role as Our Suppliers

Set forth below are the details of our major customers with a dual role as our suppliers during the Track Record Period:

Name of entity	Amount of sales by us (HK\$'000) and percentage to our total revenue	Products principally sold by us	Amount of purchases by us (HK\$'000) and percentage to our total purchases	Products principally purchased by us	Gross profit on sales of products purchased from major customers (HK\$'000) and gross profit margin
Customer B <sup>(1)</sup>	FY2017: 40,352 (11.0%) FY2018: 62,598 (9.0%) FY2019: 69,201 (9.9%)	Full range of our products	FY2017: Nil FY2018: Nil FY2019: 2,880 (0.6%)	Health supplement products	FY2017: N/A FY2018: N/A FY2019: 454 (23.3%)
CR Care <sup>(2)</sup>	FY2017: 24,103 (6.6%) FY2018: 31,664 (4.6%) FY2019: 46,644 (6.7%)	Full range of our products	FY2017: Nil FY2018: Nil FY2019: 5,505 (1.1%)	PCM products	FY2017: N/A FY2018: N/A FY2019: 663 (7.6%)
Customer C <sup>(3)</sup>	FY2017: 21,852 (6.0%) FY2018: 41,264 (6.0%) FY2019: 23,955 (3.4%)	Full range of our products	FY2017: Nil FY2018: 346 (0.1%) FY2019: Nil	Other healthcare products	FY2017: N/A FY2018: N/A FY2019: 53 (13.4%)
Customer D <sup>(4)</sup>	FY2017: 3,824 (1.0%) FY2018: 3,402 (0.5%) FY2019: 5,132 (0.7%)	PCM and health supplement products	FY2017: 2,971 (1.2%) FY2018: 3,195 (0.6%) FY2019: Nil	PCM and health supplement products	FY2017: 160 (16.1%) FY2018: 984 (18.5%) FY2019: 16 (23.7%)
Customer E <sup>(5)</sup>	FY2017: 3,626 (1.0%) FY2018: 23,193 (3.3%) FY2019: 24,383 (3.5%)	Full range of our products	FY2017: Nil FY2018: 34 (0.0%) FY2019: 913 (0.2%)	PCM, personal care and other healthcare products	FY2017: N/A FY2018: 4 (44.5%) FY2019: 223 (44.8%)

*Notes:*

- (1) Customer B was an authorised distributor in Hong Kong of a health supplement product under a third-party brand, which was rolled out by our Group during FY2019. We had sourced the third-party brand product from the authorised distributor as we had yet to establish our direct business relationship with the brand owner. During FY2019, the products purchased from Customer B had been sold to a trader in our Distribution Business and by our Group through our online stores on the e-commerce portals in our Retail Business.



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- (2) Our Group had purchased a PCM product under a third-party brand from CR Care in FY2019, at a time when there was an unanticipated high demand for such a product in the market. We had received orders for such a product from certain customers, including primarily a chain retailer and a pharmacy, and could not obtain the required amount of stock from the brand owner as it, to the best of the knowledge of our Directors, had already sold its then available stock to its various distributors. We resorted to the purchase from CR Care because it (i) offered the product at a competitive price; and (ii) was a reputable wholesaler able to supply products with assured authenticity and quality to us. The above purchase in FY2019 was one-off in nature.

In addition, a small portion of the products purchased by our Group from CR Care in FY2019 was third-party brand products for sales through our online stores on the e-commerce portals in our Retail Business under a range of brands which we did not carry in our Distribution Business. Due to the large number of brands involved and the limited order size in respect of each product, it was only practicable for us to source such products from wholesalers, and CR Care was considered to be a reliable supplier for the reasons mentioned above.

- (3) Our Group had purchased another healthcare product under a third-party brand from Customer C in FY2018. The purchase was primarily made to meet ad hoc enquiry from a pharmacy for such healthcare product. We turned to Customer C given that (i) we did not, at that time, carry such a product, while we noted that Customer C did; (ii) the price offered by Customer C for such a product was competitive; and (iii) Customer C, as a reputable wholesaler itself, was able to supply products with assured authenticity and quality to us. The above purchase in FY2018 was one-off in nature.
- (4) Customer D was our Group's supplier of choice in respect of the products under its own brand and we would seek to obtain such products from Customer D in the first place as far as practicable upon receiving orders from our customer(s), including primarily a chain retailer and a pharmacy.
- (5) Customer E was an authorised or the exclusive distributor in Macau of various third-party brand products carried by our brick-and-mortar retail stores in Macau in our Retail Business.

Our purchases from the customers as set out above mainly arose in certain occasional transactions during the Track Record Period. Apart from being chain retailers or traders of our products, these customers are also either the brand owners, distributors (exclusive or non-exclusive) or wholesalers of certain brands of products owned or carried by them. The majority of the purchases by us from these customers were made to fill the orders placed by our other customers (including primarily a chain retailer and a pharmacy) for such third-party brand products where we could not practically obtain a sufficient stock of such third-party brand products from other suppliers in our Distribution Business. Our Directors believe that such other customers had opted to purchase such products through us principally because of our extensive supplier network and connections with different market players in the supply chain of healthcare products, and our diverse product portfolio and the convenience in procurement and cost-efficiency they could enjoy having us as the one-stop supplier of the mix of products they required. Meanwhile, a relatively insignificant percentage of such purchases were made with a view to implementing our new product rollout plan in our Distribution Business, or for sales to the consumers through our brick-and-mortar retail stores in Macau or online stores on the e-commerce portals in our Retail Business.

The above purchases did not involve any repurchase of products sold to the above customers by our Group during the Track Record Period, and our Directors were not aware of any intentional accumulation of inventory by our customers for resale to our Group during the Track Record Period. While the above customers had sold the products to us on commercially viable terms at prices that were fair and reasonable and would allow us to make profitable resales, we generally recorded a lower gross profit margin on the sales of such products, especially for those products purchased from the customers who were the wholesalers, as the purchase prices had to cover the costs at which the above customers had sourced such products from the relevant brand owners or other suppliers.

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### OUR SUPPLIERS

We source our third-party brand products from brand owners, distributors and traders whilst we engage external manufacturers to produce our Private Label Products on an ODM basis.

Set forth below are our top five suppliers for each year during the Track Record Period:

Supplier	FY2017			FY2018			FY2019		
	Ranking in top five	Total purchase amount <i>HK\$'000</i>	% of total purchase costs %	Ranking in top five	Total purchase amount <i>HK\$'000</i>	% of total purchase costs %	Ranking in top five	Total purchase amount <i>HK\$'000</i>	% of total purchase costs %
Supplier A	1	30,413	11.8	2	41,680	8.0	3	32,674	6.3
Supplier B	2	30,052	11.6	3	39,487	7.6		22,875	4.4
Supplier C	3	22,564	8.7		19,793	3.8		11,412	2.2
Supplier D	4	15,717	6.1		22,097	4.2		10,937	2.1
Supplier E	5	15,460	6.0		17,186	3.3	5	25,665	4.9
Supplier F		–	–	1	53,505	10.2	1	68,299	13.2
Supplier G		11,008	4.3	4	37,337	7.1	2	41,423	8.0
Supplier H		10,670	4.1	5	23,729	4.5		23,330	4.5
Supplier I		–	–		10,057	1.9	4	31,964	6.2
<b>Top five total</b>		<u>114,206</u>	<u>44.2</u>		<u>195,738</u>	<u>37.4</u>		<u>200,025</u>	<u>38.6</u>

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Set forth below is certain information about our top five suppliers during the Track Record Period:

Supplier	Business nature	Location	Commencement year of business relationship with our Group	Credit term	Payment method	Products principally purchased
Supplier A	Brand owner	Hong Kong	2015	30 days from month end	By cheque and bank transfer	PCM products
Supplier B	Distributor	Hong Kong	2015	Cash on delivery	By cheque	PCM products
Supplier C	Distributor	Hong Kong	2015	Cash on delivery	By cheque	PCM products
Supplier D	Trader	Hong Kong	2016	Cash on delivery	By cheque	Health supplement and personal care products
Supplier E	Brand owner	United States	2016	Payment in advance	By bank transfer	Skin care, personal care and other healthcare products
Supplier F	Distributor	Australia	2017	Cash on delivery	By bank transfer	Health supplement products
Supplier G	Brand owner	Canada	2016	Payment in advance	By bank transfer	Health supplement products
Supplier H	Brand owner	Hong Kong	2017	30 days from month end	By cheque	PCM products
Supplier I	Brand owner	Hong Kong	2018	30 to 60 days from month end	By cheque	PCM, health supplement and personal care products

Each of the above was a supplier of our third-party brand products.

To the best of the knowledge of our Directors, all the top five suppliers of our Group during the Track Record Period were Independent Third Parties, and none of our Directors, their close associates or our Shareholders who owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our top five suppliers at the relevant times.

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### Sourcing Channels

Set forth below is an analysis of the revenue of our Group generated from the sales of products sourced via different sourcing channels during the Track Record Period:

	<b>FY2017</b>		<b>FY2018</b>		<b>FY2019</b>	
	<b>% of total</b>		<b>% of total</b>		<b>% of total</b>	
	<b>Revenue</b>	<b>revenue</b>	<b>Revenue</b>	<b>revenue</b>	<b>Revenue</b>	<b>revenue</b>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Third-party brand owners:						
– with agreements/ authorisation letters	270,173	73.7	389,896	56.2	359,330	51.3
– without agreements/ authorisation letters	<u>32,579</u>	<u>8.9</u>	<u>59,198</u>	<u>8.5</u>	<u>80,171</u>	<u>11.4</u>
	302,752	82.6	449,094	64.7	439,501	62.7
Manufacturers	8,780	2.4	24,687	3.6	27,055	3.9
Other suppliers:						
distributors and traders	<u>54,946</u>	<u>15.0</u>	<u>219,545</u>	<u>31.7</u>	<u>234,199</u>	<u>33.4</u>
<b>Total</b>	<u><u>366,478</u></u>	<u><u>100.0</u></u>	<u><u>693,326</u></u>	<u><u>100.0</u></u>	<u><u>700,755</u></u>	<u><u>100.0</u></u>

In general, depending on the practice of each individual brand owner, we may enter into general distribution agreements with the brand owners, and/or the brand owners may issue authorisation letters to us. Under such agreements and letters, we are appointed as a distributor with the rights to distribute the third-party brand products and to deal with all matters relevant thereto. Some of the agreements and letters provide that we shall act as the exclusive or designated distributor in relation to the distribution of the relevant third-party brand products to the specified chain retailers, while the other agreements and letters may specify that our distribution rights are non-exclusive or otherwise contain no undertaking from the brand owners not to supply their products to or appoint any other distributor in the relevant territory(ies). For each of FY2017, FY2018 and FY2019, our revenue generated from the sales of third-party brand products for our Distribution Business in respect of which we enjoyed the exclusive rights of distribution to the specified chain retailers amounted to approximately HK\$193.5 million, HK\$277.4 million and HK\$262.1 million, representing 52.8%, 40.0% and 37.4% of our total revenue respectively. The above trend was in line with the general decline in the proportion of our total revenue generated from the sales of products sourced from third-party brand owners during the Track Record Period. Such a decline was primarily attributable to the increase in the proportion of our total revenue generated from the sales of products sourced from distributors and traders, further details of which are set out in “Our Suppliers – Turnover Analysis of Our Active Suppliers” in this section.

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For some of our third-party brand products sourced directly from the brand owners, no distribution agreement is entered into and no authorisation letter is issued by the brand owners in respect of our distribution rights as certain brand owners would prefer to maintain a simple seller-buyer relationship with us by supplying their products to us without commitment on, among others, exclusive distributorship on one hand, and without imposing, among others, any minimum purchase commitment or reselling restriction on us on the other hand.

In addition, some of our third-party brand products are sourced from other suppliers including distributors and traders.

Our Private Label Products are supplied by external manufacturers on an ODM basis.

### Distribution Agreements

The distribution agreements entered into between the major brand owners and us are legally binding and typically contain the following terms:

- **term of the distribution rights:** the distribution agreements are generally valid and effective for one to three years;
- **distribution territories:** we are authorised to distribute the products of the brand owners in Hong Kong; the distribution territories may include other countries and regions such as Macau;
- **products to be distributed:** the products of the brand owners which we are authorised to distribute are specified in the distribution agreements;
- **retailers:** the distribution agreements may specify that we may distribute the products of the brand owners only to offline sales channels within the distribution territories or to the specified retailers;
- **minimum purchase amounts:** the distribution agreements may contain provisions as to the minimum amounts of purchase by our Group within a specific period during the term thereof. Achievement of such performance requirements may be set as a condition for the renewal of certain distribution agreement. In addition, in the event that we fail to meet the minimum purchase amounts, the brand owner may be entitled to terminate the distribution agreement by notice. Our Directors confirm that we had met the minimum purchase amounts set out in the distribution agreements during the Track Record Period;
- **settlement:** certain distribution agreement provides that the purchase prices should be settled within a given period of time after issuance of monthly invoices and currency in which the payments should be made. Where the credit term, payment currency and/or payment method have not been stated in the distribution agreements, they may be specified by the brand owners in the invoices or otherwise agreed between the brand owners and us from time to time;

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- **product liability:** certain distribution agreement contains provisions to the effect that the brand owner shall bear the expenses of any recall required by it or any regulatory authority resulting from defective manufacturing, packaging or shipment by the brand owner. Certain distribution agreement includes guarantees from the brand owner as to the quality of products supplied and stipulates that we shall be responsible for any diminishment in the quality of the products in our possession afterwards; and
- **renewal and termination:** the distribution agreements may be terminated by the brand owners and/or us by prior written notice; in the case of a material breach of any provision of the distribution agreements, the requisite notice period may be shortened. In addition, certain distribution agreement is subject to automatic termination in the event of bankruptcy or a government regulatory order or final judgment issued against a party, among others. As mentioned above, renewal of certain distribution agreement is conditional upon, among others, achievement of the prescribed minimum purchase amounts and a failure to meet the same may entitle the brand owner to terminate the distribution agreement by notice.

Our Directors confirm that we had not committed any breaches of the provisions of the distribution agreements entered into between the brand owners and us that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

### **Authorisation Letters**

In addition to or in lieu of entering into distribution agreements, some brand owners have issued authorisation letters to us granting us the rights to distribute their products and to deal with all matters relevant thereto as a distributor. The authorisation letters generally specify the chain retailers to which we are authorised to distribute the products of the brand owners.

Our purchases from brand owners are generally made by way of purchase orders. The purchase prices may generally be settled by cheque and/or bank transfer in Hong Kong dollars or foreign currencies such as United States dollars within 30 days to 120 days, although some brand owners may prescribe other payment terms such as payment in advance.

### **Selection Criteria for Suppliers of Our Third-Party Brand Products**

We seek to identify, source and offer products (i) that are made of quality ingredients, (ii) the efficacy of which are supported by findings of empirical researches, and (iii) the manufacturing process and product safety of which are under stringent supervision and comply with the relevant international safety standards. As such, we have adopted the following approach in respect of the selection of third-party brands and products:

- (i) collecting information about the reputation of the brand owners in the industry through attending trade shows and exhibition, visiting e-commerce portals and interviewing frontline staff and retailers;
- (ii) reviewing the sales trend reports of products under the brands as provided by the brand owners;

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- (iii) reviewing the laboratory reports and other relevant research reports provided by the brand owners in respect of their products to assess the functionality and quality of the products; and
- (iv) inspecting the certificates, licences, permits and all other supporting documents in respect of the credentials of the brand owners and the manufacturers engaged by them to ensure they are duly qualified under the applicable laws and regulations to sell, distribute and/or manufacture the products.

In particular, in respect of each PCM product, we will ask the brand owner to provide the certificate of registration and the manufacturer licence in PCMs of the manufacturer issued by the Medicines Board pursuant to the Chinese Medicine Ordinance for our inspection.

Our Directors confirm that we did not encounter any major difficulties in finding suitable suppliers of our third-party brand products during the Track Record Period. Further, we did not have disputes with any suppliers of our third-party brand products that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

### Manufacturing Agreements

We engage external manufacturers to produce our Private Label Products on an ODM basis, who are mostly located in countries including Taiwan, Japan, Norway and the U.S. Set forth below is a summary of the typical major terms of the master manufacturing agreements entered into between the manufactures and us and the transaction arrangements as otherwise agreed and adopted:

- **duration:** the term of the agreements ranges from one year to three years and is subject to automatic renewal;
- **scope of work:** the product(s) to be manufactured and their specifications are stated in each agreement;
- **quality assurance:** where any operational or regulatory issue which may affect the production arises, the manufacturers shall notify us at once and provide resolution proposals. Without our prior consent, the manufacturers shall not alter the product formulas or production methods. Where products are found to be defective or deviate from the specifications, the manufacturers shall provide free replacement;
- **confidentiality:** the manufacturers are subject to confidentiality obligations in respect of all information and materials received, including but not limited to the product formulas, production methods and sources of raw materials;
- **termination:** we are entitled to terminate the agreements with immediate effect where the manufacturers are unable to manufacture the products in accordance with the product formulas and production methods prescribed by us, in which case the manufacturers shall be liable to compensate us for any losses incurred as a result;

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- **settlement:** we shall pay 50% of the product purchase price at or around the time of order placement as deposit, and the products ordered will be delivered to us after the balance of the purchase price has been settled. Payments shall be made by cheque or telegraphic transfer; and
- **intellectual property rights:** it is agreed that the manufacturers shall have the rights to apply for patents for the technologies invented in connection with the production of our Private Label Products and for the products themselves, while we are entitled to sell the products produced and delivered to us under our own brand names and to register trademarks in that regard.

### **Selection Criteria for Manufacturers of Our Private Label Products**

We have adopted the following approach in respect of the selection of external manufacturers for our Private Label Products:

- (i) collecting information about the corporate background and the reputation in the industry of the potential external manufacturers;
- (ii) conducting site visits and inspecting the production facilities of the potential external manufacturers to ascertain whether their manufacturing process is under stringent supervision and complies with the relevant safety standards; and
- (iii) inspecting the certificates, licences and permits and all other supporting documents in respect of the credentials of the potential external manufacturers, such as certifications for safety and quality of the manufacturing process, patent proofs and test reports in respect of the efficacy of the products produced, to ensure that they are able to meet the industry standards and duly qualified under the applicable laws and regulations to manufacture the products. In particular, we will ascertain whether they have been accredited under ISO 22000, being the international standard which addresses food safety management and maps out how an organisation can demonstrate its ability to control food safety hazards.

Our Directors confirm that we did not encounter any major difficulties in finding suitable manufacturers of our Private Label Products during the Track Record Period. Further, we did not have disputes with any manufacturers of our Private Label Products that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

### **Other Suppliers: Distributors and Traders**

The suppliers in our Distribution Business and Retail Business also include distributors and traders. We generally have not entered into any long-term agreement with the above suppliers. We would place an order with them in relation to each purchase. The purchase prices are generally settled in advance or against delivery in Hong Kong dollars or foreign currencies. For some of the above suppliers, we would be granted a credit term ranging from 30 days to 120 days.



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Before entering into business relationships with the authorised distributors of the brand owners, we will request the counterparty to provide a copy of the authorisation letter or reference letter issued to them by the relevant brand owners for our verification. Where we need to resort to the procurement of third-party brand products from distributors and traders which have not been authorised by the relevant brand owners to sell and distribute such products, we will proceed with caution and perform enhanced due diligence and only consider reputable distributors and traders with no history of selling products with quality or authenticity issue. We will conduct background checking about such distributors and traders and review their company and customer profiles and further information about them sought in the market. We will also request them to provide us with the supporting documents in relation to their purchases of the products, such as the invoices issued by the brand owners and the payment records.

To further ensure product authenticity, distributors and traders are also required to provide us with the shipping documents in respect of the products supplied to us, such as the bills of lading or the airway bills, as evidence that such products are properly delivered from the respective country of origin. As regards measures to make sure the products sourced are of conforming quality, please see “Quality Control – Quality Check” in this section for details of the quality check procedures generally adopted for all third-party brand products.

### Turnover Analysis of Our Active Suppliers

Set forth below is a turnover analysis of each of our active (i) third-party brand owners; (ii) manufacturers; and (iii) distributors and traders during the Track Record Period:

	FY2017	FY2018	FY2019
<b>Third-party brand owners</b>			
Number of active third-party brand owners brought forward from the previous year	20	29	41
Additions <sup>(1)</sup>	9	13	8
Number of third-party brand owners no longer our active suppliers <sup>(2)</sup>	–	(1)	–
<b>Number of active third-party brand owners at the end of the year</b>	<b>29</b>	<b>41</b>	<b>49</b>
<b>Manufacturers</b>			
Number of active manufacturers brought forward from the previous year	5	7	5
Additions <sup>(1)</sup>	2	–	–
Number of manufacturers no longer our active suppliers <sup>(2)</sup>	–	(2)	–
<b>Number of active manufacturers at the end of the year</b>	<b>7</b>	<b>5</b>	<b>5</b>

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	FY2017	FY2018	FY2019
<b>Distributors and traders</b>			
Number of active distributors and traders brought forward from the previous year	21	33	109
Additions <sup>(1)</sup>	12	81	62
Number of distributors and traders no longer our active suppliers <sup>(2)</sup>	–	(5)	(9)
<b>Number of active distributors and traders at the end of the year</b>	<b>33</b>	<b>109</b>	<b>162</b>

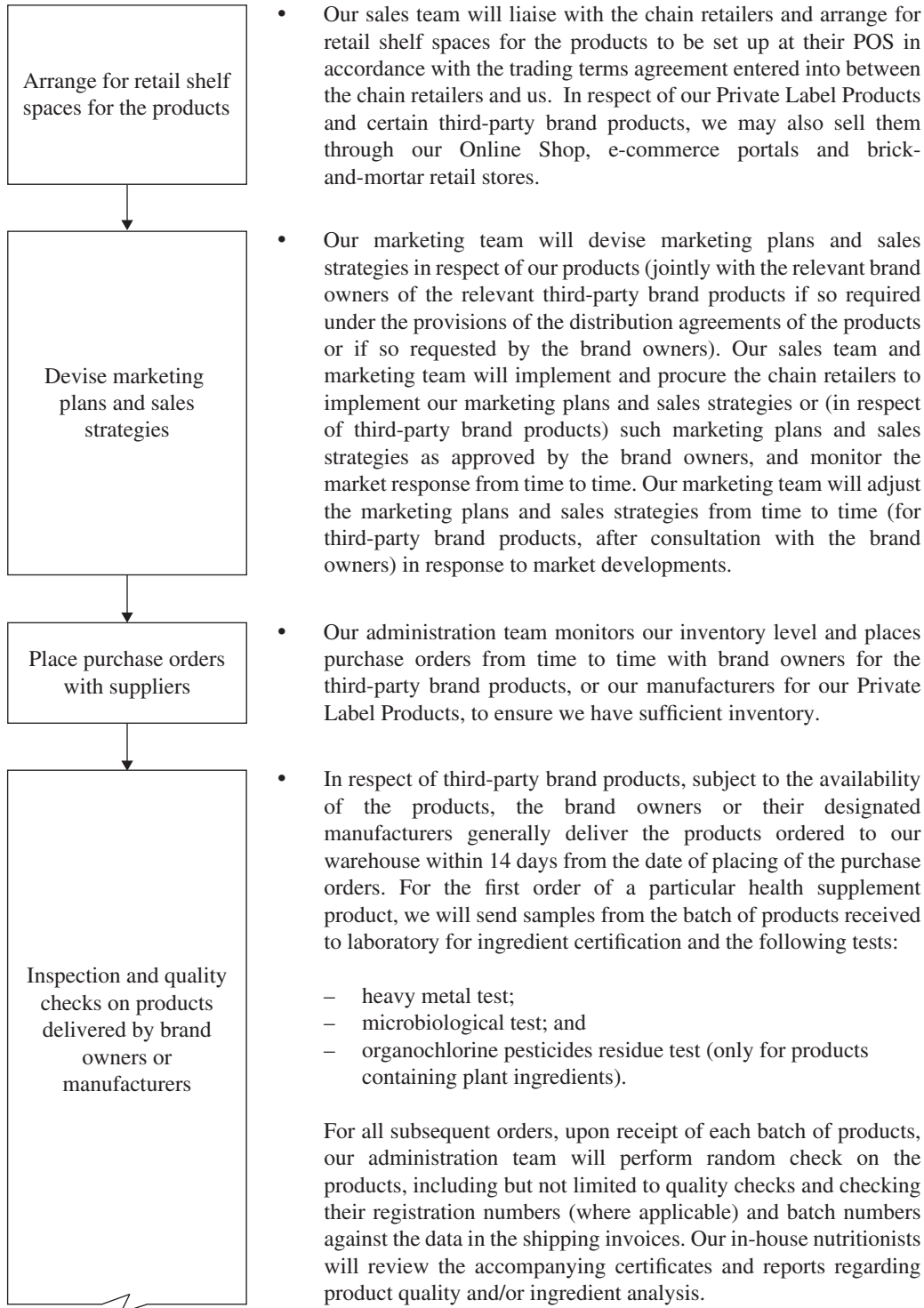
*Notes:*

- (1) A supplier became our active supplier during the year when we made our first purchase with that supplier.
- (2) A supplier was no longer our active supplier during a year when no purchase was made with that supplier during that year and the preceding year.

The increase in the number of active suppliers who were third-party brand owners during the Track Record Period from 29 in FY2017 to 49 in FY2019 was mainly due to our continuous effort in expanding our product portfolio by introducing new products (which were mainly health supplement products) during the Track Record Period. On the other hand, the number of active suppliers who were distributors and traders increased during the Track Record Period from 33 in FY2017 to 162 in FY2019, mainly because (i) we procured from an increased number of distributors and traders in broadening our suite of products; and (ii) we may turn to the authorised distributors of the brand owners or other distributors and traders where we are unable to procure third-party brand products directly from the brand owners. For example, some brand owners may be minded to deal with their existing distributors with whom they have had a long-term business relationship only. In addition, as we launch new third-party brand products in our business, the brand owners may decline to accept our purchase orders in the initial phase due to our lack of track record and limited order size. During the Track Record Period, two brands of our third-party brand products, among which one product was our top 10 products during the period, were initially sourced by us from distributors and traders before brand owners accepted purchase orders for purchase of these products from us directly, and it took an average of approximately 23 months for us to establish such direct business relationship with these brand owners. As a result, our revenue generated from sales of products sourced from distributors and traders increased from approximately HK\$54.9 million in FY2017 (representing 15.0% of our total revenue) to HK\$219.5 million in FY2018 (representing 31.7% of our total revenue) and further to HK\$234.2 million in FY2019 (representing 33.4% of our total revenue) mainly due to the full-year effect of certain products rolled out in FY2017 and FY2018 and the increase in rollout of new products in FY2018 and FY2019 that were sourced from these distributors and traders. On the other hand, as we commenced the operation of our two brick-and-mortar retail stores in Macau in FY2018, selling a wider range of third-party brand products that are typically sold by pharmacies on a retail basis, it was necessary for us to source these products from distributors and traders as the size of orders for purchase of products for our Retail Business is relatively smaller as compared with that for our Distribution Business for efficient inventory control.

**PRODUCT DISTRIBUTION WORKFLOW**

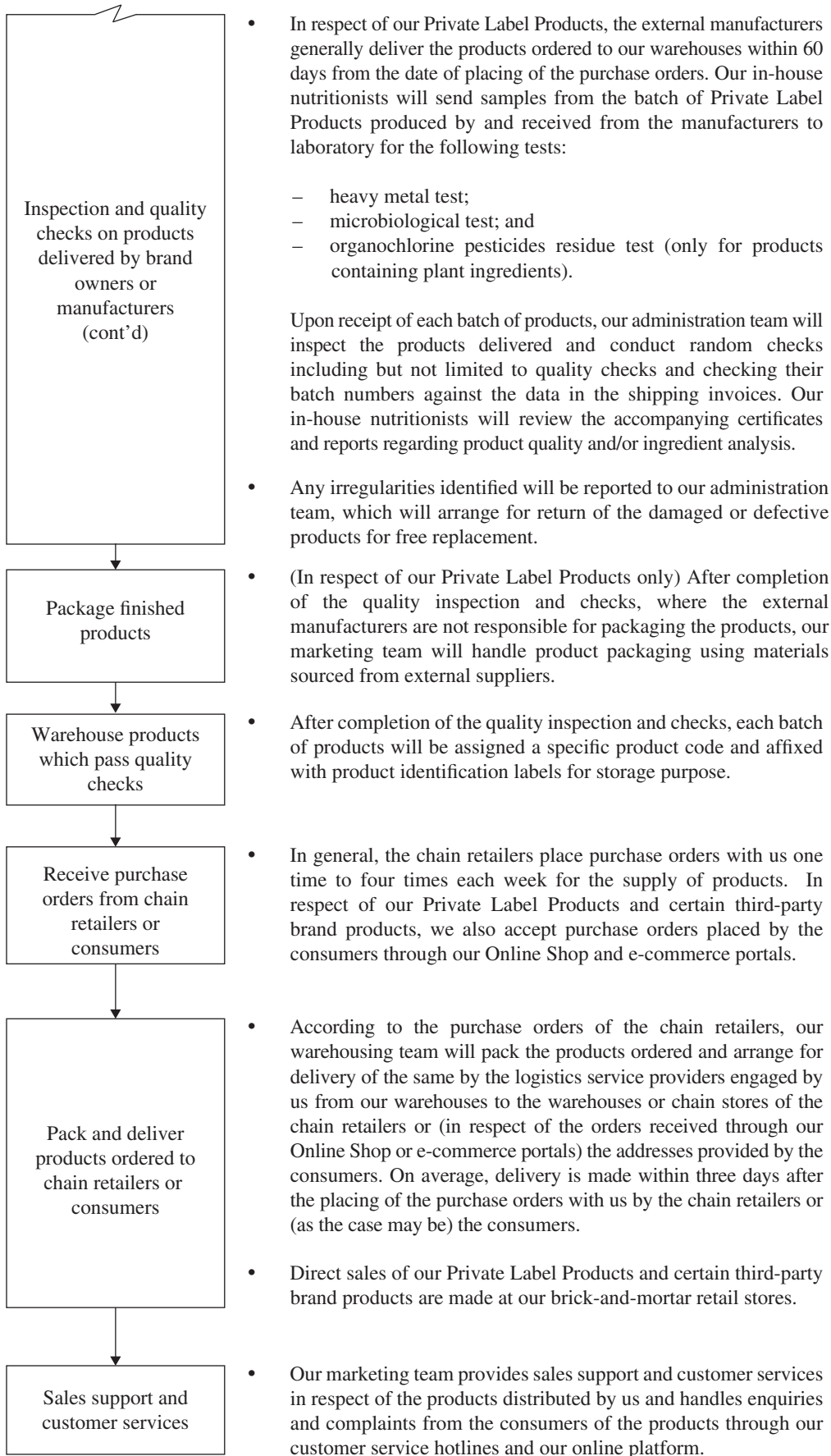
After securing the distributorship of the third-party brand products or the launch of our Private Label Products, we will seek to distribute and sell our products via our sales channels, principally the POS operated by chain retailers. The following diagram illustrates the process adopted by us for the distribution of our third-party brand products and our Private Label Products:



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### **OUR PRICING POLICY**

In our Distribution Business, the prices at which our products are sold to the customers are determined on a case-by-case basis based on negotiations between the customers and us. Factors that are taken into account include, among others, the wholesale and/or retail prices suggested by the brand owners for their products (which are provided for the reference of the customers only, if any), the volume of orders, the services and support to be provided by us (such as marketing support and promotion), the expected profit margins of us and of our customers, the intended market positioning of the products, and the market response from time to time.

As regards our Retail Business, when determining the prices for sales of our products to our consumers, the major relevant factors include our procurement costs, our target market positioning and operating profit margin in respect of each product, and the market response from time to time.

### **SALES AND MARKETING**

#### **Marketing and Promotion**

Our marketing team is responsible for designing and conducting our marketing and promotional activities in order to stimulate the sales of products sourced from us by our customers and our retail sales. For our Private Label Products, we would formulate a comprehensive marketing plan which covers a range of marketing initiatives to be taken not only to stimulate sales but also to build the desired brand identities and images and achieve the target market positioning. As regards our third-party brand products, we generally focus on promoting the awareness of the products among the consumers and would make sure that the activities conducted by us are in line with the brand owners' own marketing and positioning strategies. During each of FY2017, FY2018 and FY2019, our advertising and promotion expenses amounted to approximately HK\$3.8 million, HK\$21.1 million and HK\$22.2 million, representing 1.0%, 3.0% and 3.2% of our total revenue respectively.

Our Group's marketing strategies and promotional activities include:

#### ***Advertisement***

We conduct advertising to promote our products from time to time in various forms, including television, newspapers, magazines and radio advertisements, posterads and featureads in trains and at train stations, and advertisements on the exterior and in the interior of buses. When we commence distribution of a new third-party brand product or launch a new Private Label Product, the advertisements may serve to draw the public's attention to the product and its features. We may also place advertisements, primarily on newspapers, to keep the public informed about the discount prices being offered by chain retailers in respect of products sourced from us and the offer periods.

### *Press release*

When we introduce new products, we may also issue press releases concerning the new products for publication on newspapers, magazines and online platforms. The press releases contain detailed explanations of the product features and enable the public to gain an in-depth understanding of the new products.

### *Marketing and promotion through online media*

Given that online media have significant influence on consumers' spending behaviour in recent years, we have placed a strong emphasis on online marketing and promotion, which we consider to be an effective and efficient means for promotion of our products.

During the Track Record Period, we had invited a number of key opinion leaders in Hong Kong to try out our products and to introduce the product features and share their user experience in live streams and/or by posting articles, videos and/or photos on the social media, such as Facebook. In order to broaden our PRC customer base e.g. tourists from the PRC, we had also engaged key opinion leaders in the PRC to promote our products on social media accessible to Chinese users, such as WeChat (微信) and Xiao Hongshu (小紅書), by, for example, posting information about our products and promotion events and conducting live streams of their shopping experiences at our customers' retail chain stores featuring products sourced from us.

The use of social networking platforms allows us to reach out to the consumers and obtain instant feedback on our products, which provides us with useful information when we formulate our marketing and promotion strategies and review and adjust our product portfolio to match the prevailing consumers' preferences.

We have also quoted the recommendation and feedback on our products from key opinion leaders and health tips from our in-house nutritionists on our own website [www.tycoonhealth.com](http://www.tycoonhealth.com).

### *Talks*

We may organise health talks from time to time to allow the public to gain insights into the benefits and efficacy of selected products. During the Track Record Period, we invited a professor from National Yang-Ming University and a clinical psychologist to give talks and share health tips with and promote our Private Label Products to the participants.

### *Spokesperson*

In order to further promote our Private Label Products, we had engaged a celebrity as our spokesperson for our private label brand "Boost & Guard (BG補健)" in Hong Kong in the past.

### **Our Sales Team**

Our sales team in Hong Kong consisted of 60 members as at 31 December 2019, 51 members of whom were sales promoters employed by us. They provide advice and recommendations on product usage and selection to the consumers at the chain stores operated by the chain retailers. They may also be stationed at the sales booth which we may set up from time to time at the chain stores or other places and assist in the implementation of our special product promotions.

Our sales team is also responsible for keeping constant contact with our customers, approaching potential customers in Hong Kong, and obtaining purchase orders from them. They hold meetings with customers on a regular basis through physical visits or telephone calls to gather information from them, including consumer preferences, sales and market receptiveness and levels of inventory maintained by them. This information enables us to monitor the performance of our products in the market. The salespersons also obtain first-hand feedback on our products from the frontline sales of such retailers through regular visits.

### **Seasonality**

Our business is slightly affected by seasonality. We generally derive a higher amount of revenue from sales of our products during the Christmas and new year holidays, and to a lesser extent, the Labour Day Golden Week, the National Day Golden Week and the summer holiday season, each year. We generally stock up inventories before the festive seasons in order to cope with the anticipated higher demand and prevent shortage of inventories. Our Directors believe this seasonal pattern is primarily due to the consumers' gift-shopping habit during the festive seasons.

### **MARKET AND COMPETITION**

According to the Ipsos Report, the PCM distribution industry in Hong Kong is mature with a large number of market players. According to the Chinese Medicine Council, there were approximately 1,000 licensed PCM distributors as at 31 December 2019, among which some were large-scale companies offering various well-known brands of PCM products. There are also small-scale PCM distributors, who may trade PCM products with other distributors and distribute PCM products to individual pharmacies/medicine stores. The PCM distributors generally compete with each other in terms of (i) product offerings, including the products' authenticity, diversity and conformity with the market trends and preference; (ii) stability of product supply; and (iii) services offered, such as logistics and marketing services. In particular, those distributors which offer products of well-known brands and popular items that meet the prevailing demand in the market may enjoy a competitive edge, given that these products are in high demand among the consumers. As set out in the Ipsos Report, five market players are considered to be in the top tier based on their estimated revenue in 2018 and they collectively accounted for 43.3% of the total market share in 2018. In 2018, our Group recorded revenue of approximately HK\$293.8 million from the distribution of PCM products in the Distribution Business, accounting for 8.1% of the total revenue of the market, and ranked third in terms of market share.

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As regards the health supplement distribution industry in Hong Kong, according to the Ipsos Report, the market is highly fragmented with no dominant player. The industry consists of a large number of distributors with different business scales while a certain portion of the distributors are small and medium size enterprises, as there is a large variety of health supplement products of different brands, countries of origin, functional performance features and components in respect of which the distributors may gain the distribution rights in different manners. The competition among the distributors in the industry is moderate, and the distributors are mainly competing with each other based on the popularity of the products they offer to retailers and the scale of their retailer networks.

While the health supplement, skin care and personal care product distribution industries in Hong Kong are highly fragmented and competitive, thanks to our competitive strengths as set forth in “Competitive Strengths” in this section, our Group has achieved substantial business growth since our inception. Among others, we believe the following features and/or value-adding functions of our Group are of salient significance to our retail chain customers and our suppliers of third-party brand products, such that we have successfully established ourselves as a valued supply chain partner and distributor of them respectively that is not easily replaceable:

### As a supply chain partner of our chain retailer customers

- **diverse product portfolio:** we have a diverse product portfolio which consists of 120 brands and 478 products during FY2019 and is growing from time to time. To our chain retailer customers, we serve as a one-stop supplier of the mix of products they require according to their respective business needs and offer them convenience in procurement by minimising the negotiation and paperwork involved, thereby allowing them to gain cost-efficiency;
- **wide range of marketing and promotional activities:** the wide range of marketing and promotional activities conducted by our Group are highly valued by our chain retailer customers, given that they are effective means to increase the exposure and recognition of the products supplied by us. In particular, our Directors believe we have been able to distinguish ourselves from most of our competitors by setting up an established team of sales promoters in Hong Kong with 51 members as at 31 December 2019. Our sales promoters are stationed at the chain stores operated by our chain retailer customers or the sales booths set up by us to implement special product promotions. Through direct interaction with the consumers, they feed the consumers in-depth information on product usage and selection and thereby boost sales of the products supplied by us. Our retail chain customers could also reduce their headcount and save on advertising and promotion expenses accordingly;
- **stable stock supply:** we endeavour to provide our customers with a complete package of supply chain support, and warehousing and logistics are two of the major areas that are covered. We have set up warehouses in Hong Kong where we stock products to meet the needs of our retail chain customers in the forthcoming weeks determined based on (i) the joint business plan as agreed with them, which sets out the sales targets, stock volume required, promotion plan, product display, etc.; and (ii) our own internal sales forecast. The guaranteed stability of product supply is one of our major competitive edges as a supply chain partner, which we are able to achieve largely because of our long-term collaboration with our chain retailer customers; and



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- **mutual understanding and trust:** the relationships between Mr. Wong and his key contacts in major chain retailers in Hong Kong date from the time when our Group had yet to be founded, and our Group had gradually gained the recognition of our retail chain customers as a supply chain partner since our inception under the lead of Mr. Wong. Close working relationships have been established and sustained over the years between our retail chain customers and us through (i) the continuous business dealings; (ii) regular direct communication between the top management in relation to high-level matters such as key business strategies, through which both sides could exert positive influence on the other and strengthen the strategic collaboration; and (iii) close contact and cooperation between the representatives at the working level of both sides for effective and efficient implementation of the business strategies and plans as agreed between the top management. Our Directors believe the mutual understanding and trust are instrumental in maintaining customer loyalty.

### As a distributor of our suppliers of third-party brand products

- **access to a sizeable and effective distribution network:** according to the Ipsos Report, as at 31 December 2019, our top two customers operated 359 and 232 stores in Hong Kong respectively. We offer our suppliers of third-party brand products access to the extensive network of POS in Hong Kong operated by our retail chain customers, which may effectively accelerate the market penetration of their products;
- **product distribution on favourable terms:** from the perspective of our suppliers of third-party brand products, retailer relationship management and arrangement of distribution workflow are among the major functions of us as a distributor. The manifold value-adding functions we perform for our retail chain customers as mentioned above have strengthened our bargaining power vis-à-vis our retail chain customers, and we are well positioned to negotiate for more favourable terms in relation to matters relating to product distribution, such as the locations of the POS which are to carry the products supplied by us, and the positions and areas of the shelf space to be assigned to such products. Our suppliers of third-party brand products may have a better chance of obtaining favourable terms for product distribution through us than they would possibly have dealing with the chain retailers directly and individually;
- **wide range of marketing and promotional activities:** as mentioned above, we conduct a wide range of marketing and promotional activities in respect of the products supplied by us. Our support in this regard is considered no less crucial by our suppliers of third-party brand products as they are allowed to dedicate their manpower and resources primarily to product development and manufacturing; and
- **opportunities to enter new markets:** in our Retail Business, we have been selling our products online through several e-commerce portals, whereby cross-border sales of our products have been made from Hong Kong to the PRC; we have also set up two brick-and-mortar retail stores in Macau for direct offline sales of our products. It is also part of our strategy to expand our Distribution Business to the PRC by supplying certain of our products to the PRC market on an offline basis; to this end, we have entered into an agreement with a wholly-owned subsidiary of CR Pharmaceutical regarding the establishment of a joint venture in the PRC so as to leverage

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the network of CR Pharma Group to distribute, among others, our products in the PRC. Our suppliers of third-party brand products will therefore have the opportunities to break into new markets through our sales channels and networks, which our Directors believe further distinguishes us from most of our competitors.

Notwithstanding the fact that the distribution rights granted to us in relation to some of our products are not exclusive in nature, we serve a host of value-adding functions and play roles that are not easily replaceable in the supply chain of our retail chain customers and the distribution channel of our suppliers of third-party brand products. On the basis of the above, our Directors believe that we are in a favourable position to compete with the existing market players and the new entrants and will be able to remain competitive. Our Directors are confident that the implementation of our business strategies with the proceeds from the Global Offering will enable us to expand our business so as to reinforce and further enhance our market position. Please see “Competitive Strengths” and “Business Strategies” in this section for further information.

### **QUALITY CONTROL**

We have a standardised quality control procedures for selecting suppliers and products for ensuring the products sourced by us are of quality, safe and suitable for consumption or use and will fully comply with the relevant local laws and regulations for sales.

#### **Selection of Suppliers**

We adopt a stringent approach to evaluating the brand owners and the manufacturers engaged by them and the external manufacturers of our Private Label Products before entering into any formal agreement or arrangement with them for the distribution of third-party brand products and the production of our Private Label Products. Please see “Our Suppliers – Selection Criteria for Suppliers of Our Third-party Brand Products” and “Our Suppliers – Selection Criteria for Manufacturers of Our Private Label Products” in this section for further details.

#### **Quality Check**

In respect of third-party brand products, for the first order of each SKU of the health supplement products delivered to us from the brand owners or their designated manufacturers, we will send samples from the batch of products received to laboratory to conduct heavy metal test, microbiological test and organochlorine pesticides residue test (only for products containing plant ingredients). For all subsequent orders, upon receipt of each batch of products, our administration team will perform random check on the products, including but not limited to quality checks and checking their registration numbers (where applicable) and batch numbers against the data in the shipping invoices.

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For our Private Label Products, our in-house nutritionists will send samples from the batch of products produced by the manufacturers to the laboratory for heavy metal test, microbiological test and organochlorine pesticides residue test (only for products containing plant ingredients). Upon receipt of each batch of products, our administration team will also inspect the products delivered and conduct random checks, including but not limited to quality checks and checking their batch numbers against the data in the shipping invoices.

Our quality checks include checks on brand name, quantity ordered, product appearance, product labels, barcode of products, date of expiry and packaging (including both outer cartons and inner packaging). Our in-house nutritionists, who are holders of nutrition-related university degrees and certificates relating to food safety or hygiene and have completed courses in food labelling and regulations and each possesses more than five years of work experience as a nutritionist, will review the accompanying certificates and reports regarding product quality and/or ingredients to assess if the product ingredients comply with the relevant laws and regulations. Any irregularities identified in the products delivered to our warehouse will be reported to our administration team, which will arrange for return of the damaged or defective products for free replacement.

Apart from the products that already consists of laws and regulations compliant labels information printed on their packages affixed by our suppliers before such products are delivered to us, we have engaged independent contractors to prepare and affix the relevant product labels on the products.

Our Directors confirm that we had not experienced any product quality issue that would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

### INVENTORY CONTROL

Our sourcing team works with our sales team on the product demand forecast and our administration team monitors our inventory level. Our inventory is consumed on a first-in, first-out basis. Our administration team places purchase orders with the brand owners or external manufacturers as and when necessary. The lead time from order placement to delivery of products to our warehouses ranges from one week to two weeks for orders placed with local distributors. For orders placed with overseas suppliers, the lead time from order placement to delivery of products to our warehouses is approximately four to six weeks.

We conduct stocktakes and hold internal inventory meeting monthly. Where we identify any slow-moving inventory, we may liaise with the retailers for the launch of promotion campaigns in respect of the relevant products and/or directly conduct the promotion campaigns through our online stores and brick-and-mortar retail stores by, for example, offering discounts to the retailers and/or the consumers.

Our warehousing team is responsible for monitoring the storage conditions of our products in the warehouses to prevent any product quality issues. In particular, a monitoring system has been installed to ensure that the temperature is kept below 25 degree Celsius and the humidity level is kept below 65% in the storage areas for our PCM products and some of our other healthcare products.

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During the Track Record Period, no provision or impairment had been made in respect of our inventory and we had not experienced any shortage in inventory or issues concerning inventory storage that would have had a material adverse impact on our business operations, financial condition or results of operations.

### LOGISTICS

During the Track Record Period, we engaged external logistics service providers for the delivery of products from our warehouses to the designated locations of our customers. We have not entered into any long-term contract with such service providers. Our Directors confirm that we had not experienced any delay in product delivery which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

We incurred approximately HK\$1.0 million, HK\$2.2 million and HK\$3.0 million in aggregate for expenses paid to external logistics service providers for FY2017, FY2018 and FY2019 respectively.

### EMPLOYEES

As at 31 December 2019, we had a total of 164 employees (including 159 full-time and three part-time employees and our two executive Directors).

Set forth below is an analysis of our employees by functions and locations as at 31 December 2019:

Function	Hong Kong	PRC	Macau	Singapore	Malaysia	Australia	Total
Administration	13	–	1	–	–	–	14
Finance	10	2	1	–	–	–	13
Human resources	3	1	–	1	1	–	6
E-commerce	1	10	–	–	–	–	11
Sales	60	9	15	3	–	1	88
Marketing and product development (inclusive of two nutritionists in Hong Kong)	11	12	–	–	–	–	23
Sourcing	3	–	–	–	–	–	3
Warehousing	6	–	–	–	–	–	6
<b>Total</b>	<b>107</b>	<b>34</b>	<b>17</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>164</b>

### Remuneration and Incentive

We enter into individual employment agreements with our employees in accordance with the relevant laws and regulations. Our employment agreements specify terms including, among other things, salaries, benefits, confidentiality obligations relating to trade secrets, non competition terms and grounds for termination. The remuneration package of our employees mainly includes salaries, discretionary bonuses and paid leave. Generally, members of our sales team are entitled to monthly incentives.

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We conduct periodical review on the performance of our employees from time to time and make reference to such performance reviews for assessing discretionary annual bonus and salary adjustments. For FY2017, FY2018 and FY2019, our staff costs were approximately HK\$10.7 million, HK\$21.6 million and HK\$42.2 million respectively.

### **Training**

To continuously improve the performance of our employees, we provide training to newly recruited employees for them to understand our Group's operations and working environment. We also provide in-house training to our sales promoters through which they can gain knowledge of our products and master professional selling skills. Our accounting staff also receive training in professional skills and knowledge.

### **Recruitment**

We generally recruit our employees from the open job markets through advertising on online job portals, the Labour Department and local universities. We have also used recruitment agencies to fill the vacancies for various positions.

We have no labour union established for our employees. Our Directors confirm that we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees during the Track Record Period and up to the Latest Practicable Date.

## **HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS**

Our Group has established procedures to provide our staff with a safe and healthy working environment by setting out a series of work safety measures in the staff manual. We also provide separate health and safety guidelines for our staff in the warehouses.

Our operational activities do not directly generate industrial pollutants, and we did not directly incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. Our Directors further confirm that our Group had not been involved in any material non-compliance issues in respect of any applicable laws and regulations on environmental protection during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any significant incidents or accidents in relation to workers' safety. Furthermore, our Directors confirm that we had not been subject to any material claim, whether for personal or property damage, or penalty in relation to health, work safety, social and environmental protection and had not been involved in any accident or fatality and had been in compliance with the applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

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### INSURANCE

We maintain insurance policies which cover, among others, (i) statutory employees' compensation for all full-time and part-time employees; (ii) medical insurance for our full-time employees; (iii) office and warehouse insurance for, *inter alia*, property damage, loss of money, personal accident and public liability; and (iv) marine cargo insurance for products in transit.

Our Directors consider that our insurance coverage is adequate and consistent with industry norm. Our Directors confirm that we did not make and were not subject to any insurance claims that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date. For details of the risk relating to our Group's insurance coverage, please see "Risk Factors – Risks Relating to Our Business – Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation" in this prospectus.

### PRODUCT LIABILITY

As agreed with the retailers and traders, products purchased by them may be returned to us where product defects or quality issues are identified during inspection upon receipt, or in the event of product recall pursuant to orders from any governmental authorities or as a result of any regulatory issues, among others. In addition, we are required by the providers of portals on which our online stores are operated to provide product return services free of charge within a certain period of time in case product quality issues are identified or the products have been damaged in the course of delivery or are found to be inconsistent with the product descriptions. We also accept the product return requests in relation to product quality and/or packaging issues from the consumers who have purchased our products at our brick-and-mortar retail stores.

Upon receipt of the products returned, we will examine the nature and extent of the damage/defectiveness and assess the feasibility of return to the suppliers, taking into account factors such as the transportation costs. Certain brand owners and manufacturers have undertaken in the distribution agreements and the manufacturing agreements entered into with us that they will be responsible for ensuring that the products meet the quality and safety standards as prescribed by the relevant governmental authorities and in the event that the products have to be recalled due to problems with quality, trademarks or packaging, the suppliers shall bear all liabilities and responsibilities in connection with the above. Where practicable and appropriate, we may return the damaged/defective products to the suppliers and seek monetary compensation including refund of the purchase price and reimbursement of the costs incurred by us.

Our Directors confirm that our Group did not experience any product returns or recalls or customer complaints that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

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### PROPERTIES

As at 31 December 2019, we owned our headquarters in Hong Kong and one warehouse in Macau, while we leased warehouses and certain car parking spaces in two industrial buildings in Hong Kong, two retail stores in Macau, one office in each of Shenzhen and Hangzhou, PRC, one warehouse with ancillary office in Singapore and one office with a warehouse in Sydney, Australia. Set forth below is the information on our self-owned and leased properties as at 31 December 2019:

#### Self-owned Properties

Location	Approximate gross floor area (sq.m)	Usage	Encumbrances, liens, pledges and mortgages
<b>Hong Kong – Shatin</b>			
Workshop Nos. 3, 5 & 14, 8th Floor, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong	849	Headquarters	Mortgaged to bank
<b>Macau</b>			
Avenida de Venceslau de Morais Nos. 205-207, Industrial Chun. Foc 13, Andar H, Macau	234.9	Warehouse	Mortgaged to bank

#### Leased Properties

Location	Approximate gross floor area (sq.m)	Usage	Term of the lease	Annual rental
<b>Hong Kong</b>				
<b>– Shatin</b>				
Workshop No. 13, 16th Floor, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong	323	Warehouse	10 February 2017 – 9 February 2021	HK\$504,000
Workshop No. 12, 16th Floor, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong	327	Warehouse	8 December 2016 – 7 December 2020	HK\$492,000

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Location	Approximate gross floor area (sq.m)	Usage	Term of the lease	Annual rental
Workshop No. 2, 9th Floor, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong	197	Warehouse	10 July 2018 – 9 July 2020	HK\$213,600
Workshop Nos. 12, 13, 14 & 15, 6th Floor, Workshop No. 12, 8th Floor and Workshop No. 5, 9th Floor, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong <sup>(1)</sup>	1,824	Warehouse	1 October 2019 – 31 December 2021	HK\$3,144,000
Car Parking Space No. P5, 2nd Floor, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong	N/A	Car parking space	15 May 2019 – 14 May 2021	HK\$48,000
Car Parking Space Nos. P27 and L22, 3rd Floor, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong <sup>(1)</sup>	N/A	Car parking space	1 October 2019 – 31 December 2021	HK\$96,000
<b>– Fanling</b>				
Units 3 & 4, 1st Floor, World Trade Square, No. 21 On Lok Mun Street, Fanling, New Territories, Hong Kong	605	Warehouse	15 May 2018 – 14 May 2020	HK\$967,560
<b>Macau</b>				
Rua Tres Bairro Va Tai No. 23, Jardins do Mar do Sul, Bloco 2, Rés-do-chão P, Macau	95.9	Retail store	1 May 2018 – 30 April 2023	HK\$1,200,000



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Location	Approximate gross floor area (sq.m)	Usage	Term of the lease	Annual rental
Praça das Portas do Cerco No. 2, Jardins do Mar do Sul, Bloco 1, Rés-do-chão E, Macau	55.0	Retail store	10 October 2018 – 9 October 2022	HK\$1,920,000 (10 October 2018 – 9 October 2020); HK\$2,169,600 (10 October 2020 – 9 October 2022)
<b>PRC</b>				
Rooms 5D, 5E , 5F, 5G, Block B, Haoming Fortune Plaza, North of Shennan Road, Futian District, Shenzhen, PRC	260.6	Office	1 July 2018 – 30 June 2020	RMB696,000
Room 605, 6th Floor, Block 2, No. 475 Changhe Road, Changhe Street, Binjiang District, Hangzhou, PRC	235.7	Office	12 June 2019 – 19 June 2021	Nil (12 – 19 June 2019); RMB180,664 (20 June 2019 – 19 June 2020); RMB191,504 (20 June 2020 – 19 June 2021)
<b>Singapore</b>				
31 Kaki Bukit Road 3, #05-12, Singapore 417818	220.2	Warehouse and ancillary office	1 February 2018 – 31 January 2021	SGD85,323 (excluding goods and services tax and other taxes)

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Location	Approximate gross floor area (sq.m)	Usage	Term of the lease	Annual rental
<b>Australia</b>				
Unit 17, 4A Bachell Avenue, Lidcombe, Sydney, New South Wales 2141, Australia	236	Office and warehouse	7 December 2018 – 6 December 2021	A\$55,000 (excluding goods and services tax)

*Notes:*

- (1) Except these premises which are leased by our Group from Mr. Wong, our chairman, executive Director, chief executive officer and Controlling Shareholder, at fair rent, all other properties are leased from Independent Third Parties.
- (2) Tycoon Malaysia has entered into a tenancy agreement with an Independent Third Party for leasing of a premises in Selangor, Malaysia with an approximate gross floor area of 565.6 sq.m. for a term of three years commencing on 1 January 2020 at an annual rental of RM292,224 (excluding service tax and other taxes). As at the Latest Practicable Date, the renovation of the premises was yet to be completed and no business activity was carried out by our Group at such premises.

Our Directors confirm that we did not have any issue or dispute with the landlords in securing or renewing our leases which would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, we did not have any property interest that forms part of our property activities. Further, no single property interest that forms part of our non-property activities had a carrying amount of 15% or more of our total assets as at 31 December 2019. Based on the above, a valuation report with respect to our property interest is not required pursuant to Rule 5.01A(2) of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### INTELLECTUAL PROPERTIES

We have registered or made applications for registration of the trademarks for all of our Private Label Products in Hong Kong. Our Group had also registered the domain names [www.tycoonhealth.com](http://www.tycoonhealth.com) and [www.boostnguard.com](http://www.boostnguard.com) which are material in relation to our Group's business. For details of the intellectual property rights which are material to our Group's business, please see "Appendix V – Statutory and General Information – 8. Intellectual property rights" in this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement of intellectual property rights owned by us, and our Directors confirm that there were no material disputes or litigation regarding the intellectual property rights owned by us during the Track Record Period and up to the Latest Practicable Date.

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Our Directors also confirm that no claim or litigation proceedings had been instituted against us in respect of any alleged infringement of intellectual property rights of any third party during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened claim made against us, nor had there been any claim made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

### LICENCES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, our business operations primarily took place in Hong Kong. As at the Latest Practicable Date, the following licence was material in respect of our business operations in Hong Kong:

Licence	Applicable ordinance and purpose	Validity period	Our relevant products
Wholesaler licence in PCMs	To conduct business in the wholesale of PCMs under section 135 of the Chinese Medicine Ordinance	17 July 2019 to 16 July 2021	PCM products

Our Directors confirm that, in addition to the above licence, we have obtained all other necessary licences, permits and/or approvals for conducting our business in Hong Kong and other relevant jurisdictions.

For details of the laws and regulations of Hong Kong, the PRC, Macau, and Singapore which are applicable to our Group's business operations, please see "Appendix III – Regulatory Overview" in this prospectus.

### LITIGATION

As at the Latest Practicable Date, none of our Company or any other members of our Group were engaged in any claims or litigations or arbitration proceedings of material importance and no litigation or claim or arbitration proceeding of material importance is known to our Directors to be pending or threatened against any member of our Group.

### COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our business operations had complied with applicable laws, rules and regulations in all material respects.

### RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Our Directors are responsible for formulating, supervising and overseeing the effectiveness of our risk management system and implementation of our internal control systems.

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## BUSINESS

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In August 2018, our Group engaged an independent internal control adviser (“**IC Consultant**”) to review the overall adequacy of our risk management and internal control system associated with our major business processes of our Group and that we have established procedures, systems and controls (including accounting and management systems).

The IC Consultant performed follow-up reviews in October 2018 and June 2019. According to the IC Consultants’ internal control report, it did not identify any deficiencies in our risk management and internal control system in its initial and follow-up reviews that would have had a material adverse impact on our business, financial condition or results of operations.

Based on the above, our Directors are of the view that our Company has taken reasonable steps to establish an internal control system and procedures to manage the risks exposed to us and enhance the control environment in both the daily operation and management levels. Accordingly, our Directors are of the view, and the Sole Sponsor concurs, that the internal control system currently implemented by our Group is adequate and effective to our operations.

We have adopted corporate governance and internal control measures in various aspects of our business operations, including but not limited to:

- (i) all of our Directors and senior management have attended training conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under certain applicable laws and regulations, including the Listing Rules prior to the Listing;
- (ii) we will engage appropriate external legal advisers and/or institutions and/or consultants to advise, update the knowledge of and/or provide trainings to our Directors, senior management and/or relevant employees on the relevant laws and regulations, including changes thereto, which may affect our business operations;
- (iii) when necessary, we will engage external professionals, such as auditors, internal control adviser, external legal advisor(s) and other advisors to render professional advice as to compliance with statutory and regulatory requirements, as applicable to our Group from time to time;
- (iv) we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser in compliance with the applicable Listing Rules;
- (v) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on our Board’s decision-making process and provide independent advice to our Board and our Shareholders; and
- (vi) our audit committee of the Board, comprising three independent non-executive Directors, continuously provides our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group and oversees the audit process and performs other duties and responsibilities as assigned by our Directors.

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## DIRECTORS AND SENIOR MANAGEMENT

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### OVERVIEW

The following table sets out certain information of our Directors and senior management:

#### Directors

Name	Age	Position	Date of appointment	Date of joining our Group	Role and responsibilities in our Group	Relationships with other Directors and/or senior management
Wong Ka Chun Michael (王嘉俊)	44	Executive Director, chief executive officer and chairman of our Board	14 June 2017 (designated as executive Director on 8 October 2018)	17 April 2015	Responsible for the overall business strategies, planning, management and operational development of our Group; chairman of the corporate governance committee	Nil
Chan Fan Shing (陳帆城)	43	Executive Director	8 October 2018	4 October 2017	Participating in formulating our Company's operations, corporate and business strategies; managing and overseeing the financial management of our Group	Nil
Yao Qingqi (姚青琪)	52	Non-executive Director	19 February 2019 (designated as non-executive Director on 19 July 2019)	19 February 2019	Participating in formulating our Company's corporate and business strategies	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of appointment	Date of joining our Group	Role and responsibilities in our Group	Relationships with other Directors and/or senior management
Chong Yah Lien (張雅蓮)	48	Non-executive Director	19 February 2019 (designated as non-executive Director on 19 July 2019)	19 February 2019	Participating in formulating our Company's corporate and business strategies	Nil
Ng Wang Yu Gary (吳弘宇)	48	Non-executive Director	19 July 2019	19 July 2019	Participating in formulating our Company's corporate and business strategies	Nil
Li Ka Wa Helen (李家華)	59	Non-executive Director	19 July 2019	19 July 2019	Participating in formulating our Company's corporate and business strategies	Nil
Wong Yuk Woo Louis (黃旭和)	52	Independent non-executive Director	20 January 2020	20 January 2020	Responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of our Company; chairman of the remuneration committee and member of the audit committee, the nomination committee and the corporate governance committee	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of appointment	Date of joining our Group	Role and responsibilities in our Group	Relationships with other Directors and/or senior management
Chung Siu Wah (鍾兆華)	42	Independent non-executive Director	20 January 2020	20 January 2020	Responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of our Company; chairman of the nomination committee and member of the audit committee, the remuneration committee and the corporate governance committee	Nil
Chan Ka Lai Vanessa (陳嘉麗)	46	Independent non-executive Director	20 January 2020	20 January 2020	Responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of our Company; chairman of the audit committee and member of the remuneration committee and the nomination committee	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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### Senior Management

Name	Age	Position	Date of joining our Group	Role and responsibilities in our Group	Relationships with other Directors and/or senior management
Chan Chi Keung Tommy (陳志強)	42	Sales and marketing director – Hong Kong and Singapore	1 March 2020	Operating and overseeing the sales and marketing operations of our Group in Hong Kong and Singapore	Nil
Zhao Dong (趙棟)	27	E-commerce manager	15 October 2018	Managing the e-commerce operations of our Group	Nil
Zhang Dan (張丹)	26	E-commerce sales director	17 February 2020	Managing the e-commerce sales of our Group	Nil

### DIRECTORS

Our Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. The biographies of our Directors are set out below.

#### Executive Directors

**Mr. Wong Ka Chun Michael (王嘉俊)**, aged 44, founded our Group in April 2015. He was appointed as a Director on 14 June 2017 and became the chairman of our Board and executive Director on 8 October 2018. Currently, Mr. Wong is also the chief executive officer of our Group. Mr. Wong is responsible for the overall business strategies, planning, management and operational development of our Group. Mr. Wong is also our Controlling Shareholder and is expected to be interested in approximately 56.01% of our issued Shares upon Listing (assuming the Over-allotment Option is not exercised).

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



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## DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Wong was a director of the companies below, which were dissolved by way of deregistration. As confirmed by Mr. Wong, each of these companies had no business operation and was solvent at the time when they were dissolved and so far as he was aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against him.

Name of company	Place of incorporation	Nature of business before dissolution	Date of dissolution	Method of dissolution
Modern Nova International Limited	Hong Kong	No business operation	24 August 2018	Deregistration of a defunct private company
Banitore (Far East) Company Limited	Hong Kong	No business operation	3 June 2005	Deregistration of a defunct private company
Icarecity.com Limited	Hong Kong	No business operation	16 May 2003	Deregistration of a defunct private company

**Mr. Chan Fan Shing (陳帆城)**, aged 43, was appointed as an executive Director on 8 October 2018. Mr. Chan joined our Group in October 2017 and is responsible for formulating our Company's operations, corporate and business strategies, managing and overseeing the financial management of our Group and is the finance director of our Group.

Mr. Chan has extensive experience in auditing, finance and accounting management and has worked in various audit firms (both local and international) and listed companies in Hong Kong. From September 2009 to March 2016, Mr. Chan worked in CPMC Holdings Limited (stock code: 906), a company whose shares are listed on the Main Board of the Stock Exchange, where his last position was company secretary and financial controller, responsible for overall accounting and financial management and company secretarial activities. From March 2016 to November 2016, Mr. Chan worked as the company secretary and chief financial officer of Enhui Holdings (Cayman) Limited, responsible for company secretary activities and accounting and financial management. From April 2017 to September 2017, Mr. Chan was the financial controller and deputy company secretary of Leyou Technologies Holdings Limited (stock code: 1089), a company whose shares are listed on the Main Board of the Stock Exchange, responsible for accounting and financial management and company secretary matters.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Chan obtained a degree of Bachelor of Arts in Business Accounting from the University of Glamorgan (currently known as University of South Wales), United Kingdom in June 1999 and a degree of Master of Professional Accounting from the Hong Kong Polytechnic University in October 2008. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, a fellow member of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan is also a Chartered Professional Accountant, Certified General Accountant (CPA, CGA) of the Chartered Professional Accountants of British Columbia, Canada.

Mr. Chan has been serving as an independent non-executive director of Trigiant Group Limited (stock code: 1300) since September 2018 and an independent non-executive director of Joy City Property Limited (stock code: 207) since February 2020, each of which a company whose shares are listed on the Main Board of the Stock Exchange.

### Non-executive Directors

**Mr. Yao Qingqi (姚青琪)**, aged 52, was appointed as a Director on 19 February 2019 and became our non-executive Director on 19 July 2019. He is primarily responsible for participating in formulating the corporate and business strategies of our Company.

Mr. Yao has over 20 years of experience in business management. Mr. Yao joined China Resources group which comprises member companies of China Resources Company Limited, a state-owned enterprise of the PRC, since 1993 and is currently the general manager and a director of CR Care and a director of Pre-IPO Investor A, each of which is a wholly-owned subsidiary of CR Pharmaceutical (stock code: 3320), a company whose shares are listed on the Main Board of the Stock Exchange and a member of China Resources group. Mr. Yao is also a shareholder of Pre-IPO Investor B holding approximately 17.74% of its issued shares.

Mr. Yao obtained a Bachelor of Economics in Business Economics from Yangzhou Teachers' College\* (揚州師範學院) (now known as Yangzhou University) in June 1990 and a Master of Economics in Business Economics from Beijing Business School\* (北京商學院) (now known as Beijing Technology and Business University) in June 1993.

**Ms. Chong Yah Lien (張雅蓮)**, aged 48, was appointed as a Director on 19 February 2019 and became our non-executive Director on 19 July 2019. She is primarily responsible for participating in formulating the corporate and business strategies of our Company.

Ms. Chong has over 20 years of experience in auditing, accounting and financial management with international accounting firm and state-owned enterprise of the PRC. Ms. Chong joined China Resources group which comprises member companies of China Resources Company Limited, a state-owned enterprise of the PRC, since 1999 and is currently the deputy general manager of the Financial Administration Department of CR Pharmaceutical (stock code: 3320), a company whose shares are listed on the Main Board of the Stock Exchange and a member of China Resources group. Ms. Chong is also a director of China Resources Pharmaceutical Trading (HK) Limited, CR Care, Beijing Pharmaceutical Investment and

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## DIRECTORS AND SENIOR MANAGEMENT

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Management (HK) Limited, Beijing Pharmaceutical Investment and Management (BVI) Limited and Pre-IPO Investor A, each of which is a wholly-owned subsidiary of CR Pharmaceutical. Ms. Chong is also the sole director and a shareholder of Pre-IPO Investor B holding approximately 12.90% of its issued shares.

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

**Mr. Ng Wang Yu Gary (吳弘宇)**, aged 48, was appointed as a non-executive Director on 19 July 2019. He is primarily responsible for participating in formulating the corporate and business strategies of our Company.

Mr. Ng has extensive experience in the retail industry among which 14 years were in senior executive positions of the corporations he worked for. From October 2004 to February 2014, he worked in A.S. Watson Retail (HK) Limited, where his last position was managing director, Watsons Hong Kong cum Fortress Hong Kong, responsible for running the two retail chains for the A.S. Watson Group. From April 2015 to October 2017, Mr. Ng worked in PARKnSHOP (HK) Limited, where his last position was managing director, responsible for running the supermarket chain.

Mr. Ng obtained a degree of Bachelor of Arts with honours majoring in English and minoring in Integrated Bachelor of Business Administration programme from The Chinese University of Hong Kong in December 1994 and a degree of Master of Business Administration with Honours from The Chinese University of Hong Kong in December 2005.

**Ms. Li Ka Wa Helen (李家華)**, aged 59, was appointed as a non-executive Director on 19 July 2019. She is primarily responsible for participating in formulating the corporate and business strategies of our Company.

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

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## DIRECTORS AND SENIOR MANAGEMENT

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

### **Independent non-executive Directors**

**Mr. Wong Yuk Woo Louis (黃旭和)**, aged 52, was appointed as an independent non-executive Director on 20 January 2020. He is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of our Company.

Mr. Louis Wong has over 19 years of experience in merchandising and procurement. From August 2000 to July 2008, he worked in bigboXX.com Limited, a member of the Hutchison Whampoa Company, where his last position was procurement manager, responsible for sourcing and procurement. From July 2008 to July 2010, Mr. Louis Wong worked in Bunzl UK Ltd, a company principally engaged in providing medical and healthcare supplies where his last position was purchasing manager – Asia Pacific, responsible for purchasing healthcare and medical products. From August 2010 to October 2012, Mr. Louis Wong worked in Office Depot Asia Holding Limited, a company principally engaged in merchandising office supplies and equipment where his last position was senior manager, regional merchandise operations and sales support, responsible for monitoring and planning Asia merchandising activities and sales operation. Since March 2012, he has worked in bigboXX.com Limited, a member of the Hutchison Whampoa Company, a company principally engaged in providing office products and services, as senior manager in strategic sourcing and procurement.

Mr. Louis Wong obtained a Bachelor of Science in Hotel and Catering Management from the Oxford Polytechnic, United Kingdom in July 1992 and a Master of Science in Procurement Management from the University of Strathclyde, United Kingdom in July 2010.

**Mr. Chung Siu Wah (鍾兆華)**, aged 42, was appointed as an independent non-executive Director on 20 January 2020. He is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of our Company.

Mr. Chung has over 17 years of experience in financial services, investments and management. From September 2000 to June 2003, Mr. Chung worked in Merrill Lynch (Asia Pacific) Limited where his last position was research associate, equity research. From April 2003 to April 2006, Mr. Chung worked in Citigroup Global Markets Asia Limited where his last position was analyst. From June 2006 to July 2006, Mr. Chung worked in Morgan Stanley Asia Limited where his last position was vice president, equity research. From July 2006 to October 2008, Mr. Chung worked in Redbrick Capital Management (Asia) Limited where his last position was managing director, Head of Asia. From July 2009 to February 2010, Mr. Chung worked in Citigroup Global Markets Hong Kong Futures and Securities Limited where his last position was director, Asia Pacific Equity Trading. From April 2010 to November 2011, Mr. Chung worked in Chater Capital Advisors (Hong Kong) Limited with his last position as managing partner and chief investment officer. From February 2013 to February 2014, Mr. Chung worked in CreditEase Wealth Management (HK) Limited where his last position was managing director. From November 2014 to April

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## DIRECTORS AND SENIOR MANAGEMENT

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2015, Mr. Chung worked in South China Finance and Management Limited, as managing director. Mr. Chung has been a director in Top Ace Asset Management Limited since October 2015, a company principally engaged in providing financial investment services.

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

**Ms. Chan Ka Lai Vanessa (陳嘉麗)**, aged 46, was appointed as an independent non-executive Director on 20 January 2020. She is primarily responsible for bringing an independent judgment to ensure the continuing effectiveness of the management of our Company.

Ms. Chan has over 20 years of experience in financial accounting, auditing and financial management. From July 1995 to August 2005, Ms. Chan worked in KPMG where her last position was senior manager, responsible for auditing and due diligence projects for businesses in Hong Kong and the PRC. From August 2005 to February 2008, Ms. Chan worked in The Kowloon Motor Bus Co. (1933) Ltd., a subsidiary of Transport International Holdings Limited (stock code: 62), a company whose shares are listed on the Main Board of the Stock Exchange, as accounting manager responsible for accounting and financial management activities. From November 2009 to December 2018, Ms. Chan worked in China Agri-Industries Holdings Limited, a company whose shares were previously listed on the Main Board of the Stock Exchange with stock code: 606, as financial controller responsible for overall accounting, financial management and human resources activities. Since January 2019, Ms. Chan has been working in WA C&E Limited, a private company incorporated in Hong Kong, as a director to provide business and financial advisory services in Hong Kong. Ms. Chan has also been serving as an independent non-executive director of Innovax Holdings Limited (stock code: 2680), a company whose shares are listed on the Main Board of the Stock Exchange, since August 2018.

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

### General

Save as disclosed above, each of our Directors confirms that he or she (i) did not hold any directorships in the last three years prior to the Latest Practicable Date in public companies, the securities of which are listed on any securities market in Hong Kong or overseas or other major appointments and professional qualifications; (ii) does not hold any other positions with us or other members of our Group; (iii) does not have any relationship with other Directors, senior management or Controlling Shareholders, if any, of our Company; and (iv) does not hold any interest in our Shares within the meaning of Part XV of the SFO.

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## DIRECTORS AND SENIOR MANAGEMENT

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Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

Our senior management assists our executive Directors in the day-to-day management of our business. The biographies of our senior management are set out below.

**Mr. Chan Chi Keung Tommy (陳志強)**, aged 42, joined our Group in March 2020 and is the sales and marketing director – Hong Kong and Singapore of our Group, responsible for operating and overseeing the sales and marketing operations of our Group in Hong Kong and Singapore. Mr. Chan has over 24 years of experience in the retailing and trading industry. From June 1994 to April 2014, Mr. Chan worked in A.S. Watson Retail (HK) Limited, where his last position was merchandise controller of Watsons Hong Kong. From December 2014 to January 2018, Mr. Chan worked in KOA International Limited, where his last position was general manager. Mr. Chan worked in The Dairy Farm Company Limited from May 2018 to February 2020, where his last position was head of healthcare. Mr. Chan obtained the degree of Master of Business Administration from University of Wales in March 2013.

**Mr. Zhao Dong (趙棟)**, aged 27, is the e-commerce manager of our Group, responsible for managing the e-commerce operations of our Group. He joined our Group in October 2018. From July 2015 to May 2016, Mr. Zhao worked in Hunan Yunifang Cosmetic Company Limited\* (湖南御泥坊化妝品有限公司), where he was responsible for handling e-commerce related matters. From October 2016 to March 2017, Mr. Zhao worked in Hamedata Technology Co., Limited Changsha Branch (深圳市華美興泰科技股份有限公司長沙分公司), where he was responsible for handling e-commerce related matters. Mr. Zhao worked in Shenzhen Tupu Humanities Technology Company Limited\* (深圳圖譜人文科技有限公司) from March 2017 to October 2018, where his last position was online retail officer. Mr. Zhao obtained the degree of Bachelor of Arts in Digital Media from Changsha University of Science & Technology in June 2015.

**Ms. Zhang Dan (張丹)**, aged 26, is the e-commerce sales director of our Group, responsible for managing the e-commerce sales of our Group. Before joining our Group in February 2020, Ms. Zhang worked in Chengdu Kuaiyichang E-commerce Company Limited\* (成都快易暢電子商務有限公司) from July 2016 to November 2019, where her last position was manager. Ms. Zhang obtained the degree of Bachelor of Arts in English from Changchun University of Technology in June 2016.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPANY SECRETARY

**Mr. Cheung Yuk Chuen** (張玉存), aged 46, was appointed as the company secretary of our Company on 24 January 2020. Mr. Cheung has over 23 years of experience in accounting, auditing and tax consultancy. Mr. Cheung has been working in S.C. To & Co. Certified Public Accountants, since June 1996 and is currently a partner responsible for auditing and taxation. Mr. Cheung has been the company secretary of The Hong Kong Building and Loan Agency Limited (stock code: 145) since October 2019 and the company secretary of Prosperous Industrial (Holdings) Limited (stock code: 1731) since March 2018, each of which a company whose shares are listed on the Main Board of the Stock Exchange; and the company secretary of Chinese Food and Beverage Group Limited (stock code: 8272) since May 2015, a company whose shares are listed on GEM of the Stock Exchange.

Mr. Cheung obtained a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 1996. Mr. Cheung is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

### BOARD COMMITTEES

#### Audit Committee

Our Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee has three members, namely Ms. Chan Ka Lai Vanessa, Mr. Wong Yuk Woo Louis and Mr. Chung Siu Wah, all being our independent non-executive Directors. Ms. Chan Ka Lai Vanessa has been appointed as the chairman of the audit committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the audit committee include, among other things, making responsibilities to the Board on the appointment, reappointment and removal of the external auditor, reviewing our Group's financial information, overseeing our Group's financial reporting system, risk management and internal control systems.

#### Remuneration Committee

Our Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely, Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa. Mr. Wong Yuk Woo Louis has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee include, among other things, making recommendations to the Board on our Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy and on the remuneration packages of individual executive Directors and senior management.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Nomination Committee**

Our Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee has three members, namely, Mr. Chung Siu Wah, Mr. Wong Yuk Woo Louis and Ms. Chan Ka Lai Vanessa. Mr. Chung Siu Wah has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee include, among other things, making recommendations on any proposed changes to the Board to complement our Company's corporate strategy.

### **Corporate Governance Committee**

Our Company established a corporate governance committee with written terms of reference. The corporate governance committee has three members, namely, Mr. Wong Ka Chun Michael, Mr. Wong Yuk Woo Louis and Mr. Chung Siu Wah. Mr. Wong Ka Chun Michael has been appointed as the chairman of the corporate governance committee. The primary duties of the corporate governance committee include, among other things, developing and reviewing our Company's policies and practices on corporate governance and making recommendations to the Board, and reviewing and monitoring the training and continuous professional development of the directors and senior management of our Group.

### **BOARD DIVERSITY POLICY**

Our Group recognises the importance of board diversity to corporate governance and our Board's effectiveness. In this regard, we shall adopt a board diversity policy prior to Listing which sets out the objective and approach to maintain the highest standards of corporate governance and enhance effectiveness of our Board.

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

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Our Company will comply with the code provisions of the Corporate Governance Code with the exception of code provision A.2.1 of Appendix 14 to the Listing Rules, which requires the roles of chairman and chief executive to be held by different individuals.

Under the code provision A.2.1 of Appendix 14 to the Listing Rules, 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 of our Group should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of our Group is not



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## DIRECTORS AND SENIOR MANAGEMENT

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separated and are performed by the same individual, Mr. Wong, who has been responsible for overall strategic planning and management of our Group since our Group was founded in 2015. Our Directors meet regularly to consider major matters affecting the operations of our Group. As such, our Directors consider that this structure will not impair the balance of power and authority between our Directors and the management of our Group and believe that this structure will enable our Group to make and implement decisions promptly and efficiently.

Save as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors do not expect there will be any deviation from the provisions of the Corporate Governance Code.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration from our Group in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind. The remuneration package of each of our Directors is determined by reference to market terms, seniority experiences, duties and responsibilities of that Director within our Group.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for the Track Record Period were approximately HK\$0.4 million, HK\$0.9 million and HK\$2.4 million, respectively. For the Track Record Period, as a group of private companies and in our Group’s early stage of development, Mr. Wong, as then sole owner and director, had opted to receive a relatively low remuneration. According to his employment terms entered into between Mr. Wong and our Group, it is expected that after Listing Mr. Wong will be remunerated at the same level in addition to an annual director’s fee of HK\$120,000 as set out in the appointment letter entered into between Mr. Wong and our Group. As for the other Directors, our Group has entered into formal appointment letters with them, in accordance our remuneration policy as set out in “Remuneration Policy” in this section below. None of our Directors had waived any remuneration during the same period.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Group’s five highest paid individuals, including Directors, for the Track Record Period were approximately HK\$3.4 million, HK\$4.7 million and HK\$6.6 million, respectively.

No payment was made by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Track Record Period.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any of member of our Group to any of our Directors.

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## DIRECTORS AND SENIOR MANAGEMENT

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Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors (including our independent non-executive Directors) for the year ending 31 December 2020 to be approximately HK\$2.4 million.

### REMUNERATION POLICY

Our remuneration policy is based on position, duties and performance of the employees. Our 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 our employees. Following the Listing, the overall remuneration structure and process is expected to remain the same, except that the remuneration committee will perform such functions as set out in "Board Committees – Remuneration Committee" in this section.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the paragraph headed "12. Share Option Scheme" in Appendix V to this prospectus.

### COMPLIANCE ADVISER

We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the securities of our Company, the possible development of a false market in the securities of our Company or any other matters.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after Listing.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and the Capitalisation Issue, our Company will be beneficially owned as to approximately 56.01% by Tycoon Empire. Tycoon Empire is an investment holding company incorporated in BVI in which Mr. Wong, our executive Director, chief executive officer and chairman of our Board, is its sole shareholder and sole director. Accordingly, each of Mr. Wong and Tycoon Empire will be regarded as a Controlling Shareholder under the Listing Rules.

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing, save for the leasing of certain properties in Hong Kong from Mr. Wong for warehouse and carpark use. Having considered the following factors, our Directors believe that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after Listing.

#### Financial Independence

Our Directors are of the view that we do not unduly rely on advances from our Controlling Shareholders and their related parties for the business operations. We have independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing. We make financial decisions according to our own business needs.

During the Track Record Period, certain banking facilities granted to us by our bankers and certain hire purchases undertaken by us were secured by, among other security, personal guarantees from Mr. Wong and mortgages on properties owned by Mr. Wong. As at the Latest Practicable Date, the aforementioned mortgages no longer formed part of the collateral security securing the banking facilities granted to us, and our bankers have agreed in principle to release all the personal guarantees provided by Mr. Wong upon the Listing.

During the Track Record Period, our Group had certain amounts due to a director, namely Mr. Wong, which are non-trade nature. Please see “Financial Information – Indebtedness – Due to a Director” in this prospectus and the disclosure in the Accountants’ Report for further details. As at the Latest Practicable Date, all such outstanding sums were settled by way of repayment.

Based on the above, our Directors are of the view that our Group is capable of carrying out our business independently, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the Listing.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### **Operational Independence**

Our Group has established our own set of organisational structure made up of individual departments, each with specific areas of responsibilities. We have independent access to our suppliers, contractors and customers. We have also established a set of internal control procedures to facilitate the effective operation of the business. All the registered trademarks and other intellectual property necessary or desirable for our business are registered in the name of our Group. Our Directors are of the view that there is no operational dependence on our Controlling Shareholders and their respective close associates and has its independent access to customers and suppliers.

Our Group had not conducted any related party transactions of trade nature with our Controlling Shareholders or their associates during the Track Record Period. Although we (i) have entered into leases with Mr. Wong to lease certain properties in Hong Kong from Mr. Wong at fair rent for warehouse and carpark use to cater for our business operation needs; and (ii) have entered into a licence arrangement in relation to Tycoon Basketball Team, of which Mr. Wong is the team owner (please see “Connected Transactions – Fully-exempt Continuing Connected Transaction – Licence Agreement with Tycoon Basketball Team” in this prospectus for further details of the licence arrangement), our Directors consider that these transactions between our Group and our Controlling Shareholder were conducted on normal commercial terms or better, determined and agreed at after arm’s length’s negotiations between the relevant parties, and are fair and reasonable and are not material in value so far as our Group is concerned.

On the basis of the matters disclosed above, Our Directors believe that our Group can operate independently from an operational perspective upon the Listing.

### **Management Independence**

#### ***Our Board***

Our Board has nine Directors, comprising two executive Directors, namely Mr. Wong and Mr. Chan; four non-executive Directors, namely Mr. Yao Qingqi, Ms. Chong Yah Lien, Mr. Ng Wang Yu Gary, and Ms. Li Ka Wa Helen; and three independent non-executive Directors, namely Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa. Mr. Wong is the chairman of our Board and is one of our Controlling Shareholders. Save as disclosed above, no other Controlling Shareholder or their representative hold any directorship in our Company.

To ensure that our Group can operate independently from our Controlling Shareholders, certain corporate governance measures have been adopted. All of our non-executive Directors and independent non-executive Directors are experienced and capable of monitoring the operations of our Group independently from our Controlling Shareholders. Therefore, our Directors are of the view that the interests of our Shareholders can be safeguarded. For details of our Directors, please see “Directors and Senior Management” in this prospectus. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event there are conflicts of interests for approving a proposed transaction due to the dual positions of our

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Director acting as director of our Company and another company, pursuant to the relevant provisions of the Articles, the interested Director(s) shall abstain from voting on (nor be counted in the quorum) the resolution(s) of our Board approving such transaction.

According to the letters of appointment entered into between our Company and our executive Directors, each of our executive Directors has undertaken to our Group, among other things, that he will not, without any prior written approval from our Board, (i) accept any position of a company whose business may directly or indirectly compete with our Group's business or be engaged in any business which may directly or indirectly compete with our Group's business; or (ii) solicit any employee of our Group or induce them to leave our Group or solicit any customers of our Group, during the term of service with our Group and within the 12 months after expiry or termination of his/her service agreement.

### *Committees*

Our Board has established (i) the audit committee; (ii) the remuneration committee; (iii) the nomination committee; and (iv) the corporate governance committee. Each committee consists of a majority of independent non-executive Directors to monitor our operations.

The audit committee is responsible for reviewing and supervising our Group's financial reporting process and internal control system whereas the remuneration committee's role is to ensure that our Directors are properly remunerated without being influenced by our Controlling Shareholders. The nomination committee ensures that only persons with capability and relevant experience are appointed as Directors to avoid the appointment of individuals who may affect the independence of our Board. The corporate governance committee monitors our Group's compliance with legal and regulatory requirements.

### *Senior Management*

The management of our Group's business operations is also assisted by our senior management who can work and carry on our business independently from our Controlling Shareholders. None of the senior management personnel serves any executive or managerial role in Tycoon Empire or has a position in another company which may result in any conflict of interests between his/her duties as a senior management of our Company and his/her personal interest. For details of our senior management, please see "Directors and Senior Management" in this prospectus.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates after Listing.

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## CONNECTED TRANSACTIONS

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Prior to the Listing, our Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of our Company. Details of such transactions, which constitute continuing connected transactions of our Company following the Listing, are set out below.

### FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

#### Licence Agreement with Tycoon Basketball Team

Mr. Wong is the team owner of Tycoon Basketball Team (“**Basketball Team**”), one of the participating teams of the 2018-2019 Hong Kong A1 Division basketball league.

Tycoon Hong Kong has entered into a licence agreement (“**Licence Agreement**”) on 23 March 2020 with Mr. Wong as the team owner of the Basketball Team, pursuant to which Tycoon Hong Kong agreed to grant to Mr. Wong a one-off non-exclusive and non-transferable licence (“**Licence**”) during the term of the Licence Agreement to: (1) use, reproduce and display the name of “Tycoon” and “滿貫” (“**Relevant Name**”) as the name of the Basketball Team; and (2) use, reproduce and display Tycoon Hong Kong’s trade names, logo designs and trademarks as approved by Tycoon Hong Kong in advance (“**Relevant Materials**”), as the logo of the Basketball Team, in any medium of advertising, promotional products, or materials used solely in connection with the Basketball Team. Mr. Wong agrees to Tycoon Hong Kong that, among other things, he (i) will endeavour to procure the Basketball Team to conduct itself in a manner so as to present a professional and high quality promotion and image of the sport and the Basketball Team; (ii) must not bring into disrepute or otherwise damage the name or goodwill or the corporate identification of Tycoon Hong Kong including but not limited to the Relevant Name and/or the Relevant Materials; and (iii) shall not, and shall procure the Basketball Team not to, do or permit to be done, nor omit to do in connection with his/its use of the Relevant Name and the Relevant Materials, any act or thing which would or might jeopardise or invalidate any registration of the Relevant Materials (where applicable) or give rise to an application to remove or revoke any of the Relevant Materials from the register of trademarks maintained by the relevant trade marks registry, or which might prejudice the right or title of Tycoon Hong Kong to any of the Relevant Materials. In consideration for the performance by Mr. Wong of his obligations under the Licence Agreement, Tycoon Hong Kong agreed to pay to Mr. Wong a nominal non-refundable fee of HK\$1.00. The Licence Agreement will be valid for the period commencing from the date of the Licence Agreement and until 31 December 2021 (both days inclusive). Either party may give the other party not less than 60 days prior written notice to terminate the Licence Agreement.

#### *Reasons for entering into of the Licence Agreement*

Mr. Wong is the team owner of the Basketball Team since 2016, which had then come to be known as “Tycoon Basketball Team 滿貫籃球隊”. Mr. Wong has been supporting the Basketball Team’s expenses solely out of his own funds. With a view to supporting the sports movement in Hong Kong and considering that the grant of the Licence to use the name “Tycoon 滿貫” for the Basketball Team would allow the Basketball Team to promote goodwill and corporate identification of our Group, our Directors consider that the terms of the Licence Agreement, including the payment of the nominal fee, were favourable to our Company and it is in the interests of our Company and our Shareholders as a whole to enter into the Licence Agreement.

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## CONNECTED TRANSACTIONS

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### *Listing Rules implications*

The transaction contemplated under the Licence Agreement constitutes a de minimis continuing connected transaction that will be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

CR Pharmaceutical is the holding company of Pre-IPO Investor A, our substantial Shareholder. CR Pharmaceutical and each of its subsidiaries (including CR Care, one of our existing customers, and Hong Kong CR Sanjiu) will become our connected persons upon the Listing.

As at the Latest Practicable Date, the transactions contemplated under each of the agreements described below were subsisting and such transactions are expected to continue following the Listing. As such, such transactions will constitute continuing connected transactions of our Company after the Listing.

#### **(1) Master Supply Agreement**

##### *Date*

1 January 2020

##### *Parties*

Supplier : Tycoon Hong Kong, a wholly-owned subsidiary of our Company

Purchaser : CR Pharmaceutical, the holding company of Pre-IPO Investor A which was/is our substantial Shareholder as at the Latest Practicable Date and upon Listing.

##### *Duration*

The Master Supply Agreement is for a term commencing on the date of such agreement and ending on 31 December 2021.

##### *Nature of transaction*

Pursuant to the Master Supply Agreement, Tycoon Hong Kong agreed to sell or procure its fellow subsidiary(ies) to sell and CR Pharmaceutical agreed to purchase, through itself or its subsidiary(ies), certain PCM, health supplement and other healthcare products sold by our Group ("**Contract Products**"). There is no minimum supply amount under the Master Supply Agreement.

##### *Termination*

During the term of the Master Supply Agreement, any party to the Master Supply Agreement has the right to terminate the Master Supply Agreement by giving not less than three months' notice in writing to the other party.

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## CONNECTED TRANSACTIONS

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### *Pricing and payment terms*

Pursuant to the Master Supply Agreement, the prices, payment terms, quantities and detailed terms with respect to the Contract Products shall be determined in accordance with the specific purchase orders to be agreed between Tycoon Hong Kong and CR Pharmaceutical and shall be on normal commercial terms negotiated on an arm's length basis by the parties with reference to the prevailing selling prices of the Contract Products and at prices and terms (including the payment terms) no more favourable to CR Pharmaceutical than prices and terms (including the payment terms) of sale of such Contract Products by our Group to other independent customers.

In determining the actual transaction prices and terms of the Contract Products in respect of each purchase order, our Group will take into account the then prevailing market price of the Contract Products, the volume of such Contract Products in the purchase order and (where applicable) the terms of supply between our Group and our suppliers (including, if any, the suggested retail price of such Contract Products from the suppliers).

### *Reasons for entering into the transactions contemplated under the Master Supply Agreement*

We are a provider of a number of PCM, health supplement, skin care, personal care and other healthcare products, predominately in Hong Kong. On the other hand, CR Care, a wholly-owned subsidiary of CR Pharmaceutical, is one of the leading health chain retailers in Hong Kong that had approximately 96 retail outlets as at 31 December 2019 according to the Ipsos Report. In addition, CR Pharma Group was operating over 840 retail pharmacies under national or regional premium brands – “CR Care (華潤堂)”, “Yibaoquanxin (醫保全新)”, “Li'an chain (禮安連鎖)” and “Tung Tak Tong (同德堂)” in the PRC according to the 2019 interim report of CR Pharmaceutical. Our Directors believe that the network of CR Pharma Group serves as a good selling platform through which we can bring our products to more consumers. Our Directors consider that it is in the interest of our Shareholders and our Group as a whole to enter into the Master Supply Agreement and continue to supply the Contract Products to CR Pharmaceutical and its subsidiaries.

### *Historical figures and annual caps*

Set out below is a summary of the historical total sales by our Group to CR Care during the Track Record Period and the proposed annual caps in respect of the transactions contemplated under the Master Supply Agreement:

<b>Historical sales amount</b>			<b>Proposed annual cap for each of the two years ending 31 December 2021</b>	
<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
24,103	31,664	46,644	160,000	210,000



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## CONNECTED TRANSACTIONS

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### *Basis of annual caps*

The proposed annual caps in respect of the transactions contemplated under the Master Supply Agreement are estimated with reference to a number of factors including:

- (i) *the historical transaction amount* – our historical sales were only made to CR Care, which was one of our top five customers during the Track Record Period and prior to the completion of Pre-IPO Investment A, an Independent Third Party. Based on the historical sales amount set out above, our sales made to CR Care had increased during FY2017 to FY2019 representing a CAGR of approximately 39.1%;
- (ii) *the strategic shareholding relationship between our Group and CR Pharma Group* – upon the completion of Pre-IPO Investment A, CR Pharmaceutical became our substantial Shareholder. According to the 2019 interim report of CR Pharmaceutical, CR Pharma Group is one of the three largest pharmaceutical distributors in the PRC, and comprises member companies of China Resources Company Limited, a PRC state-owned enterprise. Furthermore, CR Pharmaceutical operated over 840 retail pharmacies in the PRC. With foreseeable improvement in product offerings by our Group in the near future and coupled with the expected increasing demand from members of CR Pharma Group, in addition to CR Care’s retail network in Hong Kong, potential sales of the Contract Products through the network of CR Pharma Group is expected to further increase; and
- (iii) *our future development plan* – as mentioned in “Business – Business Strategies” in this prospectus, we intend to explore the potential expansion of our Distribution Business to the PRC by supplying certain of our products to the PRC market on an offline basis. To this end, we have entered into an agreement with a wholly-owned subsidiary of CR Pharmaceutical regarding the establishment of a joint venture in the PRC to collectively explore business opportunities. Such joint venture, owned as to 70% by CR Pharma Group and 30% by our Group, is a non-wholly owned subsidiary of CR Pharmaceutical and is expected to, through itself or its subsidiary, obtain a food business permit and a pharmaceutical trade licence within FY2020. Such joint venture will, as a buyer of the Contract Products, leverage the network of CR Pharma Group to distribute, among others, the Contract Products in the PRC. According to the Ipsos Report, the increasing purchasing power of people in the PRC, especially in the Guangdong-Hong Kong-Macao Greater Bay Area, together with the improving living standard and increasing health awareness, drove up the PRC’s healthcare expenditure per capita from approximately RMB2,326.8 in 2013 to RMB4,148.1 in 2018, rising at a CAGR of 12.3% during such period. The formation of the joint venture would, therefore, be seen as a springboard to the PRC market where our Group would benefit from an additional sales channel to the PRC market which has shown growth potential. Together with the expansion of the offline sales market in the PRC with the support of a vast sales network of CR Pharma Group and the joint venture between CR Pharma Group and our Group, a consistently strong yet growing demand for the Contract Products is to be expected as compared to our historical sales during FY2017 to FY2019, which represented a CAGR of

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## CONNECTED TRANSACTIONS

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approximately 39.1%, and were made only to CR Care. In view of the growth potential of healthcare products in the PRC and the expected sales by our Group to the joint venture to be formed between our Group and CR Pharma Group, our sales to CR Pharma Group are expected to further increase for FY2020 to FY2021.

Taking into account the factors stated above, and based on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market and social conditions, operation and business environment or government policies which may materially affect the businesses of our Group and those of CR Pharma Group, and the joint venture to be duly established between our Group and CR Pharma Group will, through itself or its subsidiary, obtain the necessary licences/permits for its business operations in FY2020, our Directors consider that the proposed annual caps for FY2020 and FY2021, as compared with the historical sales made to CR Care for retail in Hong Kong, are fair and reasonable.

### **(2) NC Products Distribution Agreements**

#### **a. NC Products Distribution Agreement (JD & HK)**

*Date*

7 January 2020

*Parties*

Supplier : Hong Kong CR Sanjiu, a non-wholly owned subsidiary of CR Pharmaceutical

Distributors : Billion Crown, an indirect wholly-owned subsidiary of our Company; and  
Tycoon Hong Kong, an indirect wholly-owned subsidiary of our Company

#### **b. NC Products Distribution Agreement (Tmall)**

*Date*

7 January 2020

*Parties*

Supplier : Hong Kong CR Sanjiu, a non-wholly owned subsidiary of CR Pharmaceutical

Distributor : Titita, an indirect wholly-owned subsidiary of our Company

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## CONNECTED TRANSACTIONS

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### *Nature of transaction*

Shenzhen CR Sanjiu has entered into a principal distribution agreement (“**Principal NC Agreement**”) regarding the distribution of certain Nature’s Care Pro series of products under the brand name of Nature’s Care (“**NC Products**”) with Nature’s Care Manufacture Pty. Ltd. (“**NC Manufacturer**”).

Pursuant to an authorisation letter (“**Authorisation Letter**”) issued by Shenzhen CR Sanjiu to Hong Kong CR Sanjiu, Shenzhen CR Sanjiu has authorised Hong Kong CR Sanjiu to be its distributor of the NC Products on the e-commerce portal at JD.hk (海囤全球 京東旗下全球直購平台) and through Nature’s Care Overseas Flagship Store\* (Nature’s Care 海外旗艦店) on the e-commerce portal at Tmall.hk (天貓國際) (“**NC Tmall Flagship Store**”) and in the territory of Hong Kong. Hong Kong CR Sanjiu is permitted to appoint other party or parties as its authorised distributor(s) for the NC Products at the above specified channels and territory.

Subject to the Principal NC Agreement and pursuant to the Authorisation Letter:

- (i) the NC Products Distribution Agreement (JD & HK) was entered into between Hong Kong CR Sanjiu, Billion Crown and Tycoon Hong Kong, pursuant to which, Billion Crown was appointed as the authorised distributor of the NC Products on the e-commerce portal at JD.hk (海囤全球 京東旗下全球直購平台) and Tycoon Hong Kong was appointed as the authorised distributor of the NC Products in the territory of Hong Kong; and
- (ii) the NC Products Distribution Agreement (Tmall) was entered into between Hong Kong CR Sanjiu and Titita, pursuant to which, Titita was appointed as the authorised distributor of the NC Products on, and operator for, the NC Tmall Flagship Store. An ancillary agreement to the NC Products Distribution Agreement (Tmall) regarding the operation of the NC Tmall Flagship Store is expected to be entered into between NC Manufacturer, Hong Kong CR Sanjiu and Titita.

Hong Kong CR Sanjiu has agreed not to appoint any other distributor to distribute the NC Products in Hong Kong, on the e-commerce portal at JD.hk (海囤全球 京東旗下全球直購平台) and through the NC Tmall Flagship Store.

### *Duration and termination*

The NC Products Distribution Agreement (JD & HK) is for a term commencing retrospectively on 1 September 2019 and ending on 31 December 2021 while the NC Products Distribution Agreement (Tmall) is for a term commencing retrospectively on 10 December 2019 and ending on 31 December 2021.

During the term of each of the NC Products Distribution Agreements, any party to the relevant agreement has a right of termination by giving not less than one month’s notice in writing to the other party. Each party is also entitled to terminate upon serving a 10 days’ prior written notice to the other party if the other party (i) has breached the agreement and failed to remedy such breach after 30 days of notice; or (ii) is in bankruptcy or has commenced winding up proceeding and such proceeding has not been withdrawn within 30 days; or (iii) has ceased business operation for more than 30 days; or (iv) is unable to continue to perform its obligations under the agreement by reason of force majeure.

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## CONNECTED TRANSACTIONS

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In case of termination of the Principal NC Agreement, both of the NC Products Distribution Agreements will be terminated forthwith. Hong Kong CR Sanjiu shall notify Billion Crown, Tycoon Hong Kong and Titita as soon as they are aware of the termination.

### *Pricing and payment terms*

Pursuant to each of the NC Products Distribution Agreements, the prices, payment terms, quantities and detailed terms with respect to the NC Products shall be determined in accordance with the specific purchase orders (“**Purchase Orders**”) to be agreed between Hong Kong CR Sanjiu and each of Billion Crown, Tycoon Hong Kong and Titita respectively and shall be on normal commercial terms negotiated on an arm’s length basis by the respective parties with reference to the prevailing selling prices of the NC Products.

Payment in respect of delivered NC Products shall be made by (i) Billion Crown to Hong Kong CR Sanjiu upon receipt of the corresponding invoice for a Purchase Order issued by Hong Kong CR Sanjiu; and (ii) Tycoon Hong Kong and Titita to Hong Kong CR Sanjiu on credit terms of 30 days from the date of the bill of lading for the relevant shipment.

In determining the actual transaction prices and terms of the NC Products in respect of each Purchase Order, Hong Kong CR Sanjiu will take into account the then prevailing purchase cost of the NC Products from the NC Manufacturer, the volume of such NC Products in the Purchase Order and (where applicable) the terms of supply under the Principal NC Agreement.

There is no minimum purchase amount. Sales bonus (if any) payable by Hong Kong CR Sanjiu to our Group will be determined with reference to our annual purchase amount at pre-agreed progressive rates. Such annual purchase amount and the progressive rates will be reviewed and (where applicable) adjusted annually.

### *Delivery*

All NC Products will be delivered to the designated port in Sydney, Australia and picked up by our Group. We shall be responsible for the costs of ocean freight, insurance, customs clearance, unloading, and transportation from the arrival port to the final destination.

### *Marketing and promotion*

Our Group and Hong Kong CR Sanjiu shall be collectively responsible for marketing and promotion of the NC Products under the NC Products Distribution Agreements and shall proactively coordinate the promotion and marketing activities so as to promote the brand name of Nature’s Care and its publicity.

### *Reasons for entering into the transactions contemplated under the NC Products Distribution Agreements*

We are a provider of a number of PCM, health supplement, skin care, personal care and other healthcare products, predominately in Hong Kong. On the other hand, Nature’s Care is a manufacturer of health supplements and skin care products in Australia and the NC Products enjoy the renowned reputations

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## CONNECTED TRANSACTIONS

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and are well known for their quality. Our Directors therefore consider that to enter into the NC Products Distribution Agreements and to obtain the distributorship of NC products for the above mentioned channels and territory is in the interest of our Shareholders and our Group as a whole and can further improve our product offerings and to maximise our market share in the health supplement and skin care sectors.

### *Historical figures and annual caps*

Set out below is a summary of the historical purchases by our Group from Hong Kong CR Sanjiu during the Track Record Period and the proposed annual caps in respect of the transactions contemplated under the NC Products Distribution Agreements:

<b>Historical purchases amount</b>	<b>Proposed annual caps</b>		
	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>
	A\$260	A\$7,500	A\$12,000
	(HK\$1,421)	(HK\$40,350)	(HK\$64,560)
	<i>(Notes 1 and 2)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>

### *Notes:*

- (1) No transactions were conducted with Hong Kong CR Sanjiu prior to 1 September 2019, being the commencement date of the NC Products Distribution Agreement (JD & HK).
- (2) Settlements were made in A\$ and were converted to HK\$ based on the applicable exchange rate at the time of settlements.
- (3) For illustration purpose only, the applicable exchange rate used is A\$1.00 equals to HK\$5.38.

### *Basis of annual caps*

The proposed annual caps in respect of the transactions contemplated under the NC Products Distribution Agreements are estimated with reference to the procurement and sales plans of our Group as well as the prevailing market price of relevant NC products and based on the principal assumptions that for the duration of the projected period, there will not be any adverse change or disruption in market and social conditions, operation and business environment or government policies which may materially affect the business of our Group and that of Hong Kong CR Sanjiu or Shenzhen CR Sanjiu.

### **Listing Rules implications and waiver**

In view of the fact that CR Pharmaceutical is the holding company of Pre-IPO Investor A, which is expected to hold approximately 18.99% of the issued share capital of our Company upon the Listing (assuming the Over-allotment Option is not exercised) and is our substantial Shareholder, CR Pharmaceutical and its subsidiaries (including CR Care, one of our existing customers, and Hong Kong CR Sanjiu) will become our connected persons upon the Listing and the transactions contemplated under the Master Supply Agreement and the NC Products Distribution Agreements will therefore constitute continuing connected transactions of our Company upon the Listing under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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For each of the Master Supply Agreement and the NC Products Distribution Agreements, since the highest applicable percentage ratio relating to the proposed largest annual cap for the continuing connected transactions contemplated thereunder exceeds 5% and the proposed largest annual cap exceeds HK\$10 million, the continuing connected transactions under each of the Master Supply Agreement and the NC Products Distribution Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the transactions contemplated under the Master Supply Agreement and the NC Products Distribution Agreements are expected to continue on a recurring basis and are expected to extend over a period of time, our Directors consider that it would be unduly burdensome and would add unnecessary administrative costs to our Company for it to comply strictly with the announcement, circular and approval of independent shareholders requirements under Chapter 14A of the Listing Rules given each of the Master Supply Agreement and the NC Products Distribution Agreements was entered into prior to the Listing and their respective details are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure.

Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, subject to the condition that the annual caps for the transactions contemplated under each of the Master Supply Agreement and the NC Products Distribution Agreements for FY2020 and FY2021 as stated above will not be exceeded.

If any of the material terms of the Master Supply Agreement or any of the NC Products Distribution Agreements are altered or if our Group enters into any new agreements or arrangements with any connected person(s) in the future under which the aggregate consideration received or receivable, or paid or payable (as the case may be) by our Group in any of the agreements in each of the two years ending 31 December 2021 exceeds the proposed annual caps set out above, our Group will comply with the applicable requirements under Chapter 14A of the Listing Rules.

### **Confirmation from our Directors**

Our Directors (including our non-executive Directors and independent non-executive Directors) confirm that (i) the Master Supply Agreement and the NC Products Distribution Agreements and the transactions contemplated thereunder have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable to our Group and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps under the Master Supply Agreement and the NC Products Distribution Agreements for FY2020 and FY2021 disclosed above are arrived at after due and careful consideration and are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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### **Confirmation from the Sole Sponsor**

The Sole Sponsor is of the view that (i) the Master Supply Agreement and the NC Products Distribution Agreements and the transactions contemplated thereunder have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable to our Group and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps under the Master Supply Agreement and the NC Products Distribution Agreements set out above are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and the Capitalisation Issue, the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

### *Long positions*

Name	Capacity	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding as of the Latest Practicable Date	Number of Shares held upon completion of the Global Offering and the Capitalisation Issue	Approximate percentage of shareholding upon completion of the Global Offering and the Capitalisation Issue
Tycoon Empire	Beneficial owner	7,375,100	73.75%	448,096,326	56.01%
Mr. Wong	Interest in controlled corporation	7,375,100 <i>(Note 1)</i>	73.75%	448,096,326 <i>(Note 1)</i>	56.01%
Ngai Sze Kei	Interest of spouse	7,375,100 <i>(Note 2)</i>	73.75%	448,096,326 <i>(Note 2)</i>	56.01%
Pre-IPO Investor A	Beneficial owner Person having a security interest in shares	2,500,000	25.00%	151,895,000	18.99%
		2,500,000 <i>(Note 3)</i>	25.00%	200,000,000 <i>(Note 3)</i>	25.00%
CR Pharmaceutical	Interest in controlled corporation	5,000,000 <i>(Note 4)</i>	50.00%	351,895,000 <i>(Note 4)</i>	43.99%
CRH (Pharmaceutical) Limited	Interest in controlled corporation	5,000,000 <i>(Note 4)</i>	50.00%	351,895,000 <i>(Note 4)</i>	43.99%
China Resources (Holdings) Company Limited	Interest in controlled corporation	5,000,000 <i>(Note 4)</i>	50.00%	351,895,000 <i>(Note 4)</i>	43.99%



## SUBSTANTIAL SHAREHOLDERS

Name	Capacity	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding as of the Latest Practicable Date	Number of Shares held upon completion of the Global Offering and the Capitalisation Issue	Approximate percentage of shareholding upon completion of the Global Offering and the Capitalisation Issue
CRC Bluesky Limited	Interest in controlled corporation	5,000,000 <i>(Note 4)</i>	50.00%	351,895,000 <i>(Note 4)</i>	43.99%
China Resources Co., Limited	Interest in controlled corporation	5,000,000 <i>(Note 4)</i>	50.00%	351,895,000 <i>(Note 4)</i>	43.99%
China Resources Company Limited	Interest in controlled corporation	5,000,000 <i>(Note 4)</i>	50.00%	351,895,000 <i>(Note 4)</i>	43.99%
Jacobson Group Treasury Limited	Beneficial owner	– <i>(Note 5)</i>	–	53,332,000 <i>(Note 5)</i>	6.67%
Jacobson Pharma Group (BVI) Limited	Interest in controlled corporation	– <i>(Note 5)</i>	–	53,332,000 <i>(Note 5)</i>	6.67%
Jacobson Pharma Corporation Limited	Interest in controlled corporation	– <i>(Note 5)</i>	–	53,332,000 <i>(Note 5)</i>	6.67%

*Notes:*

- (1) These Shares are registered in the name of Tycoon Empire, a company wholly owned by Mr. Wong. By virtue of the provisions of Part XV of the SFO, Mr. Wong is deemed to be interested in all the Shares held by Tycoon Empire.
- (2) These Shares are registered in the name of Tycoon Empire, a company wholly owned by Mr. Wong. Ms. Ngai Sze Kei is the spouse of Mr. Wong. By virtue of the provisions of Part XV of the SFO, Ms. Ngai Sze Kei is deemed to be interested in all the Shares in which Mr. Wong is interested or deemed to be interested.
- (3) On 19 February 2019, Tycoon Empire charged 2,500,000 Shares held by it, representing 25% of all the then issued Shares, in favour of Pre-IPO Investor A (“Share Charge”) as security for the performance by Tycoon Empire and Mr. Wong of their obligations to Pre-IPO Investor A under the First Pre-IPO SPA and the Pre-IPO Shareholders Agreement. The Share Charge shall be effective until 30 June 2021 and shall require Tycoon Empire to, for the duration of the Share Charge, in the event that the subject Shares under the Share Charge falling to less than 25% of all issued Shares, provide such additional number of Shares to be charged under the Share Charge so as to maintain that the Shares under the Share Charge to amount to 25% of all issued Shares. Please see “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement” for further details.
- (4) These interests in Shares comprise the 151,895,000 Shares held by Pre-IPO Investor A and the 200,000,000 Shares under the Share Charge in favour of Pre-IPO Investor A (see note 3 above). Pre-IPO Investor A is a company wholly owned by CR Pharmaceutical. 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 Co.,

## SUBSTANTIAL SHAREHOLDERS

Limited and China Resources Company Limited (formerly known as China Resources National Corporation) filed with the Stock Exchange in relation to CR Pharmaceutical, CR Pharmaceutical is owned as to approximately 53.04% by CRH (Pharmaceutical) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited, which is wholly owned by CRC Bluesky Limited, which in turn is wholly owned by China Resources Co., Limited, 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 Pharmaceutical, CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Co., Limited and China Resources Company Limited is deemed to be interested in all the Shares held by Pre-IPO Investor A.

- (5) These interests in Shares are the Shares to be subscribed for by Jacobson Group Treasury Limited, our cornerstone investor. Our Company, together with the Sole Sponsor, has entered into a cornerstone investment agreement with Jacobson Group Treasury Limited, pursuant to which Jacobson Group Treasury Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) in the amount of HK\$80,000,000 at the final Offer Price, further particulars of which are set out in “Cornerstone Investor” in this prospectus. The number of Shares and percentage shareholding herein are calculated on the basis of the Offer Price of HK\$1.50, being the mid-point of the indicative Offer Price range set out in this prospectus. Please see “Cornerstone Investor” in this prospectus for further particulars in relation to such cornerstone placing. Jacobson Group Treasury Limited is wholly owned by Jacobson Pharma Group (BVI) Limited, which is a wholly-owned subsidiary of Jacobson Pharma Corporation Limited. By virtue of the provisions of Part XV of the SFO, each of Jacobson Pharma Group (BVI) Limited and Jacobson Pharma Corporation Limited is deemed to be interested in all the Shares held by Jacobson Group Treasury Limited.

### Short positions

Name	Capacity	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding as of the Latest Practicable Date	Number of Shares held upon completion of the Global Offering and the Capitalisation Issue	Approximate percentage of shareholding upon completion of the Global Offering and the Capitalisation Issue
Tycoon Empire	Beneficial owner	2,500,000 (Note 1)	25.00%	200,000,000 (Note 1)	25.00%
Mr. Wong	Interest in controlled corporation	2,500,000 (Note 2)	25.00%	200,000,000 (Note 2)	25.00%
Ngai Sze Kei	Interest of spouse	2,500,000 (Note 2)	25.00%	200,000,000 (Note 2)	25.00%

#### Notes:

- (1) On 19 February 2019, Tycoon Empire charged 2,500,000 Shares held by it, representing 25% of all the then issued Shares, in favour of Pre-IPO Investor A (“Share Charge”) as security for the performance by Tycoon Empire and Mr. Wong of their obligations to Pre-IPO Investor A under the First Pre-IPO SPA and the Pre-IPO Shareholders Agreement. The Share Charge shall be effective until 30 June 2021 and required Tycoon Empire to, for the duration of the Share Charge, in the event that the subject Shares under the Share Charge falling to less than 25% of all issued Shares, provide such additional number of Shares to be charged under the Share Charge so as to maintain that the Shares under the Share Charge to amount to 25% of all issued Shares. Please see “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement” for further details.
- (2) These short positions in the Shares are held by Tycoon Empire, a company wholly owned by Mr. Wong. Ms. Ngai Sze Kei is the spouse of Mr. Wong. By virtue of the provisions of Part XV of the SFO, Mr. Wong is deemed to be interested in all the Shares held by Tycoon Empire and Ms. Ngai Sze Kei is deemed to be interested in all the Shares in which Mr. Wong is interested or deemed to be interested.

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## SHARE CAPITAL

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### SHARE CAPITAL

Assuming the Over-allotment Option is not exercised, our authorised and issued share capital immediately following the Global Offering and the Capitalisation Issue will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000</u>

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue:*

10,000,000 Shares in issue as of the date of this prospectus	100,000
192,420,000 Shares to be issued under the Global Offering	1,924,200
<u>597,580,000</u> Shares to be issued pursuant to the Capitalisation Issue	<u>5,975,800</u>
<u>800,000,000</u> Shares	<u>8,000,000</u>

If the Over-allotment Option is exercised in full, our authorised and issued share capital immediately following the Global Offering and the Capitalisation Issue will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000</u>

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue:*

10,000,000 Shares in issue as of the date of this prospectus	100,000
221,283,000 Shares to be issued under the Global Offering and the exercise of the Over-allotment Option	2,212,830
<u>597,580,000</u> Shares to be issued pursuant to the Capitalisation Issue	<u>5,975,800</u>
<u>828,863,000</u> Shares	<u>8,288,630</u>

The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

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## SHARE CAPITAL

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### Assumptions

The above tables assume that the Global Offering and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be issued upon the exercise of options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and the Repurchase Mandate.

### Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares save with respect to the Capitalisation Issue.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, a summary of the principal terms of which are set out in the paragraph headed “12. Share Option Scheme” in Appendix V to this prospectus.

### ISSUING MANDATE

Our Directors have been conditionally granted a general unconditional mandate to exercise all the powers of our Company to allot, issue and deal with the Shares with an aggregate number not exceeding:

- 20% of the number of the Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, and
- the aggregate number of the Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or reviewing such mandate,

whichever is the earliest.

For further details of the Issuing Mandate, please see the paragraph headed “5. Resolutions in writing of our Shareholders passed on 23 March 2020” in Appendix V to this prospectus.

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## SHARE CAPITAL

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### REPURCHASE MANDATE

Our Directors have been conditionally granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares up to such number representing 10% of the number of our Shares in issue following the completion of the Global Offering (but excluding any Shares which may be issued upon the exercise of options granted under the Share Option Scheme and any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the Listing Rules. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the paragraph headed “6. Repurchase by our Company of our own securities” in Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- upon the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate,

whichever is the earliest.

For further information about the Repurchase Mandate, please see the paragraph headed “5. Resolutions in writing of our Shareholders passed on 23 March 2020” in Appendix V to this prospectus.

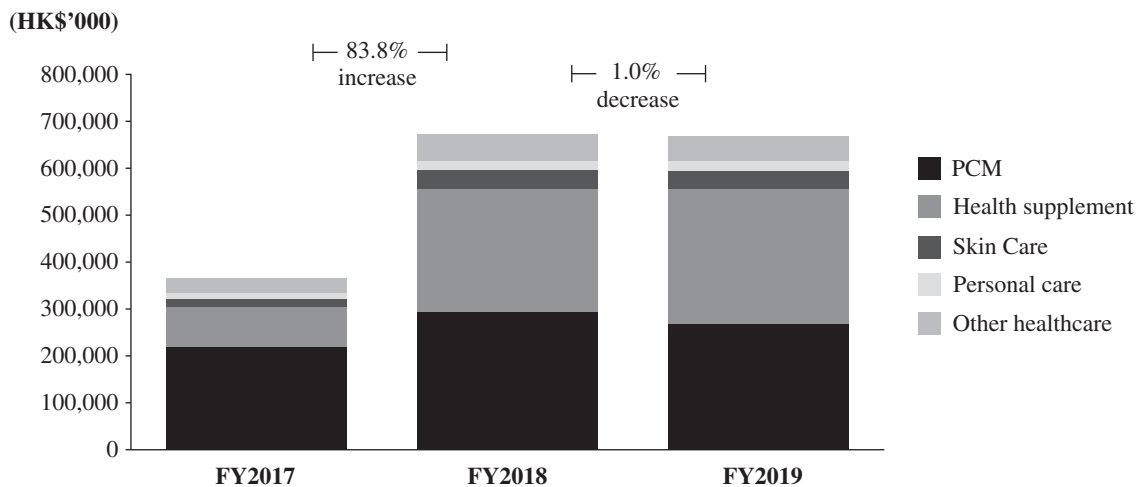
## FINANCIAL INFORMATION

*You should read this section in conjunction with our historical financial information, including the notes thereto, as set out in “Appendix I – Accountants’ Report” to this prospectus. The historical financial information has been prepared in accordance with HKFRSs.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors” in this prospectus.*

### OVERVIEW

Set forth below is a bar chart showing an analysis of our Distribution Business revenue by product categories which represented over 95.0% of our total revenue during the Track Record Period:



We are a provider of PCM, health supplement, skin care, personal care and other healthcare products, which are all consumer products. Our sales have been predominately made to the chain retailers in Hong Kong, representing over 83.0% of our total revenue over the Track Record Period. PCM and health supplement products have been our two major product categories in our Distribution Business, which in aggregate accounted for over 79.0% of our total revenue for FY2019, with the latter’s revenue of approximately HK\$287.5 million exceeding the former’s of HK\$267.4 million for the first time in FY2019. Given that we are armed with well founded retail distribution channels through our chain retailer customers in Hong Kong, we consider that our financial performance is primarily subject to, among others, our ability to identify and source a suite of products that are sought-after by consumers. During the Track Record Period, we recorded our revenue growth at a CAGR of 38.3% primarily due to, among others, (i) our ability to identify and source a broad range of products in demand from brand owners and other suppliers who leveraged the widespread network of POS of chain retailers through us to distribute their products competitively; and (ii) our ability to sustain and scale up the sales of our existing products rolled out in

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## FINANCIAL INFORMATION

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previous years thanks to (a) our efforts to increase the market penetration of our existing products; (b) the increased brand and product awareness resulting from our marketing and promotional initiatives; (c) the scale-up of purchases by our existing chain retailer customers as they sought to increase the product availability at their POS; (d) the growing acceptance of our existing products by consumers after trial; and (e) the fine-tuning of the relevant distribution and sale strategies based on insights gained into the consumption patterns. For further details, please see “Business – Rollout of New Products – Our Revenue Growth During the Track Record Period” in this prospectus. Our Retail Business conducted through online and offline sales is in an early development stage, and the revenue generated therefrom was no more than 5.0% over the Track Record Period. Despite an increase in our revenue at a CAGR of 38.3% over the Track Record Period, our revenue growth momentum had been adversely affected by the Social Unrest in Hong Kong during the second half of FY2019 resulting in a slight overall increase in our revenue by HK\$7.5 million or 1.1% for FY2019.

Our profit after tax grew by approximately 57.8% from FY2017 to FY2018 primarily due to our revenue and gross profit growth. While we recorded a slight increase in our revenue by HK\$7.5 million or 1.1% for FY2019, our profit after tax experienced a decline of HK\$46.4 million or 46.0% for FY2019 primarily due to (i) a decrease in our gross profit margin from 30.3% to 27.3% or by 3.0 percentage points mainly as a result of (a) a change in our product mix by increasing sales of health supplement products (which had a lower level of profit margins) in order to satisfy our customers’ demand and market needs; and (b) an increase in discounts and rebates as a percentage to our total revenue from 5.9% to 9.4% or by 3.5 percentage points offered by us to our chain retailer customers in incentivising them to promote our products; (ii) an increase in our selling and distribution expenses as a percentage to our total revenue from 6.9% to 8.9% or by 2.0 percentage points as a result of, among others, increased headcounts for our sales team from 62 to 88 over the year in coping with our business operations, as well as our marketing and promotion initiatives in response to our broadened suite of products; (iii) an increase in our administrative expenses (exclusive of listing expenses) as a percentage to our total revenue from 3.9% to 6.1% or by 2.2 percentage points as a result of, among others, increased headcounts for our non-sales team from 53 to 76 over the year in coping with our business operations and increased sales channels such as cross-border e-commerce from Hong Kong to the PRC; and (iv) an increase in listing expenses charged to our consolidated statements of profit or loss and other comprehensive income from HK\$6.5 million to HK\$12.4 million.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our results of operations have been and will continue to be affected by a number of factors, including those set forth below:

#### **Consumers’ Preference**

We are a provider of a suite of health and well-being related products, which are all consumer products, so to speak, and the demand for which is driven by, among other things, consumers’ preference as a result of health, physical and skin conditions, the brand awareness of products among consumers, the society’s health consciousness and standard of living, as well as the quality and authenticity of products which may be affected by the perception of consumers on the sales channels where consumers may generally have more confidence in the products sold in chain retailers than those sold in non-chain retailers.

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## FINANCIAL INFORMATION

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However, if we are unable to anticipate changes in consumers' preference and respond to consumption trend, such as by sourcing new products that are sought-after by consumers, our business, financial condition and results of operations could be materially and adversely affected.

### **Our Ability to Identify Products to Cater to the Needs of the Consumers**

We believe that expansion of our product portfolio by successfully introducing new products which can cater to the needs of the consumers was one of the key contributors to our growth in revenue during the Track Record Period. With our continuous effort in expanding our product portfolio, we introduced 69, 128 and 221 new products (which were mainly health supplement products) in our Distribution Business in each of FY2017, FY2018 and FY2019 respectively, where a product typically refers to one of various product lines under a brand. For each of FY2017 and FY2018, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$51.3 million and HK\$101.8 million, representing 32.3% and 33.2% of the increase in our Distribution Business revenue on the previous year respectively. For FY2019, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$50.4 million, representing 7.2% of our total revenue.

Our ability of identifying suitable products is primarily attributable to our experienced and dedicated sourcing team and product development team, who have extensive experience in the industry. Our management team's in-depth industry knowledge and experience has also helped us to identify the market trends and understand the needs of consumers, which enable us to source suitable products and broaden our product offerings so as to adapt to the ever changing market trends. However, if we are unable to identify and anticipate the needs of consumers or unable to source new products to cater to their needs, our business, financial condition and results of operations could be materially and adversely affected.

### **Product Mix**

We provide a suite of products including PCM, health supplement, skin care, personal care and other healthcare products under various brands. In each product category in our Distribution Business, we offer a broad selection of products so as to enable the consumers to fulfil their needs and allow us to adapt to the ever changing market trends. For FY2019, we generated revenue from the sales of 117 PCM, 203 health supplement, 56 skin care, 45 personal care and 57 other healthcare products to our customers in our Distribution Business, where a product typically refers to one of various product lines under a brand.

The PCM product category had been our top product category in our Distribution Business during FY2017 and FY2018, which contributed to approximately 59.9%, 42.4% and 38.2% of our total revenue for each of FY2017, FY2018 and FY2019 respectively. The health supplement product category was our fast growing product category in our Distribution Business during the Track Record Period, which accounted for approximately 23.2%, 37.7% and 41.0% of our total revenue for each of FY2017, FY2018 and FY2019 respectively. Changes in our product mix are driven by various factors, including market trend, consumers' preference and development of new products, etc. As gross profit margins vary among product categories, changes in product mix may result in fluctuation in our Group's overall profit margin and our profitability.



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### **Our Ability to Expand Our Sales Channels**

We operate our business through our Distribution Business (offline) and our Retail Business conducted through online and offline sales channels. During the Track Record Period, over 83.0% of our total revenue was attributable to our sales to chain retailers on an offline basis through our Distribution Business.

In addition to our Distribution Business, we sell our products on an online and offline basis through our Retail Business. During the Track Record Period, online sales of our products were conducted primarily through two e-commerce portals, namely JD.hk (海囤全球 京東旗下全球直購平台) and Tmall.hk (天貓國際). Since 2018, we have also operated two brick-and-mortar retail stores in Macau. Through our Retail Business, we are able to reach a broader spectrum of customers directly, allowing us to understand the needs of consumers, market trend, consumers' preference and the general retail environment. Our Retail Business is still in its developing stage and in aggregate accounted for less than 5.0% of our total revenue throughout the Track Record Period.

We will continue to identify opportunities to expand our sales channels e.g. offline sales to penetrate into the PRC market in order to broaden our revenue base. However, if there is inadequate demand for our products in the new distribution channels or any change in economic, political and social environment beyond our control, our business, financial condition and results of operations could be materially and adversely affected.

### **Social Unrest in Hong Kong**

For each of FY2017, FY2018 and FY2019, 99.0%, 93.8% and 90.9% of our total revenue, respectively, was derived from sales in our largest market, Hong Kong. Our sales and profitability in relation to Hong Kong could be negatively affected by a number of factors, including general economic and political conditions in Hong Kong.

The ultimate consumers of our products are from all walks of life, including local residents and tourists. The Social Unrest in Hong Kong has affected the local retail industries in general and impacted the willingness of spending of local residents in Hong Kong. Also, the Social Unrest in Hong Kong has affected the Hong Kong tourism industry and impacted the tourist arrivals to Hong Kong. An economic recession was observed since the onset of the Social Unrest in Hong Kong. In the fourth quarter of 2019, the GDP in Hong Kong decreased by 2.9% in real terms as compared to the corresponding period in 2018. As a result of the Social Unrest in Hong Kong, the growth momentum of our revenue in the second half of FY2019 had been adversely affected, and our total revenue increased only by approximately 1.1% from HK\$693.3 million for FY2018 to HK\$700.8 million for FY2019.

If the Social Unrest in Hong Kong recrudesces, our business, financial condition and results of operations may be further adversely affected.

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### **BASIS OF PRESENTATION AND PREPARATION**

The historical financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The historical financial information has been prepared in accordance with HKFRSs. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period.

Further details of the basis of presentation and the basis of preparation for our historical financial information are set out in notes 2.1 and 2.2 to historical financial information in the Accountants' Report respectively.

#### **Early adoption of HKFRS 9**

HKFRS 9 *Financial instruments* (“**HKFRS 9**”) has been adopted and applied consistently in our consolidated financial statements since the beginning of, and throughout, the Track Record Period, in lieu of HKAS 39 *Financial instruments: Recognition and measurement* (“**HKAS 39**”), so as to make our consolidated financial statements comparable on a year-to-year basis and to allow the investors to better understand our financial performance and position.

Based on our internal assessment, the adoption of HKFRS 9 has no significant impact on our Group's financial position and performance as compared with HKAS 39 throughout the Track Record Period.

#### **Early adoption of HKFRS 15**

HKFRS 15 *Revenue from contracts with customers* (“**HKFRS 15**”) has been adopted and applied consistently in our consolidated financial statements since the beginning of, and throughout, the Track Record Period, in lieu of HKAS 18 *Revenue* (“**HKAS 18**”), so as to make our consolidated financial statements comparable on a year-to-year basis and to allow the investors to better understand our financial performance and position.

In incentivising our chain retailer customers to promote our products, we offer them discounts and rebates in respect of their purchases of our products, which are offset against amounts payable by them to us. In estimating the amount of discounts and rebates to be provided for at the end of each reporting period, which is referred to as variable consideration under HKFRS 15, there could be discounts and rebates that meet the criteria for recognition under HKFRS 15 in contrast with HKAS 18. For example, there may be discounts and rebates that are not yet certain as at the end of the reporting period, which may not be recognised under HKAS 18 but are recognised under HKFRS 15 if relevant criteria are met.

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Based on our internal assessment, the impact of adoption of HKFRS 15 on certain key items of our consolidated financial statements and key ratios is as follows:

	Reported under HKFRS 15 (A)	What if reported under HKAS 18 (B)	Difference (A) - (B)
<b>Profit for the year (HK\$'000)</b>			
– FY2017	63,926	70,000	(6,074)
– FY2018	100,900	101,540	(640)
– FY2019	54,516	51,427	3,089
<b>Net assets (HK\$'000)</b>			
– 31 December 2017	123,122	131,805	(8,683)
– 31 December 2018	113,951	123,274	(9,323)
– 31 December 2019	118,360	126,727	(8,367)
<b>Current ratio (times)</b>			
– 31 December 2017	3.2	3.7	(0.5)
– 31 December 2018	1.2	1.2	–
– 31 December 2019	1.2	1.2	–
<b>Quick ratio (times)</b>			
– 31 December 2017	2.8	3.2	(0.4)
– 31 December 2018	0.9	0.9	–
– 31 December 2019	0.8	0.9	(0.1)
<b>Gearing ratio (%)</b>			
– 31 December 2017	52.1	48.6	3.5
– 31 December 2018	124.7	115.3	9.4
– 31 December 2019	140.8	133.7	7.1

### Early adoption of HKFRS 16

HKFRS 16 *Leases* (“**HKFRS 16**”) has been adopted and applied consistently in our consolidated financial statements since the beginning of, and throughout, the Track Record Period, in lieu of HKAS 17 *Leases* (“**HKAS 17**”), so as to make our consolidated financial statements comparable on a year-to-year basis and to allow the investors to better understand our financial performance and position.

Under HKAS 17, operating lease payments are charged to the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease, and operating lease commitments are disclosed separately in a note to the consolidated financial statements and are recognised outside of the consolidated statements of financial position. Under HKFRS 16, all leases (except for those

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with a lease term of less than 12 months or of low value) must be recognised in the form of assets (being the right-of-use assets) and financial liabilities (being the lease liabilities) on our consolidated statements of financial position at the commencement of respective leases.

Based on our internal assessment, the impact on our profit after tax and our net assets would have been insignificant if HKAS 17 had been adopted.

Set forth below is the impact of adoption of HKFRS 16 on certain key items of our consolidated financial statements and key ratios:

	<b>Reported under HKFRS 16 (C)</b>	<b>What if reported under HKAS 17 (D)</b>	<b>Difference (C) - (D)</b>
<b>Profit for the year (HK\$'000)</b>			
– FY2017	63,926	63,930	(4)
– FY2018	100,900	101,278	(378)
– FY2019	54,516	54,623	(107)
<b>Net assets (HK\$'000)</b>			
– 31 December 2017	123,122	123,129	(7)
– 31 December 2018	113,951	114,336	(385)
– 31 December 2019	118,360	118,852	(492)
<b>Current ratio (times)</b>			
– 31 December 2017	3.2	3.2	–
– 31 December 2018	1.2	1.2	–
– 31 December 2019	1.2	1.2	–
<b>Quick ratio (times)</b>			
– 31 December 2017	2.8	2.9	(0.1)
– 31 December 2018	0.9	0.9	–
– 31 December 2019	0.8	0.9	(0.1)
<b>Gearing ratio (%)</b>			
– 31 December 2017	52.1	51.3	0.8
– 31 December 2018	124.7	111.5	13.2
– 31 December 2019	140.8	127.1	13.7

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### SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENTS

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our Group's financial information. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial position and results of operations, are set forth in detail in notes 3 and 4 to historical financial information in the Accountants' Report.

#### Significant Accounting Policies

- (i) **Subsidiaries** – A subsidiary is an entity, directly or indirectly, controlled by our Company. Control is achieved when our Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
- (ii) **Revenue Recognition** – Our Group recognises revenue from the sale of goods at the point in time when control of the asset is transferred to the customer, which is generally on the delivery of goods.
- (iii) **Inventories** – Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal.
- (iv) **Impairment of Financial Assets** – Our Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that our Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integrated to the contract terms.
- (v) **Fair Value Measurement** – Our Group measures, among others, the derivative component of the Pre-IPO Convertible Note at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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- (vi) **Depreciation** – Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	4% or over the lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	33 $\frac{1}{3}$ %

- (vii) **Leases** – Our Group recognises **right-of-use assets** at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term.

At the commencement date of the lease, our Group recognises **lease liabilities** measured at the present value of lease payments to be made over the lease term. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Lease payments on **short-term leases** are recognised as an expense on a straight-line basis over the lease term. Our Group applies the short-term lease recognition exemption to our short-term leases of office units (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

### Critical Accounting Estimates and Judgements

- (i) **Impairment of Trade Receivables** – The policy for impairment of trade receivables of our Group is based on the evaluation of collectibility and ageing analysis of trade receivables as well as other quantitative and qualitative information and calculated the lifetime ECLs based on historical credit loss experience on management’s judgement and assessment of the forward-looking information. Significant judgement and estimates are required in assessing the ultimate realisation of these receivables, based on the current creditworthiness, the past collection history and subsequent settlements of each customer.
- (ii) **Provision against Obsolete and Slow-moving Inventories** – Our Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period.

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### RESULTS OF OPERATIONS

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	366,478	693,326	700,755
Cost of sales	<u>(257,987)</u>	<u>(483,027)</u>	<u>(509,614)</u>
Gross profit	108,491	210,299	191,141
Other income and gains	17	18	397
Selling and distribution expenses	(15,409)	(47,729)	(62,295)
Administrative expenses	(12,547)	(33,598)	(54,894)
Finance costs	(2,677)	(11,714)	(5,989)
Fair value gain/(loss) on a derivative component of a convertible note	(1,080)	11,700	–
Loss on redemption of a convertible note	<u>–</u>	<u>(5,297)</u>	<u>–</u>
Profit before tax	76,795	123,679	68,360
Income tax	<u>(12,869)</u>	<u>(22,779)</u>	<u>(13,844)</u>
Profit for the year	<u><u>63,926</u></u>	<u><u>100,900</u></u>	<u><u>54,516</u></u>
<b>Non-HKFRS Measure</b>			
Adjusted profit for the year <sup>(Note)</sup>	<u><u>65,590</u></u>	<u><u>106,722</u></u>	<u><u>66,938</u></u>

*Note:* **Adjusted profit for the year** is defined as profit for the year excluding listing expenses, imputed interest on the Pre-IPO Convertible Note, fair value gain/(loss) on the derivative component of the Pre-IPO Convertible Note and loss on redemption of the Pre-IPO Convertible Note. Please see “Non-HKFRS Measures” in this section for further details.

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### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

Set forth below is an analysis of our revenue with the number of products contributing thereto by product categories during the Track Record Period:

Products	FY2017			FY2018			FY2019		
	Revenue	% of total	Number of	Revenue	% of total	Number of	Revenue	% of total	Number of
	<i>HK\$'000</i>	%	products	<i>HK\$'000</i>	%	products	<i>HK\$'000</i>	%	products
<b>Distribution Business</b>									
PCM	219,347	59.9	71	293,816	42.4	85	267,377	38.2	117
Health supplement	85,143	23.2	49	261,109	37.7	117	287,523	41.0	203
Skin care	17,020	4.6	21	40,133	5.8	33	39,482	5.6	56
Personal care	11,953	3.3	25	20,971	3.0	33	21,183	3.0	45
Other healthcare	32,960	9.0	21	57,362	8.3	23	51,377	7.4	57
	<u>366,423</u>	<u>100.0</u>	<u>187</u>	<u>673,391</u>	<u>97.2</u>	<u>291</u>	<u>666,942</u>	<u>95.2</u>	<u>478</u>
<b>Retail Business<sup>(1)</sup></b>	<u>55</u>	<u>0.0</u>		<u>19,935</u>	<u>2.8</u>		<u>33,813</u>	<u>4.8</u>	
<b>Total</b>	<u>366,478</u>	<u>100.0</u>		<u>693,326</u>	<u>100.0</u>		<u>700,755</u>	<u>100.0</u>	



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Set forth below is an analysis of our revenue with reference to sales volume and average selling price by product categories during the Track Record Period:

Products	FY2017			FY2018			FY2019		
	Revenue	Sales volume	Average selling price <sup>(2)</sup>	Revenue	Sales volume	Average selling price <sup>(2)</sup>	Revenue	Sales volume	Average selling price <sup>(2)</sup>
	<i>HK\$'000</i>	<i>thousand pieces</i>	<i>HK\$</i>	<i>HK\$'000</i>	<i>thousand pieces</i>	<i>HK\$</i>	<i>HK\$'000</i>	<i>thousand pieces</i>	<i>HK\$</i>
<b>Distribution Business</b>									
PCM	219,347	2,638	83.2	293,816	3,954	74.3	267,377	4,287	62.4
Health supplement	85,143	709	120.1	261,109	2,449	106.6	287,523	3,024	95.1
Skin care	17,020	209	81.3	40,133	550	72.9	39,482	554	71.3
Personal care	11,953	218	54.9	20,971	484	43.3	21,183	572	37.0
Other healthcare	32,960	578	57.0	57,362	931	61.6	51,377	869	59.2
	<u>366,423</u>	<u>4,352</u>	84.2	<u>673,391</u>	<u>8,368</u>	80.5	<u>666,942</u>	<u>9,306</u>	71.7
<b>Retail Business<sup>(1)</sup></b>	<u>55</u>	<u>–</u>	105.2	<u>19,935</u>	<u>148</u>	135.5	<u>33,813</u>	<u>376</u>	90.0
<b>Total/Overall</b>	<u><u>366,478</u></u>	<u><u>4,352</u></u>	84.2	<u><u>693,326</u></u>	<u><u>8,516</u></u>	81.4	<u><u>700,755</u></u>	<u><u>9,682</u></u>	72.4

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Set forth below is an analysis of our revenue with reference to sales volume and average selling price dividing between our third-party brand products and our Private Label Products during the Track Record Period:

Products	FY2017			FY2018			FY2019		
	Revenue	Sales volume	Average selling price <sup>(2)</sup>	Revenue	Sales volume	Average selling price <sup>(2)</sup>	Revenue	Sales volume	Average selling price <sup>(2)</sup>
	HK\$'000	thousand pieces	HK\$	HK\$'000	thousand pieces	HK\$	HK\$'000	thousand pieces	HK\$
<b>Distribution Business</b>									
Third-party brand products	357,673	4,288	83.4	648,861	8,178	79.3	640,083	9,036	70.8
Private Label Products	8,750	64	136.4	24,530	190	128.6	26,859	270	99.5
	366,423	4,352	84.2	673,391	8,368	80.5	666,942	9,306	71.7
<b>Retail Business<sup>(1)</sup></b>	<u>55</u>	<u>-</u>	<u>105.2</u>	<u>19,935</u>	<u>148</u>	<u>135.5</u>	<u>33,813</u>	<u>376</u>	<u>90.0</u>
<b>Total/Overall</b>	<u>366,478</u>	<u>4,352</u>	<u>84.2</u>	<u>693,326</u>	<u>8,516</u>	<u>81.4</u>	<u>700,755</u>	<u>9,682</u>	<u>72.4</u>

Notes:

- (1) Please see “Business – Our Retail Business” in this prospectus for products sold through our online and offline sales channels, which included a handful of products from our Distribution Business as well as those typically sold at third-party pharmacies.
- (2) Revenue generated from the sales of products divided by sales volume

Our total revenue increased by approximately 89.2% from HK\$366.5 million for FY2017 to HK\$693.3 million for FY2018, and then by 1.1% to HK\$700.8 million for FY2019. After all, we recorded our revenue growth at a CAGR of 38.3% during the Track Record Period. Nonetheless, our revenue growth momentum had been adversely affected by the Social Unrest in Hong Kong during the second half of FY2019 resulting in a slight overall increase in our revenue by HK\$7.5 million or 1.1% for FY2019.

### **Distribution Business**

In relation to our Distribution Business, each of our product categories exhibited revenue growth over the first two years during Track Record Period with:

- approximately 170.0% and 45.8% increases in the health supplement and PCM product categories for FY2017 compared to the previous year; and
- approximately 206.7% and 34.0% increases in the health supplement and PCM product categories for FY2018 compared to FY2017, respectively.

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For FY2019, our revenue growth momentum had been adversely affected by the Social Unrest in Hong Kong during the second half of FY2019 resulting in decreases in revenue from all product categories in our Distribution Business except the health supplement and personal care product categories where the former's revenue increased by approximately 10.1% and the latter's increased by 1.0%, whilst our revenue from each of the PCM, skin care and other healthcare product categories decreased by approximately 9.0%, 1.6% and 10.4% respectively, over the year.

Over the Track Record Period, our product mix changed with the health supplement product category accounting for approximately 41.0% of our total revenue for FY2019 increasing from 23.2% for FY2017 and the PCM product category accounting for 38.2% of our total revenue for FY2019 compared to 59.9% for FY2017. While the PCM product category had been our leading product category for the two years from FY2017 to FY2018, the health supplement product category first became our leading product category in FY2019 as a result of its strong growth during the Track Record Period.

Our Directors believe that our ability to constantly roll out new products and scale up the sales of such products in subsequent years was the prime factor that had driven the revenue growth of our Distribution Business during the Track Record Period. Armed with well founded retail distribution channels through our chain retailer customers in Hong Kong, we are well positioned to achieve growth in our business through rolling out new products that are sought-after by consumers. Our sourcing team and product development team ascertain the prevailing market trends and consumers' needs through market researches and analyses; based on the information obtained and our further researches and analyses, our management would pin down the brands, products and SKUs which we may source from brand owners or (in respect of Private Label Products) engage external manufacturers to produce on an ODM basis, so as to make sure that our product portfolio accords with the prevailing consumers' expectations and preferences. To this end, we rolled out 69, 128 and 221 new products in our Distribution Business during FY2017, FY2018 and FY2019 respectively. For FY2017 and FY2018, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$51.3 million and HK\$101.8 million, representing 32.3% and 33.2% of the increase in our Distribution Business revenue on the previous year respectively. For FY2019, our revenue generated from the sales of new products in our Distribution Business amounted to approximately HK\$50.4 million, representing 7.2% of our total revenue for the year. On top of that, we had been capable of achieving growth in sales of our products in the years subsequent to introduction. For FY2017, FY2018 and FY2019, our revenue generated from the sales of existing products, i.e. products rolled out in any of the previous years, in our Distribution Business amounted to approximately HK\$315.1 million, HK\$571.6 million and HK\$616.6 million respectively. Out of the overall increase in our revenue from the Distribution Business for FY2017 and FY2018, approximately 67.7% and 66.8% respectively was attributable to the increase in sales revenue of our existing products. For FY2019 where our revenue growth momentum was adversely affected by the Social Unrest in Hong Kong during the second half of FY2019, our total revenue increased only by approximately HK\$7.5 million or 1.1% and our revenue from the sales of our existing products decreased by HK\$56.8 million or 8.4%. Our Directors believe the underlying factors of the general growth trend include, among others, our efforts to increase market penetration of our existing products, the increased brand and product awareness resulting from our marketing and promotional initiatives, the scale-up of purchases by our chain retailer customers as they sought to increase product availability after gaining familiarity with the products and the market response, the growing acceptance of our existing products by the consumers and the fine-tuning of distribution and sale strategies by our chain retailer customers and us based on insights gained into the consumers' product-specific consumption

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patterns. During the Track Record Period, over 60.2% of our revenue generated from the sales of new products in our Distribution Business was from the sales of health supplement products. Please see “Business – Rollout of New Products” in this prospectus for further details.

Recognising the significance of an ever-evolving product portfolio to our business growth, we will focus on continuing broadening product selection for our customers by introducing new health supplement, skin care and personal care products sourced from third-party brand owners and developing new health supplement products under our own brands. We will also seek to sustain the growth of our Distribution Business through geographical expansion and development of new sales channels. In this connection, we (i) have entered into an agreement with CR Pharma Group regarding the formation of a joint venture in the PRC, which is expected to leverage the network of CR Pharma Group to distribute, among others, our products in the PRC and thereby serve as a springboard to the expansion of our Distribution Business to the PRC market; and (ii) intend to acquire a local distributor or trader with an established customer base in order to expand our offline sales to other non-chain retailers in Hong Kong and increase our revenue sources. In addition, we will strengthen our marketing and promotion efforts to increase the awareness of our products and also our Group as a provider of health and well-being related products under the brand “TYCOON”, as we believe that increased brand presence and an enhanced brand image will promote our existing and potential suppliers’ and chain retailer customers’ confidence in our capability as their distributor and supply chain partner respectively and pave way for further business collaboration. For further details, please see “Business – Business Strategies” in this prospectus.

During the Track Record Period, the average selling price gradually decreased from HK\$84.2 each for FY2017 to HK\$80.5 each for FY2018, and then to HK\$71.7 each for FY2019, primarily due to the shift in our product mix towards new products which had a lower-than-overall average selling price. Our Directors confirm that there was no change in our selling prices that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

### *Retail Business*

Revenue from our Retail Business grew from approximately HK\$55,000 for FY2017 to HK\$19.9 million for FY2018, and then to HK\$33.8 million for FY2019. The growth was primarily attributable to (i) the development of our cross-border e-commerce business over the period; and (ii) the commencement of operation of our two brick-and-mortar retail stores in Macau in July and November 2018 respectively.

### *Geographical Information*

Set forth below is an analysis of our revenue by location of customers during the Track Record Period:

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	362,852	650,320	636,952
Others	<u>3,626</u>	<u>43,006</u>	<u>63,803</u>
<b>Total</b>	<b><u>366,478</u></b>	<b><u>693,326</u></b>	<b><u>700,755</u></b>

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We distribute most of our products to retailers and traders in Hong Kong as part of our Distribution Business. Our revenue from the sales of products to our customers in Hong Kong represented 99.0%, 93.8% and 90.9% of our total revenue during FY2017, FY2018 and FY2019 respectively.

For FY2017, FY2018 and FY2019, we generated revenue from other regions, representing 1.0%, 6.2% and 9.1% of our total revenue respectively. Such regions include (i) Macau, where we currently have two brick-and-mortar retail stores as part of our Retail Business; (ii) the PRC, where our customers purchase our products through our online stores as part of our Retail Business; and (iii) Singapore, where we have presence carrying out our Distribution Business.

### Sales Channels

Set forth below is an analysis of our revenue, gross profit and gross profit margin by sales channels during the Track Record Period:

	FY2017			FY2018			FY2019		
	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %
<b>Distribution Business</b>									
Chain retailers	347,654	106,540	30.6	625,879	203,110	32.5	586,243	184,730	31.5
Non-chain retailers and traders	18,769	1,943	10.4	47,512	4,091	8.6	80,699	827	1.0
	<u>366,423</u>	<u>108,483</u>	29.6	<u>673,391</u>	<u>207,201</u>	30.8	<u>666,942</u>	<u>185,557</u>	27.8
<b>Retail Business</b>									
Online stores	55	8	14.5	12,664	2,643	20.9	15,279	4,071	26.6
Retail stores in Macau	-	-	N/A	7,271	455	6.3	18,534	1,513	8.2
	<u>55</u>	<u>8</u>	14.5	<u>19,935</u>	<u>3,098</u>	15.5	<u>33,813</u>	<u>5,584</u>	16.5
<b>Total/Overall</b>	<u><u>366,478</u></u>	<u><u>108,491</u></u>	29.6	<u><u>693,326</u></u>	<u><u>210,299</u></u>	30.3	<u><u>700,755</u></u>	<u><u>191,141</u></u>	27.3

During the Track Record Period, the majority of our sales were made to chain retailers from our Distribution Business, which brought in over 83.0% of the total revenue of our Group, and our gross profit margins for our sales to chain retailers ranged from approximately 30.6% to 32.5% while our gross profit margins for our sales to non-chain retailers and traders ranged from approximately 1.0% to 10.4%. The relatively lower gross profit margins were due to non-chain retailers, which are mostly pharmacies, and traders generally reselling our products at lower prices for the same products as compared to chain-retailers as chain-retailers are generally reputed for the quality and authenticity of products offered. Notwithstanding a relatively lower gross profit margin on sales of products to non-chain retailers and traders, our Directors consider that our Group benefits from a wider customer base and more revenue generated with our sales

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channels being diversified with such group of customers. In this connection, we intend to acquire a local distributor or trader with an established customer base of non-chain retailers for PCM, health supplement, skin care, personal care and/or other health or well-being related products in Hong Kong, such that we will have instant access to the existing customer base of such distributor or trader upon acquisition. For further details, please see “Business – Business Strategies – (A) Further Developing Our Supply Chain and Retail Management by (i) increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions – Expanding our offline sales to other non-chain retailers in Hong Kong through acquisition of a local distributor or trader with an established customer base” in this prospectus.

For our Retail Business, our sales were made through online stores with gross profit margins of approximately 14.5% to 26.6% and through retail stores in Macau with gross profit margins of approximately 6.3% to 8.2% during the Track Record Period. The relatively lower gross profit margins of our sales made through our retail stores in Macau were due to our presence in Macau being considered relatively new and a competitive pricing policy being adopted by us in order to expand our customer base and elevate reputation of our retail stores in Macau.

### *Sourcing Channels*

Set forth below is an analysis of our revenue, gross profit and gross profit margin generated from the sales of products sourced via different sourcing channels during the Track Record Period:

	FY2017			FY2018			FY2019		
	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %
Third-party brand owners:									
– with agreements/ authorisation letters	270,173	75,031	27.8	389,896	114,148	29.3	359,330	85,447	23.8
– without agreements/ authorisation letters	32,579	9,175	28.2	59,198	15,998	27.0	80,171	22,563	28.1
	302,752	84,206	27.8	449,094	130,146	29.0	439,501	108,010	24.6
Manufacturers	8,780	5,946	67.7	24,687	18,023	73.0	27,055	19,861	73.4
Other suppliers: distributors and traders	54,946	18,339	33.4	219,545	62,130	28.3	234,199	63,270	27.0
<b>Total/Overall</b>	<b>366,478</b>	<b>108,491</b>	<b>29.6</b>	<b>693,326</b>	<b>210,299</b>	<b>30.3</b>	<b>700,755</b>	<b>191,141</b>	<b>27.3</b>

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During the Track Record Period, the sale of products sourced from third-party brand owners contributed 82.6%, 64.8% and 62.7% and the sale of products sourced from distributors and traders contributed 15.0%, 31.7% and 33.4% to our total revenue for FY2017 and FY2018 and FY2019, respectively. The increase in revenue contributed by the sale of products sourced from distributors and traders in FY2018 was primarily due to the full-year effect of certain products rolled out in FY2017 and the increase in rollout of new products in FY2018 that were sourced from distributors and traders since we were unable to procure these third-party brand products directly from the brand owners where certain brand owners may be minded to deal with their existing distributors with whom they have had a long-term business relationship only.

Our gross profit margins on the sale of products sourced from manufacturers, which were our Private Label Products, ranged from 67.7% to 73.4% and were generally higher than those on products sourced from third-party brand owners which ranged from 23.8% to 29.3% and those on products sourced from distributors and traders which ranged from 27.0% to 33.4% during the Track Record Period. By procuring the products directly from the manufacturers of our Private Label Products, we can save costs arising from price markup by brand owners and/or other intermediate distributors or traders otherwise involved in the supply chain of our third-party brand products, which was consistent with the industry norm. Our gross profit margins on the sale of products sourced from third-party brand owners experienced an increase and a decrease primarily due to PCM products forming a relatively large portion of the products we sourced therefrom, which exhibited a similar trend in respect of our gross profit margins on the sale thereof, during the Track Record Period. Meanwhile, our gross profit margins on the sale of products sourced from distributors and traders experienced a declining trend primarily due to health supplement products forming a relatively large portion of the products we sourced therefrom, which exhibited a similar declining trend in respect of our gross profit margins on the sale thereof primarily as a result of relatively more health supplement products with a lower level of profit margins having been procured by us in broadening our suite of products, during the Track Record Period.

### Cost of Sales

Our cost of sales was approximately HK\$258.0 million, HK\$483.0 million and HK\$509.6 million for each of FY2017, FY2018 and FY2019, respectively, which primarily consists of the purchase cost of inventories and inbound logistics costs.

Our Directors confirm that we did not experience any change in purchase prices of goods we sourced from our suppliers that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

Set forth below is a sensitivity analysis illustrating the changes in our profit before tax for a hypothetical increase or decrease in our cost of sales with reference to its historical fluctuations, while all other factors remain unchanged, during the Track Record Period:

<b>Hypothetical fluctuation of our cost of sales</b>	<b>Decrease/Increase in our profit before tax</b>		
	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/Decrease by 40%	-/+ 103,195	-/+ 193,211	-/+ 203,846
Increase/Decrease by 60%	-/+ 154,792	-/+ 289,816	-/+ 305,768
Increase/Decrease by 80%	-/+ 206,390	-/+ 386,422	-/+ 407,691

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### Gross Profit and Gross Profit Margin

We operate in a competitive environment, where we compete with our rivals on product quality, popularity and pricing, etc. Our customers may prefer to deal with us as one single supplier to gain instant access to 120 Hong Kong and overseas brands of health and well-being related products. There is no uniform markup applied to our products across the board. Our overall gross profit margin is therefore subject to the mixture of individual product margins within such a broad product portfolio.

Our Directors confirm that we did not change any of our pricing policy that had resulted in a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

Set forth below is an analysis of our gross profit and gross profit margin by product categories during the Track Record Period:

Products	FY2017		FY2018		FY2019	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
<b>Distribution Business</b>						
PCM	60,674	27.7	83,200	28.3	65,330	24.4
Health supplement	30,468	35.8	87,595	33.5	87,712	30.5
Skin care	4,189	24.6	9,079	22.6	7,699	19.5
Personal care	3,340	27.9	6,226	29.7	4,631	21.9
Other healthcare	9,812	29.8	21,101	36.8	20,185	39.3
	<u>108,483</u>	29.6	<u>207,201</u>	30.8	<u>185,557</u>	27.8
<b>Retail Business<sup>(Note)</sup></b>	<u>8</u>	14.5	<u>3,098</u>	15.5	<u>5,584</u>	16.5
<b>Total/Overall</b>	<u>108,491</u>	29.6	<u>210,299</u>	30.3	<u>191,141</u>	27.3

PCM and health supplement products have been our two leading product categories, contributing to most of our total gross profit and overall gross profit margins. Thanks to the efforts of our sourcing team and product development team, we are capable of sourcing and supplying a number of sought-after health supplement products originated from overseas countries to the market where no or only a few competitors are offering the same, i.e. relatively less competition in this respect. Accordingly, we generally enjoy more flexibility in setting selling prices and commanding a higher profit margin for our health supplement products when compared to PCM products which may have been in the local market for some time.



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Set forth below is an analysis of our gross profit and gross profit margin dividing between our third-party brand products and our Private Label Products during the Track Record Period:

Products	FY2017		FY2018		FY2019	
	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %
<b>Distribution Business</b>						
Third-party brand products	102,543	28.7	189,301	29.2	165,831	25.9
Private Label Products	<u>5,940</u>	67.9	<u>17,900</u>	73.0	<u>19,726</u>	73.4
	108,483	29.6	207,201	30.8	185,557	27.8
<b>Retail Business<sup>(Note)</sup></b>	<u>8</u>	14.5	<u>3,098</u>	15.5	<u>5,584</u>	16.5
<b>Total/Overall</b>	<u><u>108,491</u></u>	29.6	<u><u>210,299</u></u>	30.3	<u><u>191,141</u></u>	27.3

*Note:* Please see “Business – Our Retail Business” in this prospectus for products sold through our online and offline sales channels, which included a handful of products from our Distribution Business as well as those typically sold at third-party pharmacies.

Our gross profit margin on the Private Label Products was generally higher than that on our third-party brand products during the Track Record Period which was consistent with industry norm since, by procuring the products directly from the manufacturers of our Private Label Products, we can save costs arising from price markup by brand owners and/or other intermediate distributors or traders otherwise involved in the supply chain of our third-party brand products. Also, as our Private Label Products are uniquely manufactured for us and are exclusively sold by us in the market, we generally enjoy more flexibility in setting selling prices in response to their market demand and acceptability.

### Selling and Distribution Expenses

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>
Advertising and promotion expenses	3,841	21,124	22,215
Staff salaries and commission	6,250	13,742	24,854
Entertainment	2,807	2,712	1,782
Delivery and customs declaration expenses	972	4,159	4,590
Depreciation	1,088	3,313	6,168
E-commerce portal service fees	–	1,409	1,941
Rental expenses	271	333	50
Others	<u>180</u>	<u>937</u>	<u>695</u>
<b>Total</b>	<u><u>15,409</u></u>	<u><u>47,729</u></u>	<u><u>62,295</u></u>

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Our selling and distribution expenses represent approximately 4.2%, 6.9% and 8.9% of our total revenue for FY2017, FY2018 and FY2019 respectively.

Advertising and promotion expenses as well as staff salaries and commission have been two major items in our selling and distribution expenses, where the former represents approximately 1.0%, 3.0% and 3.2% of our total revenue and the latter represents 1.7%, 2.0% and 3.5% of our total revenue for FY2017, FY2018 and FY2019, respectively.

Our success is attributable to, among others, our multifaceted marketing and promotion strategy which blends traditional marketing activities (such as television, newspapers, magazines, etc.) and the use of digital media (for example, engagement of key opinion leaders to promote products on social media). For our Private Label Products, we aim not only to stimulate sales but also to build the desired brand identities and images and achieve the target market positions through our marketing initiatives. As regards our third-party brand products, we generally focus on promoting the awareness of the products among the consumers taking into account the brand owners' own marketing and positioning strategies.

Our advertising and promotion expenses increased by approximately HK\$17.3 million or 455.3% from HK\$3.8 million for FY2017 to HK\$21.1 million for FY2018 followed by a slight increase of HK\$1.1 million or 5.2% to HK\$22.2 million for FY2019 mainly as a result of (i) our substantial effort in building the brand awareness of our private label brand “Boost & Guard (BG補健)” (now known as “Boost & Guard (BG補健科研)”) launched in November 2017, which became our best-selling brand of Private Label Products in FY2018; and (ii) resources we deployed for promotion and marketing of several key health supplement third-party brand products we rolled out during FY2018 and FY2019 in order to build the brand awareness and stimulate sales among the consumers.

The amount of advertising and promotion expenses we incur from time to time depends to a large extent on the rollout plan of our new products, including, among others, our Private Label Products. When we launch a new private label brand, it may be necessary for us to step up our marketing and promotion efforts and devote more substantial resources to brand-building, and the advertising and promotion expenses incurred may therefore tend to be more significant. The expenses incurred in this connection are not expected to be recurring in nature, since once sufficient brand awareness has been established, the marketing and promotion efforts in respect of the particular private label brand may be reduced and restricted to those that are required to maintain the brand presence and position. Our Directors expect that our Group will only incur significant advertising and promotion expenses for staging brand-building campaigns similar to those for “Boost & Guard (BG補健)” (now known as “Boost & Guard (BG博健科研)”) in future as and when we consider it advantageous from, among others, the marketing and the brand management and positioning perspectives to introduce new brands of Private Label Products or restage and relaunch our existing Private Label Products under our brands. It is our plan to expand our portfolio of Private Label Products by introducing and developing new health supplement products under our existing and new product lines, which will include prenatal care products and products that cater to the needs of infants and the elderly. For more details of the marketing and promotional activities we intend to undertake in respect of our Private Label Products, please see “Business – Business Strategies – (B) Further Investing in Our Brand Management to Increase Mass Awareness of Our Group and Our Products” in this prospectus.

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Staff salaries and commission mainly represent salaries and commission paid to our sales team and our sales promoters at stores of chain retailers to incentivise their sales performance. Significant increase in the amount was primarily due to the sales efforts of our team to cope with our business operations and increased headcounts from seven as at 1 January 2017 to 18, 62 and 88 as at 31 December 2017, 2018 and 2019 respectively.

Delivery and customs declaration expenses mainly represent outbound logistics costs incurred for the delivery of goods to our customers and customs declaration expenses incurred for cross-border sales of our products from Hong Kong to the PRC. The amount increased in FY2018 and FY2019 primarily due to the development of our cross-border e-commerce business in addition to our business growth.

Depreciation represents the depreciation charged on the right of use assets recognised with respect to the property leases with terms over 12 months. The amount increased primarily due to more property leases entered into by us, particularly in FY2018, during the Track Record Period.

Rental expenses relate to leases with terms less than 12 months.

### Administrative Expenses

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>
Staff costs	5,657	11,720	20,711
Directors' remuneration	362	891	2,449
Listing expenses	–	6,536	12,422
Depreciation	2,102	4,009	5,679
Office and rental expenses	569	1,546	1,961
Legal and professional fees	1,012	2,159	2,899
Travelling expenses	1,057	1,294	1,706
Bank charges	435	914	2,650
Others	1,353	4,529	4,417
<b>Total</b>	<u>12,547</u>	<u>33,598</u>	<u>54,894</u>

Excluding the one-off effect of listing expenses, our administrative expenses represent approximately 3.4%, 3.9% and 6.1% of our total revenue for FY2017, FY2018 and FY2019 respectively. Listing expenses represent the professional fees incurred in connection with the Listing during FY2018 and FY2019. Please see “Listing Expenses” in this section for further details.

Our staff costs contributed to the majority of our administrative expenses, which increased primarily as a result of increased headcounts for our non-sales team from 10 as at 1 January 2017 to 21, 53 and 76 as at 31 December 2017, 2018 and 2019 respectively in coping with our business operations and increased sales channels such as cross-border e-commerce from Hong Kong to the PRC.

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## FINANCIAL INFORMATION

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Depreciation primarily related to the acquisition of additional office units in expanding our headquarters in Hong Kong and the purchase of a warehouse in Macau and motor vehicles during FY2017 and FY2018.

Increases in office and rental expenses in FY2018 and FY2019 were mainly due to our business expansion and leases entered into by us with terms less than 12 months.

Legal and professional fees primarily represent fees spent on the review of business contracts in the expansion of our business.

Increase in other expenses was primarily due to increased insurance, recruitment agency fees and product testing fees to meet the needs of our business expansion.

### Finance Costs

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	1,492	2,287	5,267
Interest on lease liabilities	208	401	722
Coupon interest on a convertible note	393	3,337	–
Imputed interest on a convertible note	584	5,689	–
	<u>2,677</u>	<u>11,714</u>	<u>5,989</u>
<b>Total</b>	<b>2,677</b>	<b>11,714</b>	<b>5,989</b>

Our finance costs mainly comprise interest expenses on bank borrowings, lease liabilities and the Pre-IPO Convertible Note.

The increase in interest expenses on bank borrowings from HK\$1.5 million for FY2017 to HK\$2.3 million for FY2018, and then to HK\$5.3 million for FY2019 primarily due to an increase in term loans borrowed and the use of invoice financing loans to meet our financing needs. For details of our interest-bearing bank borrowings, please see note 24 to historical financial information in the Accountants' Report.

Increase in interest on lease liabilities in FY2018 and FY2019 was mainly due to new property leases entered into by our Group, particularly in FY2018 with their full-year effect in FY2019.

We issued the Pre-IPO Convertible Note in a principal amount of HK\$50.0 million with a coupon rate of 7% per annum to the Pre-IPO CN Holder on 21 November 2017. Interest charged on the liability component of the Pre-IPO Convertible Note was calculated under the effective interest method during the Track Record Period. The difference between the effective interest and the coupon interest (which was calculated based on the principal amount and annual coupon rate) was classified as imputed interest charged

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on the Pre-IPO Convertible Note. No interest was recognised for the Pre-IPO Convertible Note in FY2019 as the Pre-IPO Convertible Note was redeemed by us on 14 December 2018. Please see note 25 to historical financial information in the Accountants' Report for further details.

### **Fair Value Gain/(Loss) on a Derivative Component of a Convertible Note**

Fair value gain/(loss) on the derivative component of the Pre-IPO Convertible Note was recognised according to the change in fair value of the derivative component of the Pre-IPO Convertible Note. Loss of HK\$1.1 million recognised in FY2017 was mainly attributable to an increase in fair value of the related derivative component from HK\$18.4 million as at 21 November 2017 (date of issue) to HK\$19.5 million as at 31 December 2017. Fair value gain of HK\$11.7 million was recognised in FY2018 as the fair value of the derivative component subsequently decreased to HK\$7.8 million as at 14 December 2018 (date of redemption), which was primarily driven by the decreased time value of the conversion feature of the Pre-IPO Convertible Note following the reduced remaining life to the permissible conversion prior to or at the maturity of the Pre-IPO Convertible Note. Please see note 25 to historical financial information in the Accountants' Report and "Pre-IPO Investments – Pre-IPO CN Investment" in this prospectus for further details.

### **Loss on Redemption of a Convertible Note**

Loss on redemption of the Pre-IPO Convertible Note of HK\$5.3 million represents the difference between the carrying amount of the liability component of the Pre-IPO Convertible Note at redemption, which was HK\$36.9 million and the redemption amount of the liability component of the Pre-IPO Convertible Note, which was HK\$42.2 million. Please see note 25 to historical financial information in the Accountants' Report for further details.

### **Income Tax**

Our business operations are predominately carried out in Hong Kong and, therefore, we are primarily subject to the Hong Kong profits tax rate of 16.5%, at which Tycoon Hong Kong, our principal operating subsidiary, as a qualifying entity is taxed for any of its assessable profits above HK\$2 million while 8.25% is applicable to its first HK\$2 million under the two-tiered profits tax rates regime effective from the year of assessment 2018/19.

Our income tax expense amounted to approximately HK\$12.9 million, HK\$22.8 million and HK\$13.8 million for FY2017, FY2018 and FY2019, respectively. Our effective tax rate, calculated as income tax expense divided by profit before tax for the respective year, are 16.8%, 18.4% and 20.3% for FY2017, FY2018 and FY2019 respectively, which are higher than the Hong Kong profits tax rate of 16.5% primarily due to tax adjustments such as non-deductible expenses made in compliance with relevant tax law and regulations. Further, our effective tax rate increased from FY2018 to FY2019 primarily due to (i) an increase in the proportion of non-deductible expenses such as listing expenses as compared to our profit before tax for FY2019; and (ii) certain tax losses of our non-principal subsidiaries not being recognised in the calculation of our income tax expense for FY2019.

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Our Directors confirm that we did not have any disputes with tax authorities that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

### **Profit for the Year**

Our profit for FY2018 increased by approximately HK\$37.0 million or 57.9% from HK\$63.9 million for FY2017 to HK\$100.9 million for FY2018 primarily due to our increased gross profit and fair value gain on the derivative component of the Pre-IPO Convertible Note, which were partially offset by our increased operating costs, finance costs, listing expenses, loss on redemption of the Pre-IPO Convertible Note and increased income tax as discussed above.

Our profit for FY2019 decreased by approximately HK\$46.4 million or 46.0% from HK\$100.9 million for FY2018 to HK\$54.5 million for FY2019 primarily due to (i) a decrease in our gross profit margin from 30.3% to 27.3% or by 3.0 percentage points mainly as a result of (a) a change in our product mix by increasing sales of health supplement products (which had a lower level of profit margins) in order to satisfy our customers' demand and market needs; and (b) an increase in discounts and rebates as a percentage to our total revenue from 5.9% to 9.4% or by 3.5 percentage points offered by us to our chain retailer customers in incentivising them to promote our products; (ii) an increase in our selling and distribution expenses as a percentage to our total revenue from 6.9% to 8.9% or by 2.0 percentage points as a result of, among others, increased headcounts for our sales team from 62 to 88 over the year in coping with our business operations, as well as our marketing and promotion initiatives in response to our broadened suite of products; (iii) an increase in our administrative expenses (exclusive of listing expenses) as a percentage to our total revenue from 3.9% to 6.1% or by 2.2 percentage points as a result of, among others, increased headcounts for our non-sales team from 53 to 76 over the year in coping with our business operations and increased sales channels such as cross-border e-commerce from Hong Kong to the PRC; and (iv) an increase in listing expenses charged to our consolidated statements of profit or loss and other comprehensive income from HK\$6.5 million to HK\$12.4 million.

## **REVIEW OF HISTORICAL RESULTS OF OPERATIONS**

### **FY2019 Compared to FY2018**

#### ***Revenue***

Our total revenue increased by approximately HK\$7.5 million or 1.1% from HK\$693.3 million for FY2018 to HK\$700.8 million for FY2019. Our revenue growth momentum had been adversely affected by the Social Unrest in Hong Kong during the second half of FY2019 resulting in decreases in revenue from all product categories in our Distribution Business except the health supplement and personal care product categories where the former's revenue increased by approximately 10.1% and the latter's increased by 1.0%, whilst our revenue from each of the PCM, skin care and other healthcare product categories decreased by approximately 9.0%, 1.6% and 10.4% respectively, over the year.

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### *Cost of Sales*

While we recorded a slight increase in our revenue by HK\$7.5 million or 1.1% for FY2019, our cost of sales increased by approximately HK\$26.6 million or 5.5% from HK\$483.0 million for FY2018 to HK\$509.6 million for FY2019, which was primarily due to a change in our product mix by increasing sales of health supplement products (which had a lower level of profit margins) in order to satisfy our customers' demand and market needs.

### *Gross Profit and Margin*

Our gross profit decreased by approximately HK\$19.2 million or 9.1% from HK\$210.3 million for FY2018 to HK\$191.1 million for FY2019 primarily as a result of decreases in gross profit from all product categories in our Distribution Business.

Our gross profit margin decreased from 30.3% for FY2018 to 27.3% for FY2019 primarily due to, among other things, (i) a change in our product mix by increasing sales of health supplement products (which had a lower level of profit margins) in order to satisfy our customers' demand and market needs; and (ii) an increase in discounts and rebates as a percentage to our total revenue from 5.9% to 9.4% or by 3.5 percentage points offered by us to our chain retailer customers in incentivising them to promote our products.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by HK\$14.6 million or 30.6%, from HK\$47.7 million for FY2018 to HK\$62.3 million for FY2019. The increase was primarily due to an increase in staff salaries and commission as a result of the sales efforts of our team in promoting the sales of our products and an increase in headcounts from 62 as at 31 December 2018 to 88 as at 31 December 2019 in coping with our business operations.

### *Administrative Expenses*

Our administrative expenses increased by HK\$21.3 million or 63.4% from HK\$33.6 million for FY2018 to HK\$54.9 million for FY2019. The increase was primarily due to an increase in our staff costs resulted from an increase in headcounts from 53 as at 31 December 2018 to 76 as at 31 December 2019 in coping with our business operations and increased sales channels such as cross-border e-commerce from Hong Kong to the PRC, and the listing expenses of HK\$12.4 million incurred in FY2019.

### *Other Items*

Please see "Description of Certain Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this section for our management discussion and analysis on other items: finance costs, fair value gain on the derivative component of the Pre-IPO Convertible Note, loss on redemption of the Pre-IPO Convertible Note, income tax and profit for the year.

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## FINANCIAL INFORMATION

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### **FY2018 Compared to FY2017**

#### ***Revenue***

Our total revenue increased by approximately HK\$326.8 million or 89.2% from HK\$366.5 million for FY2017 to HK\$693.3 million for FY2018 primarily as a result of increases in revenue from all product categories in our Distribution Business where our revenue from the PCM and health supplement product categories increased by HK\$74.5 million and HK\$176.0 million respectively, altogether accounting for 76.7% of our increase in revenue for the year.

Such revenue growth was primarily due to (i) 128 new products (PCM products: 21; health supplement products: 74; the rest: 33) rolled out in our Distribution Business to our customers which successfully generated revenue of approximately HK\$101.8 million, accounting for 33.2% of the increase in our Distribution Business revenue on the previous year; and (ii) increased demand for all our other consumer products by the consumers through chain retailers as a result of, among other things, the enhanced brand awareness of products through our increased sales and marketing efforts.

#### ***Cost of Sales***

Our cost of sales increased by approximately HK\$225.0 million or 87.2% from HK\$258.0 million for FY2017 to HK\$483.0 million for FY2018, which was as a result of our increase in revenue for the year.

#### ***Gross Profit and Margin***

Our gross profit increased by approximately HK\$101.8 million or 93.8% from HK\$108.5 million for FY2017 to HK\$210.3 million for FY2018 primarily as a result of increases in gross profit from all product categories in our Distribution Business.

Our gross profit margin increased from 29.6% for FY2017 to 30.3% for FY2018 primarily because the weight of our health supplement product category, which had a higher-than-overall gross profit margin of 35.8% for FY2017 and 33.5% for FY2018, increased from 28.1% of our gross profit for FY2017 to 41.7% for FY2018, as a result of (i) a number of third-party brand health supplement products rolled out in FY2018; and (ii) the growth in demand for our existing health supplement products, including those rolled out in and prior to FY2017, primarily attributable to our success in enhancing their market penetration, increasing brand and product awareness among consumers by various marketing and promotional initiatives, and growing product acceptance by consumers and integration into their lifestyle after trial in the initial phase. The effect was partially offset by the decrease in gross profit margin of the health supplement (from 35.8% for FY2017 to 33.5% for FY2018) and skin care (from 24.6% for FY2017 to 22.6% for FY2018) product categories.



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### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by HK\$32.3 million or 209.7%, from HK\$15.4 million for FY2017 to HK\$47.7 million for FY2018. The increase was mainly attributable to (i) increased advertising and promotion expenses mainly for promoting our private label brand “Boost & Guard (BG補健)” and several key health supplement third-party brand products in building brand awareness and stimulating sales among the consumers; and (ii) an increase in staff salaries and commission as a result of the sales efforts of our team to cope with our business growth and an increase in headcounts from 18 as at 31 December 2017 to 62 as at 31 December 2018 resulted from our business expansion.

### *Administrative Expenses*

Our administrative expenses increased by HK\$21.1 million or 168.8% from HK\$12.5 million for FY2017 to HK\$33.6 million for FY2018, which was primarily due to a significant increase in our staff costs as a result of an increase in headcounts from 21 as at 31 December 2017 to 53 as at 31 December 2018 resulted from our business expansion, and the listing expenses of HK\$6.5 million incurred in FY2018.

### *Other Items*

Please see “Description of Certain Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income” in this section for our management discussion and analysis on other items: finance costs, fair value gain/(loss) on the derivative component of the Pre-IPO Convertible Note, loss on redemption of the Pre-IPO Convertible Note, income tax and profit for the year.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our primary uses of cash are for the payment of procurement of inventories, staff costs, advertising and promotion expenses, finance costs and various operating expenses and have been primarily funded through a combination of cash generated from our operations, bank borrowings and advances from our Controlling Shareholder. All advances from our Controlling Shareholder had been repaid as at the Latest Practicable Date. We currently expect that there will not be any material change in the sources and uses of cash of our Group after completion of the Global Offering.

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## FINANCIAL INFORMATION

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### Cash Flows

Set forth below is a summary of our consolidated statements of cash flows for the Track Record Period:

	FY2017	FY2018	FY2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash generated from operations before changes in working capital	83,725	136,298	86,178
Changes in working capital	(56,051)	(79,681)	(8,994)
Hong Kong profits tax paid	<u>(21,262)</u>	<u>(18,678)</u>	<u>–</u>
Net cash generated from operating activities	6,412	37,939	77,184
Net cash generated from/(used in) investing activities	(58,044)	(55,807)	2,176
Net cash generated from/(used in) financing activities	<u>68,449</u>	<u>55,274</u>	<u>(88,011)</u>
Net increase/(decrease) in cash and cash equivalents	16,817	37,406	(8,651)
Beginning cash and cash equivalents	5,033	21,862	59,196
Effect of foreign exchange rate changes, net	<u>12</u>	<u>(72)</u>	<u>(108)</u>
Ending cash and cash equivalents	<u><u>21,862</u></u>	<u><u>59,196</u></u>	<u><u>50,437</u></u>

### *Operating Activities*

Our cash flows generated from operating activities principally represent cash proceeds received from our customers for sales of goods, and costs and expenses paid, mainly in connection with procurement of inventories, payment of advertising and promotion expenses, staff costs and other expenses.

For FY2017, we had net cash generated from operating activities of HK\$6.4 million, which was mainly due to cash generated from operations before changes in working capital of HK\$83.7 million and increase in other payables and accruals of HK\$9.3 million, which was partially offset by the increase in inventories of HK\$15.4 million, increase in trade receivables of HK\$42.6 million, increase in prepayments, deposits and other receivables of HK\$10.3 million and payment of tax of HK\$21.3 million.

For FY2018, we had net cash generated from operating activities of HK\$38.0 million, which was mainly due to cash generated from operations before changes in working capital of HK\$136.3 million and increase in trade payables of HK\$28.4 million, which was partially offset by the increase in inventories of HK\$48.8 million, increase in trade receivables of HK\$55.4 million, increase in prepayments, deposits and other receivables of HK\$7.4 million and payment of tax of HK\$18.7 million.

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## FINANCIAL INFORMATION

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For FY2019, we had net cash generated from operating activities of HK\$77.2 million, which was mainly due to cash generated from operations before changes in working capital of HK\$86.2 million and decrease in trade receivables of HK\$28.2 million, which was partially offset by the increase in inventories of HK\$10.2 million, increase in prepayments, deposits and other receivables of HK\$19.3 million and decrease in trade payables of HK\$11.7 million.

### *Investing Activities*

Our cash flows used in investing activities principally represent cash payment made for the purchases of property, plant and equipment and intangible assets, payments for right-of-use assets and advances to a director.

For FY2017, we had net cash used in investing activities of HK\$58.0 million, which was primarily due to advances to a director of HK\$44.0 million and purchase of property, plant and equipment of HK\$19.0 million, which was partially offset by the repayment from a director of HK\$6.2 million.

For FY2018, we had net cash used in investing activities of HK\$55.8 million, which was primarily due to purchase of property, plant and equipment of HK\$34.2 million, advances to a director of HK\$16.8 million and purchase of intangible assets of HK\$6.7 million.

For FY2019, we had net cash generated from investing activities of HK\$2.2 million, which was primarily due to the proceeds from disposal of a subsidiary of HK\$8.4 million, which were partially offset by the purchase of property, plant and equipment of HK\$5.2 million.

### *Financing Activities*

Our cash flows generated from or used in financing activities principally represent cash proceeds from and cash used for repayments of bank loans, cash proceeds from issuance and cash used for redemption of the Pre-IPO Convertible Note and advances from and repayment to a director.

For FY2017, we had net cash generated from financing activities of HK\$68.4 million, which was mainly due to cash proceeds from new bank loans of HK\$114.7 million and issuance of the Pre-IPO Convertible Note of HK\$49.8 million, which was partially offset by the repayment of bank loans of HK\$91.5 million.

For FY2018, we had net cash generated from financing activities of HK\$55.3 million, which was mainly due to cash proceeds from new bank loans of HK\$223.7 million and advances from a director of HK\$52.3 million, which was partially offset by the repayment of bank loans of HK\$126.9 million, repayment to a director of HK\$33.5 million and redemption of the Pre-IPO Convertible Note of HK\$50.0 million.

For FY2019, we had net cash used in financing activities of HK\$88.0 million, which was mainly due to repayment of bank loans of HK\$513.2 million, repayment to a director of HK\$49.7 million and distribution of dividends of HK\$50.0 million, which was partially offset by the cash proceeds from new bank loans of HK\$537.8 million.

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## FINANCIAL INFORMATION

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### Net Current Assets

Set forth below are our current assets and current liabilities as at the dates indicated:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>31 January</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2020</b>
				<i>HK\$'000</i>
<b>Current assets</b>				
Inventories	25,051	73,891	84,069	80,692
Trade receivables	90,005	145,402	117,161	130,773
Prepayments, deposits and other receivables	12,880	18,479	33,808	28,381
Due from a director	65,216	–	–	–
Cash and bank balances	21,862	59,196	50,437	65,103
	<u>215,014</u>	<u>296,968</u>	<u>285,475</u>	<u>304,949</u>
<b>Current liabilities</b>				
Trade payables	17,957	46,320	34,635	34,843
Other payables and accruals	14,110	17,898	21,529	24,252
Due to a director	–	48,564	–	–
Interest-bearing bank borrowings	29,670	126,524	151,120	165,017
Lease liabilities	1,705	6,330	7,903	7,959
Tax payable	3,756	9,437	24,865	24,144
	<u>67,198</u>	<u>255,073</u>	<u>240,052</u>	<u>256,215</u>
<b>Net current assets</b>	<u>147,816</u>	<u>41,895</u>	<u>45,423</u>	<u>48,734</u>

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Our net current assets decreased from HK\$147.8 million as at 31 December 2017 to HK\$41.9 million as at 31 December 2018. The decrease was primarily due to (i) the decrease in balance due from a director, Mr. Wong, who is also one of our Controlling Shareholders, of HK\$65.2 million and increase in balance due to the same director of HK\$48.6 million after the declaration of dividend in the amount of HK\$110 million during the year; (ii) the increase in bank borrowings of HK\$96.9 million; and (iii) the increase in trade payables of HK\$28.4 million. The decrease was partially offset by (i) the increase in trade receivables of HK\$55.4 million; (ii) the increase in inventories of HK\$48.8 million; and (iii) the increase in cash and bank balances of HK\$37.3 million.

Our net current assets increased from HK\$41.9 million as at 31 December 2018 to HK\$45.4 million as at 31 December 2019. The increase was primarily due to (i) the decrease in balance due to a director of HK\$48.6 million; (ii) the increase in prepayment, deposit and other receivables of HK\$15.3 million; (iii) the decrease in trade payables of HK\$11.7 million; and (iv) the increase in inventories of HK\$10.2 million. The increase was partially offset by (i) the decrease in trade receivables of HK\$28.2 million; (ii) the increase in bank borrowing of HK\$24.6 million; (iii) the increase in tax payable of HK\$15.4 million; and (iv) the decrease in cash and bank balances of HK\$8.8 million.

Our net current assets increased from HK\$45.4 million as at 31 December 2019 to HK\$48.7 million as at 31 January 2020. The increase was primarily due to (i) the increase in trade receivables of HK\$13.6 million; (ii) the increase in cash and bank balances of HK\$14.7 million; and (iii) the decrease in tax payable of HK\$0.7 million. The increase was partially offset by (i) the increase in bank borrowing of HK\$13.9 million; (ii) the decrease in prepayments, deposits and other receivables of HK\$5.4 million; (iii) the decrease in inventories of HK\$3.4 million; and (iv) the increase in other payables and accruals of HK\$2.7 million.

### **Working Capital Sufficiency**

Our Directors confirm that, taking into consideration the financial resources presently available to us, including internally generated funds, bank borrowings and unused banking facilities, we have sufficient working capital for our present requirements over at least the next 12 months commencing from the date of this prospectus.

Our Directors further confirm that we had no defaults in payment of trade and non-trade payables and borrowings, and breaches of covenants that would have a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

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## FINANCIAL INFORMATION

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### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Inventories

Set forth below are our inventories as at the dates indicated and our inventories turnover days for the years indicated:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories	<u>25,051</u>	<u>73,891</u>	<u>84,069</u>
	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Inventories turnover days <sup>(Note)</sup>	<u>24.6 days</u>	<u>37.4 days</u>	<u>56.6 days</u>

*Note:* Inventories turnover days were derived by dividing the average of the opening and closing balances of inventories by our cost of sales for the relevant year and multiplying by the number of calendar days in the relevant year.

Our inventories increased by approximately HK\$48.8 million from HK\$25.1 million as at 31 December 2017 to HK\$73.9 million as at 31 December 2018, and further by HK\$10.2 million to HK\$84.1 million as at 31 December 2019 primarily in meeting the needs of our business.

Our inventories turnover days increased from approximately 24.6 days for FY2017 to 37.4 days for FY2018, and then to 56.6 days for FY2019.

While most of our PCM products were supplied by suppliers in Hong Kong, the majority of our health supplement products were sourced from suppliers in overseas countries such as the U.S., Australia and Japan, etc., which require a relatively long shipping time. We usually keep a higher inventory level for products sourced from overseas in order to prevent shortage of stocks and unnecessary prolonged restocking time in the event of unexpected spike in demand. With the growth in revenue contribution of the health supplement product category from 23.2% of our total revenue for FY2017 to 41.0% of our total revenue for FY2019 in our Distribution Business, our inventory level and therefore the inventories turnover days increased primarily due to the change in product mix with more health supplement products stocked from overseas.

Moreover, our relatively high level of inventories as at 31 December 2019 and our increased inventories turnover days for FY2019 was (i) partly due to more stocks, especially health supplement products, ordered and delivered in response to our broadened suite of products, where a total of 221 products (compared to 128 products for FY2018) were rolled out in our Distribution Business in FY2019, among which around 111 products were indeed rolled out in the last five months prior to 31 December 2019, and (ii) partly as a result of the Social Unrest in Hong Kong which slowed down our revenue growth momentum and the sales of our inventories accordingly during the second half of FY2019.

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Set forth below is an ageing analysis of our inventories as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	14,852	45,003	23,599
30 to 60 days	3,251	11,331	15,531
60 to 180 days	5,748	14,321	29,907
180 days to 1 year	638	2,583	14,540
1 to 2 years	562	653	492
	<u>25,051</u>	<u>73,891</u>	<u>84,069</u>
<b>Total</b>	<b><u>25,051</u></b>	<b><u>73,891</u></b>	<b><u>84,069</u></b>

We review our inventory records from time to time to identify any slow-moving or obsolete items. As at the Latest Practicable Date, approximately HK\$58.3 million or 69.3% of our inventories as at 31 December 2019 had been sold. Our Directors confirm that there were no slow moving or obsolete items which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

### Trade Receivables

Our customers primarily include retailers and traders from our Distribution Business. Our Group generally grants a credit period that ranges from 30 to 120 days to these customers.

Set forth below is an ageing analysis of our trade receivables based on invoice date, as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	89,434	142,686	106,942
91 to 180 days	531	2,702	10,147
Over 180 days	40	14	72
	<u>90,005</u>	<u>145,402</u>	<u>117,161</u>
<b>Total</b>	<b><u>90,005</u></b>	<b><u>145,402</u></b>	<b><u>117,161</u></b>

Our trade receivables increased from approximately HK\$90.0 million as at 31 December 2017 to HK\$145.4 million as at 31 December 2018, as a result of an increase in our revenue. The balance was decreased to HK\$117.2 million as at 31 December 2019 primarily due to a decline in our revenue from the sales of our products in our Distribution Business as a result of the Social Unrest in Hong Kong which slowed down our revenue growth momentum during the second half of FY2019.

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Our policy for impairment on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables that requires the use of judgment and estimates of our management. Given our customers are mainly well-known retailers and there was no history of default in prior years, our Directors considered that the expected credit loss rates of these retailers were minimal, for all ageing bands, as at 31 December 2017, 2018 and 2019. As a result, no loss allowance for impairment of trade receivables was necessary during the Track Record Period.

Set forth below are our trade receivables turnover days for the years indicated:

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Trade receivables turnover days <sup>(Note)</sup>	<u>68.4 days</u>	<u>62.0 days</u>	<u>68.4 days</u>

*Note:* Trade receivables turnover days were derived by dividing the average of the opening and closing balances of trade receivables by our total revenue for the relevant year and multiplying the number of calendar days in the relevant year.

Our trade receivables turnover days were within the range of credit period granted to our customers.

As at the Latest Practicable Date, approximately HK\$114.4 million or 97.6% of our trade receivables as at 31 December 2019 had been settled.

### Prepayments, Deposits and Other Receivables

Set forth below is an analysis of our prepayments, deposits and other receivables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	12,005	14,902	25,718
Deferred listing fees	–	2,189	5,752
Deposits	522	2,021	5,792
Other receivables	<u>604</u>	<u>1,416</u>	<u>373</u>
	13,131	20,528	37,635
Less: Prepayments and deposits classified as non-current assets	<u>(251)</u>	<u>(2,049)</u>	<u>(3,827)</u>
<b>Total</b>	<u>12,880</u>	<u>18,479</u>	<u>33,808</u>



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Our prepayments, deposits and other receivables amounted to approximately HK\$13.1 million, HK\$20.5 million and HK\$37.6 million as at 31 December 2017, 2018 and 2019, respectively. The balance mainly consisted of prepayments made to some of our suppliers for the purchases of inventories. Significant increase in the balance during the Track Record Period was mainly because of the increasing proportion of health supplement products in our product portfolio which were mostly supplied by overseas suppliers. These suppliers generally require a prepayment to be made before the delivery of goods, while suppliers of PCM products were mostly local suppliers who generally grant us credit terms ranging from 30 to 120 days. As revenue contribution from health supplement products grew from 23.2% of our total revenue in FY2017 to 41.0% in FY2019 in our Distribution Business, significantly more prepayments were made for the purchases of these products over the Track Record Period.

Deferred listing fees represent the professional fees paid in connection with the Listing which are to be charged to equity upon completion of the Global Offering.

Increase in deposits primarily due to new property leases entered into by us and deposits required by portal providers for our cross-border e-commerce business.

### Trade Payables

Our suppliers primarily include brand owners, distributors and traders for our third-party brand products and ODM manufacturers for our Private Label Products.

Set forth below is an ageing analysis of our trade payables based on invoice date as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	8,925	29,210	13,505
31 – 60 days	5,873	12,559	12,640
61 – 120 days	3,159	4,399	7,891
Over 120 days	–	152	599
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<u><u>17,957</u></u>	<u><u>46,320</u></u>	<u><u>34,635</u></u>

Our trade payables increased by approximately HK\$28.3 million from HK\$18.0 million as at 31 December 2017 to HK\$46.3 million as at 31 December 2018 primarily due to our increased purchases of inventories as a result of our business expansion. The balance was decreased by HK\$11.7 million to HK\$34.6 million as at 31 December 2019 primarily due to net payments made to our suppliers.

Our trade payables are unsecured and the credit terms granted by our suppliers normally range from 30 to 120 days.

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Set forth below are our trade payables turnover days for the years indicated:

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Trade payables turnover days <sup>(Note)</sup>	<u>23.4 days</u>	<u>24.3 days</u>	<u>29.0 days</u>

*Note:* Trade payables turnover days were derived by dividing the average of the opening and closing balances of trade payables by our cost of sales for the relevant year and multiplying by the number of calendar days in the relevant year.

Trade payables turnover days increased from approximately 23.4 days for FY2017 to 24.3 days and 29.0 days for FY2018 and FY2019 respectively, primarily because more purchases were made with overseas suppliers of health supplement, skin care and personal care products who require the payment in advance before the delivery of goods.

As at the Latest Practicable Date, approximately HK\$33.9 million or 98.0% of our trade payables as at 31 December 2019 had been settled.

### Other Payables and Accruals

Set forth below is an analysis of our other payables and accruals as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	3,562	4,023	11,364
Refund liabilities	10,399	13,299	9,804
Interest payables	85	283	–
Other payables	<u>64</u>	<u>293</u>	<u>361</u>
<b>Total</b>	<u>14,110</u>	<u>17,898</u>	<u>21,529</u>

Our other payables and accruals mainly represent refund liabilities relating to sales to chain retailers, accrued listing fees and accruals for staff costs and advertising and promotion expenses.

Accruals increased from HK\$3.6 million as at 31 December 2017 to HK\$4.0 million as at 31 December 2018, and further to HK\$11.4 million as at 31 December 2019, primarily due to an increase in our advertising and promotion expenses and an increase in accrued staff costs.

Refund liabilities mainly represent the provision for discounts and rebates offered by us in relation to sales made to chain retailers in incentivising them to promote our products. The balance increased from HK\$10.4 million as at 31 December 2017 to HK\$13.3 million as at 31 December 2018, primarily due to

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the growth in our revenue. The balance decreased to HK\$9.8 million as at 31 December 2019 primarily due to a decline in our revenue from the sales of our products to chain retailers as a result of the Social Unrest in Hong Kong which slowed down our revenue growth momentum during the second half of FY2019.

### Pre-IPO Convertible Note

We issued the Pre-IPO Convertible Note in a principal amount of HK\$50.0 million to the Pre-IPO CN Holder on 21 November 2017. The note was maturing on 31 May 2020 and bore interest at 7% per annum. We redeemed the Pre-IPO Convertible Note in full at a cash consideration of HK\$50.0 million and cancelled the Pre-IPO Convertible Note on 14 December 2018. Please see “Pre-IPO Investments – Pre-IPO CN Investment” in this prospectus for further details.

As at 31 December 2017, the Pre-IPO Convertible Note had a carrying value of HK\$50.9 million. On the issue date of the Pre-IPO Convertible Note, its conversion feature was separately recognised as a derivative component measured at fair value which amounted to HK\$18.4 million, and was revalued to HK\$19.5 million as at 31 December 2017. The excess of proceeds over the amount of the derivative component was recognised as the liability component of the Pre-IPO Convertible Note which initially amounted to HK\$31.6 million, and was reduced to HK\$31.4 million as at 31 December 2017 as a result of the transaction costs and net interest charged. For further details, please see note 25 to historical financial information in the Accountants’ Report.

In relation to the valuation of the derivative component of the Pre-IPO Convertible Note, our Directors adopted the following procedures with reference to the SFC’s “Guidance note on directors’ duties in the context of valuation in corporate transactions”: (i) reviewed the terms of the Pre-IPO CN Subscription Agreement; (ii) engaged an independent firm of professionally qualified valuer (“**Valuer**”) to assist in performing the valuation and discussed with the Valuer relevant assumptions adopted for the valuation; (iii) carefully considered all the information relevant to the valuation, including significant unobservable inputs as disclosed in note 33 to historical financial information in the Accountants’ Report; and (iv) reviewed the valuation reports prepared by the Valuer in accordance with the reporting guidelines set by the International Valuation Standards 2017 and published by the International Valuation Standards Council. Our Directors are of the view that the valuation performed by the Valuer is fair and reasonable, and the financial statements of our Group have been properly prepared.

As disclosed in note 33 to historical financial information in the Accountants’ Report, our Group’s finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. Our Company’s management are of the view that our Company has appropriate policies and procedures in place in respect of the valuation of the derivative component of the Pre-IPO Convertible Note, where our Board was engaged to discuss the valuation process and results. Therefore, our Company’s management are satisfied that our Directors have exercised their due care, skill and diligence in regard to the valuation of the derivative component of the Pre-IPO Convertible Note.

Details of the valuation of the derivative component of the Pre-IPO Convertible Note, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 33 to historical financial information in the Accountants’ Report. For the purpose of the

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## FINANCIAL INFORMATION

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Accountants' Report, the reporting accountants were engaged to express an opinion on the historical financial information of our Group in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the HKICPA. The reporting accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of the Accountants' Report.

In relation to the valuation of the derivative component of the Pre-IPO Convertible Note, the Sole Sponsor has conducted relevant due diligence work including, but not limited to, (a) reviewed the relevant notes in the Accountants' Report and relevant documents provided by the Valuer; and (b) discussed with our Company, the reporting accountants and the Valuer the key bases and assumptions for the valuation and their respective work done in this connection. The Sole Sponsor is satisfied that nothing has come to its attention that would cause it to disagree with our Company's and reporting accountants' view on the valuation work performed by the Valuer for the derivative component of the Pre-IPO Convertible Note.

### Intangible Assets

In FY2018, we recorded intangible assets in connection with our pharmacy licence in Macau and the operating rights for an online store at an e-commerce portal, with a view to developing our Retail Business without having to start it up from the scratch. The former had a carrying value of HK\$450,000 while the latter amounted to HK\$6.2 million as at 31 December 2018. The carrying value of the operating rights as at 31 December 2018 principally represented the acquisition cost of the entire equity interest of a company which holds such operating rights paid by our Group in August 2018. In FY2019, we disposed of such company at a gain of approximately HK\$18,000 as we managed to operate our cross-border e-commerce business at other portals and considered that the operating rights held by it were no longer necessary. An impairment testing in connection with such operating rights was performed by us as at 31 December 2018, details of which are set out in note 14 to historical financial information in the Accountants' Report.

For the purpose of our impairment testing, the operating rights were included as part of one cash-generating unit ("CGU"), which had a recoverable amount being determined based on a value-in-use calculation using cash flow projections primarily based on financial budgets taking into account the CGU's historical financial performance and its expected market development, with cash flows beyond the budget period being extrapolated using a terminal growth rate of 2%. The pre-tax discount rate applied to the cash flow projections was 18.8% primarily reflecting the specific risks relating to the CGU. On such bases, its estimated recoverable amount exceeded its carrying value by HK\$8.5 million (referred to as the "headroom" hereinafter). If the pre-tax discount rates of 20.0%, 21.0% and 22.0% had been applied, the headroom would be HK\$7.0 million, HK\$5.9 million and HK\$4.8 million respectively. If the terminal growth rates of 1.5%, 1.0% and 0.5% had been applied, the headroom would be HK\$8.1 million, HK\$7.7 million and HK\$7.4 million respectively. Given the headroom was considered sufficiently well above the carrying value of the CGU, where the entire equity interest of the company holding the relevant operating rights was acquired by us just within five months before 31 December 2018, our Directors determined that there was no impairment on the CGU. Our Directors believe that any reasonably possible change in a key assumption for the estimation of CGU's recoverable amount would not cause the carrying value of the CGU to exceed its recoverable amount.

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As at 31 December 2019, our Group also had the operating rights for an online store at an e-commerce portal through Titita, which had a carrying value of approximately HK\$999,000 and no impairment was considered necessary as set out in note 14 to historical financial information in the Accountants' Report.

### INDEBTEDNESS

Set forth below are the components of our indebtedness as at the dates indicated, where 31 January 2020 is the latest practicable date for the purpose of this indebtedness statement:

	As at 31 December			As at
	2017	2018	2019	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Secured</b>				
Interest-bearing bank borrowings	29,670	126,524	151,120	165,017
Lease liabilities				
– Due within one year	772	634	–	–
– Due more than one year but not exceeding five years	1,283	362	–	–
	<u>1,283</u>	<u>362</u>	<u>–</u>	<u>–</u>
<b>Total</b>	<b><u>31,725</u></b>	<b><u>127,520</u></b>	<b><u>151,120</u></b>	<b><u>165,017</u></b>
<b>Unsecured</b>				
Liability component of a convertible note	31,397	–	–	–
Due to a director	–	48,564	–	–
Lease liabilities				
– Due within one year	933	5,696	7,903	7,959
– Due more than one year but not exceeding five years	42	8,881	7,592	7,214
	<u>42</u>	<u>8,881</u>	<u>7,592</u>	<u>7,214</u>
<b>Total</b>	<b><u>32,372</u></b>	<b><u>63,141</u></b>	<b><u>15,495</u></b>	<b><u>15,173</u></b>

### Interest-bearing Bank Borrowings

Our Directors confirm that we made the interest-bearing borrowings to finance (i) the working capital of our Group; and (ii) purchases of offices, a warehouse, and motor vehicles.

As at 31 December 2017, 2018 and 2019 and 31 January 2020, our borrowings consisted of interest-bearing bank borrowings from banks in Hong Kong amounting to HK\$29.7 million, HK\$115.9 million, HK\$140.9 million and HK\$154.9 million, respectively; and interest-bearing bank borrowings from banks in Macau amounting to nil, HK\$10.6 million, HK\$10.2 million and HK\$10.1 million, respectively.

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As at 31 December 2017, 2018 and 2019 and 31 January 2020, the banking facilities granted to us contain a clause that provides the banks with unconditional rights to call back our bank loans at any time, i.e. repayment on demand clause. As such, our interest-bearing bank borrowings are classified as current liabilities on our consolidated statements of financial position.

Set forth below is a breakdown of our bank borrowings based on maturity terms set out in the loan agreements as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 January
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2020</b> <i>HK\$'000</i>
<b>Bank loans repayable:</b>				
– Within one year	22,261	108,683	136,086	150,222
– In the second year	460	2,820	2,941	2,943
– In the third to fifth year, inclusive	1,452	6,671	4,246	4,009
– Beyond five years	5,497	8,350	7,847	7,843
	<u>29,670</u>	<u>126,524</u>	<u>151,120</u>	<u>165,017</u>
<b>Total</b>	<u>29,670</u>	<u>126,524</u>	<u>151,120</u>	<u>165,017</u>

As at 31 December 2017, 2018 and 2019 and 31 January 2020, our interest-bearing borrowings carried interest rates ranging from Prime – 2.75% to Prime + 1.00%.

As at 31 December 2017, our interest-bearing bank borrowings were secured by, among others, the personal guarantees provided by our Controlling Shareholder in the amount of HK\$57.0 million and the mortgages over the properties owned by our Group situated in Hong Kong. Our interest-bearing bank borrowings of HK\$20.7 million were secured by the mortgages over properties and a car park space owned by our Controlling Shareholder situated in Hong Kong.

As at 31 December 2018 and 2019 and 31 January 2020, our interest-bearing bank borrowings were secured by, among others, the personal guarantees provided by our Controlling Shareholder in the amount of HK\$129.3 million, HK\$155.5 million and HK\$169.7 million, respectively, and the mortgages over the properties owned by our Group situated in Hong Kong and Macau.

As part of our normal business, we entered into invoice discounting arrangements and transferred certain trade receivables to the banks. As at 31 December 2017, 2018 and 2019 and 31 January 2020, our invoice discounting loans of nil, HK\$59.9 million, HK\$24.3 million and HK\$35.6 million were secured by trade receivables of nil, HK\$79.9 million, HK\$51.2 million and HK\$54.9 million, respectively.

Certain banking facilities granted to us by our bankers and certain hire purchases undertaken by us during the Track Record Period were secured by, among other security, personal guarantees from our Controlling Shareholder and mortgages on properties owned by our Controlling Shareholder. As at the

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Latest Practicable Date, the aforementioned mortgages no longer formed part of the collateral security securing the banking facilities granted to us and all personal guarantees provided by our Controlling Shareholder will be released upon the Listing.

Except for our interest-bearing bank borrowings of HK\$10.6 million, HK\$10.2 million and HK\$10.1 million as at 31 December 2018 and 2019 and 31 January 2020, respectively, that are denominated in MOP, our interest-bearing bank borrowings are all denominated in Hong Kong dollars.

Our Directors confirm that as at the latest practicable date for the purpose of this indebtedness statement, the agreements for our bank borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we (i) had no material defaults in bank borrowings; (ii) had not breached any covenants; and (iii) had not experienced any material difficulty in obtaining credit facilities or been requested for early repayment during the Track Record Period and up to the Latest Practicable Date.

As at 31 January 2020, we had aggregate banking facilities of HK\$272.3 million, of which HK\$107.2 million was unutilised.

### **Pre-IPO Convertible Note**

As at 31 December 2017, 2018 and 2019 and 31 January 2020, the liability component of the Pre-IPO Convertible Note of HK\$31.4 million, nil, nil and nil, respectively, was unsecured with interest at 7% per annum. Our Group redeemed the Pre-IPO Convertible Note at a consideration of HK\$50.0 million on 14 December 2018 and the entire Pre-IPO Convertible Note was extinguished on 14 December 2018. Please see note 25 to historical financial information in the Accountants' Report for further details.

### **Due to a Director**

Our balances due to a director amounted to nil, HK\$48.6 million, nil and nil as at 31 December 2017, 2018 and 2019 and 31 January 2020, respectively, which were unsecured, interest-free and repayable on demand. Any balances with a director will be fully settled prior to Listing.

### **Lease Liabilities**

As at 31 January 2020, our total lease liabilities were HK\$15.2 million, with interests charged at the rate of 5% per annum, which primarily represented liabilities recognised in relation to our leased properties with terms over 12 months. For further details, please see note 16 to historical financial information in the Accountants' Report.

### **Contingent Liabilities**

As at 31 December 2017, 2018 and 2019 and 31 January 2020, being the latest practicable date for the purpose of this indebtedness statement, we did not have any material contingent liabilities or guarantees.

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Save as disclosed above, we did not have any outstanding loans, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credit, hire purchases commitments or other contingent liabilities as at 31 January 2020, being the latest practicable date for the purpose of this indebtedness statement. Save as disclosed above, as at the same date, we did not have any other guarantees from any Independent Third Parties.

### CAPITAL EXPENDITURES

Set forth below are our historical capital expenditures during the Track Record Period:

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold land and buildings	21,909	29,697	2,191
Leasehold improvements	780	3,473	1,967
Office equipment	258	1,013	812
Furniture and fixtures	84	28	255
Motor vehicles	63	–	–
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>23,094</b>	<b>34,211</b>	<b>5,225</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Our capital expenditures were principally for the acquisition of our headquarters, warehouse and motor vehicles used for our business operations, which were funded by our internal resources and bank borrowings during the Track Record Period.

### CAPITAL COMMITMENTS

As at 31 December 2017, 2018 and 2019, we did not have any significant capital commitments.

### TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we had transactions with our related parties including (i) sales to CR Care who became our related party upon completion of Pre-IPO Investment A on 19 February 2019; (ii) purchases from Hong Kong CR Sanjiu, a non-wholly owned subsidiary of CR Pharmaceutical, who also became our related party upon completion at Pre-IPO Investment A; (iii) redemption of the Pre-IPO Convertible Note from Mr. Wong, being the then holder of the Pre-IPO Convertible Note; and (iv) leasing of properties from Mr. Wong at fair rent for our business operations. Included in our Group's trade receivables and trade payables were an amount due from CR Care and an amount due to Hong Kong CR Sanjiu of HK\$8.8 million and HK\$0.3 million as at 31 December 2019 respectively. We had an amount due from Mr. Wong (a director) of HK\$65.2 million, nil and nil, and an amount due to Mr. Wong (a director) of nil, HK\$48.6 million and nil as at 31 December 2017, 2018 and 2019, respectively. As regards the leases entered into with Mr. Wong, we had (a) paid rental deposits of HK\$0.5 million to Mr. Wong; and (b) recognised right-of-use assets of HK\$6.1 million and lease liabilities of HK\$6.2 million on our consolidated



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statement of financial position as at 31 December 2019. All balances (if any) with related parties, except those in trade nature and those relating to the leases entered into with Mr. Wong, will be fully settled prior to Listing. For further details, please see note 31 to historical financial information in the Accountants' Report.

In light of the leases entered into with Mr. Wong being recognised in the form of right-of-use assets on our consolidated statement of financial position in accordance with HKFRS 16, such leases are of a capital nature and were treated as a one-off transaction prior to Listing and, accordingly, will not constitute a continuing connected transaction for our Company during the term of such leases under the Listing Rules.

Our Directors confirm that the transactions with related parties were conducted on an arm's length basis which would not distort our results of operations during the Track Record Period or make our historic results of operations not reflective of our future performance.

### **NON-HKFRS MEASURES**

To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use adjusted profit for the year as an additional financial measure. The adjusted profit for the year is not a measure of performance under HKFRSs. We present this financial measure because it is adopted by our management to evaluate our financial performance by eliminating the impact of certain items that our management does not consider indicative of the performance of our business. We believe that this non-HKFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results of our operations across accounting periods and to those of our peer companies. The use of non-HKFRS measure has limitations as an analytical tool and should not be considered as a substitute for or superior to our results of operations under HKFRSs. In addition, non-HKFRS measures may be defined differently from similar terms presented by other companies.

### **Adjusted Profit for the Year**

We define adjusted profit for the year as profit for the year excluding listing expenses, imputed interest on the Pre-IPO Convertible Note, fair value gain/(loss) on the derivative component of the Pre-IPO Convertible Note and loss on redemption of the Pre-IPO Convertible Note. We consider that these items are of non-recurring nature and were not related to the performance of our operations. All these items except listing expenses were related to the movements of the fair value of the Pre-IPO Convertible Note, which was extinguished on 14 December 2018, and had no impact on our cash flows.

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Set forth below is a table reconciling our adjusted profit for the year to the most directly comparable financial measure calculated and presented in accordance with HKFRSs, which is our profit for each of the years indicated:

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>	63,926	100,900	54,516
Excluding:			
Listing expenses	–	6,536	12,422
Imputed interest on a convertible note	584	5,689	–
Fair value loss/(gain) on a derivative component of a convertible note	1,080	(11,700)	–
Loss on redemption of a convertible note	–	5,297	–
	<u>65,590</u>	<u>106,722</u>	<u>66,938</u>
<b>Adjusted profit for the year</b>	<u>65,590</u>	<u>106,722</u>	<u>66,938</u>
<b>Adjusted net profit margin<sup>(Note)</sup></b>	17.9%	15.4%	9.6%

*Note:* **Adjusted net profit margin** is defined as the adjusted profit for the year divided by the revenue for the year.

Our adjusted net profit margin is primarily made up of our gross profit margin net of (i) selling and distribution expenses; and (ii) administrative expenses (exclusive of listing expenses), both as a percentage to our total revenue. Such adjusted net profit margin is intended to measure our profitability by excluding non-recurring items such as listing expenses and gains and losses relating to the Pre-IPO Convertible Note. The Pre-IPO Convertible Note was redeemed by us in December 2018.

In FY2018, while our total revenue increased by 89.2% on a year-on-year basis, our adjusted net profit margin decreased primarily due to an increase in our selling and distribution expenses as a percentage to our total revenue from 4.2% to 6.9% or by 2.7 percentage points as a result of, among others, (i) our increased efforts in advertising and promoting our products, including our private label brand “Boost & Guard (BG補健)” (now known as “Boost & Guard (BG博健科研)”) which became our best-selling health supplement brand of Private Label Products in FY2018, and some other third-party brand products; and (ii) the increased headcounts of our sales team from 18 to 62 over the year in coping with our business expansion.

While we recorded a slight increase in our revenue by HK\$7.5 million or 1.1% for FY2019, our adjusted net profit margin decreased primarily due to (i) a decrease in our gross profit margin from 30.3% to 27.3% or by 3.0 percentage points mainly as a result of (a) a change in our product mix by increasing sales of health supplement products (which had a lower level of profit margins) in order to satisfy our customers’ demand and market needs; and (b) an increase in discounts and rebates as a percentage to our total revenue from 5.9% to 9.4% or by 3.5 percentage points offered by us to our chain retailer customers in incentivising them to promote our products; (ii) an increase in our selling and distribution expenses as a percentage to our total revenue from 6.9% to 8.9% or by 2.0 percentage points as a result of, among others, increased headcounts for our sales team from 62 to 88 over the year in coping with our business

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operations, as well as our marketing and promotion initiatives in response to our broadened suite of products; and (iii) an increase in our administrative expenses (exclusive of listing expenses) as a percentage to our total revenue from 3.9% to 6.1% or by 2.2 percentage points as a result of, among others, increased headcounts for our non-sales team from 53 to 76 over the year in coping with our business operations and increased sales channels such as cross-border e-commerce from Hong Kong to the PRC.

### KEY FINANCIAL RATIOS

	FY2017	FY2018	FY2019
Gross profit margin <sup>(1)</sup>	29.6%	30.3%	27.3%
Net profit margin <sup>(2)</sup>	17.4%	14.6%	7.8%
Return on equity <sup>(3)</sup>	51.9%	88.5%	46.1%
Return on total assets <sup>(4)</sup>	26.3%	26.7%	14.9%
Interest coverage <sup>(5)</sup>	29.7 times	11.6 times	12.4 times

	As at 31 December		
	2017	2018	2019
Current ratio <sup>(6)</sup>	3.2 times	1.2 times	1.2 times
Quick ratio <sup>(7)</sup>	2.8 times	0.9 time	0.8 time
Gearing ratio <sup>(8)</sup>	52.1%	124.7%	140.8%
Net debt to equity ratio <sup>(9)</sup>	34.3%	72.8%	98.2%

*Notes:*

- (1) **Gross profit margin** = gross profit for the year ÷ revenue for the year
- (2) **Net profit margin** = profit for the year ÷ revenue for the year
- (3) **Return on equity** = profit for the year ÷ total equity as at the end of the year
- (4) **Return on total assets** = profit for the year ÷ total assets as at the end of the year
- (5) **Interest coverage ratio** = profit before interest and tax for the year ÷ finance costs for the year
- (6) **Current ratio** = current assets ÷ current liabilities as at the end of the year
- (7) **Quick ratio** = (current assets – inventories) ÷ current liabilities as at the end of the year
- (8) **Gearing ratio** = total debt ÷ total equity as at the end of the year, where total debt includes bank borrowings, lease liabilities and the liability component of the Pre-IPO Convertible Note (where applicable)
- (9) **Net debt to equity ratio** = net debt ÷ total equity as at the end of the year, where net debt includes total debt net of cash and cash equivalents

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### Gross Profit Margin

Our gross profit margin increased from 29.6% for FY2017 to 30.3% for FY2018 primarily because the weight of our health supplement product category, which had a higher-than-overall gross profit margin of 35.8% for FY2017 and 33.5% for FY2018, increased from 28.1% of our gross profit for FY2017 to 41.7% for FY2018. The effect was partially offset by a decrease in gross profit margin of the health supplement (from 35.8% for FY2017 to 33.5% for FY2018) and skin care (from 24.6% for FY2017 to 22.6% for FY2018) product categories.

Our gross profit margin decreased from 30.3% for FY2018 to 27.3% for FY2019 primarily due to, among others, (i) a change in our product mix by increasing sales of health supplement products (which had a lower level of profit margins) in order to satisfy our customers' demand and market needs; and (ii) an increase in discounts and rebates as a percentage to our total revenue from 5.9% to 9.4% or by 3.5 percentage points offered by us to our chain retailer customers in incentivising them to promote our products.

### Net Profit Margin

Our net profit margin decreased from 17.4% for FY2017 to 14.6% for FY2018 primarily due to an increase in our operating costs (as a result of, among others, increased advertising and promotion expenses and staff costs), interests charged on external financing, and listing expenses, as our business further expanded while our gross profit margin increased slightly from 29.6% for FY2017 to 30.3% for FY2018.

Our net profit margin decreased from 14.6% for FY2018 to 7.8% for FY2019 primarily due to a decrease in our gross profit margin from 30.3% for FY2018 to 27.3% for FY2019 and an increase in our selling and distribution expenses and administrative expenses. The increase in our selling and distribution expenses and administrative expenses was primarily due to (i) a significant increase in our staff costs as a result of increased headcounts to cope with our business operations and increased sales channels; and (ii) the listing expenses of HK\$12.4 million incurred in FY2019.

### Return on Equity

Our return on equity increased from 51.9% for FY2017 to 88.5% for FY2018 primarily because (i) our profit for the year increased by 57.9% from HK\$63.9 million for FY2017 to HK\$100.9 million for FY2018; and (ii) our total equity decreased by 7.4% from HK\$123.1 million as at 31 December 2017 to HK\$114.0 million as at 31 December 2018 as an interim dividend of HK\$110.0 million was distributed during the year despite the recognition of profit for the year of HK\$100.9 million for FY2018.

Our return on equity decreased from 88.5% for FY2018 to 46.1% for FY2019 primarily because (i) our profit for the year decreased by 46.0% from HK\$100.9 million for FY2018 to HK\$54.5 million for FY2019; and (ii) our total equity increased by 3.9% from HK\$114.0 million as at 31 December 2018 to HK\$118.4 million as at 31 December 2019 as a result of a profit recognised which was offset by a final dividend of HK\$30.0 million and a special dividend of HK\$20.0 million declared and distributed in FY2019.

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### Return on Total Assets

Our return on total assets increased from 26.3% for FY2017 to 26.7% for FY2018 mainly due to an increase in our profit for the year by 57.9% from HK\$63.9 million for FY2017 to HK\$100.9 million for FY2018, which was partially offset by an increase in our total assets by 55.9% from HK\$242.8 million as at 31 December 2017 to HK\$378.5 million as at 31 December 2018. Increase in our total assets was primarily attributable to (i) the purchase of an office unit in Hong Kong being part of our headquarters; (ii) the purchase of a warehouse in Macau; and (iii) an increase in our current assets due to our business expansion.

Our return on total assets decreased from 26.7% for FY2018 to 14.9% for FY2019 because of a decrease in our profit for the year by 46.0% from HK\$100.9 million for FY2018 to HK\$54.5 million for FY2019, which was partially offset by a decrease in our total assets by 3.2% from HK\$378.5 million as at 31 December 2018 to HK\$366.4 million as at 31 December 2019. Decrease in our total assets was primarily attributable to (i) a decrease in our current assets such as trade receivables; and (ii) the depreciation of right-of-use assets.

### Interest Coverage

Our interest coverage ratio dropped from 29.7 times for FY2017 to 11.6 times for FY2018 primarily due to the additional bank borrowings made and the interest charged on the Pre-IPO Convertible Note during FY2018.

Our interest coverage ratio increased from 11.6 times for FY2018 to 12.4 times for FY2019 primarily due to a decrease in our finance costs by 48.9% from FY2018 to FY2019 due to the redemption of the Pre-IPO Convertible Note in December 2018. The effect was partially offset by a decrease in our profit before interest and tax by 45.1% from FY2018 to FY2019.

### Current Ratio and Quick Ratio

Our current ratio and quick ratio decreased from 3.2 times and 2.8 times as at 31 December 2017 to 1.2 times and 0.9 time as at 31 December 2018, which remained relatively stable at 1.2 times and 0.8 time as at 31 December 2019, respectively, mainly because of an increase in our bank borrowings and the use of our cash and bank balances for the redemption of the Pre-IPO Convertible Note in FY2018.

### Gearing Ratio

Our gearing ratio increased from 52.1% as at 31 December 2017 to 124.7% as at 31 December 2018 primarily due to (i) the further drawdown of bank borrowings notwithstanding the redemption of the Pre-IPO Convertible Note and (ii) a decrease in our total equity following the distribution of an interim dividend of HK\$110.0 million during FY2018.

Our gearing ratio further increased to 140.8% as at 31 December 2019 primarily due to the further drawdown of bank borrowings, which was partially offset by an increase in our total equity by 3.9% from HK\$114.0 million as at 31 December 2018 to HK\$118.4 million as at 31 December 2019.

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### Net Debt to Equity Ratio

Our net debt to equity ratio increased from 34.3% as at 31 December 2017 to 72.8% as at 31 December 2018 primarily due to an increase in our net debt by 96.4% from HK\$42.2 million as at 31 December 2017 to HK\$82.9 million as at 31 December 2018.

The ratio further increased to 98.2% as at 31 December 2019 as our net debt increased from HK\$82.9 million as at 31 December 2018 to HK\$116.2 million as at 31 December 2019. The effect was partially offset by an increase in our total equity by 3.9% from HK\$114.0 million as at 31 December 2018 to HK\$118.4 million as at 31 December 2019.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The main market risks arising from our business operations are interest rate risk, credit risk and liquidity risk. Our Directors review and agree policies for managing each of these risks which are summarised below:

#### Interest Rate Risk

Our Group's interest rate risk primarily relates to bank borrowings, which are based on the Hong Kong Prime Rate and HIBOR. We mitigate the risk by monitoring closely the movements in interest rates and reviewing our banking facilities regularly. We have not used any interest rate swap to hedge our exposure to interest rate risk. Details of the sensitivity analysis of the interest rate changes are set out in note 34 to historical financial information in the Accountants' Report.

#### Credit Risk

It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant. For further details, please see note 34 to historical financial information in the Accountants' Report.

#### Liquidity Risk

Our Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and long term. In addition, banking facilities have been put in place for contingency purposes. Please see note 34 to historical financial information in the Accountants' Report for details of the maturity profile of our financial liabilities.

### DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

As at 31 December 2019, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

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### LISTING EXPENSES

Listing expenses consist primarily of underwriting commission (exclusive of any discretionary incentive fee of up to approximately HK\$2.9 million (based on the high end of the Offer Price range of HK\$1.52 per Offer Share and assuming that the Over-allotment Option is not exercised at all) or up to 1.0% of the aggregate final Offer Price of the Offer Shares) and professional fees, and are estimated to be approximately HK\$58.3 million, representing approximately 20.2% of the gross proceeds (or 25.3% of the net proceeds) from the Global Offering (assuming an Offer Price of HK\$1.50 per Share, being the mid-point of the Offer Price range). Listing expenses of approximately HK\$24.7 million were incurred on or before 31 December 2019, of which HK\$6.5 million and HK\$12.4 million were charged to our consolidated statements of profit or loss and other comprehensive income for FY2018 and FY2019 respectively, while the remaining amount of HK\$5.8 million will be subsequently charged to equity upon completion of the Global Offering. We estimate that we will further incur underwriting commission and other listing expenses of approximately HK\$33.6 million after 31 December 2019, of which HK\$10.6 million will be charged to our consolidated statements of profit or loss and other comprehensive income for FY2020 and HK\$23.0 million is expected to be accounted for as a deduction from equity upon completion of the Global Offering. The amount of our listing expenses is a current estimate for reference only and the final amount may differ from this estimate.

### DIVIDENDS AND DIVIDEND POLICY

Our Group declared and distributed (i) an interim dividend of HK\$110 million to our Controlling Shareholder in FY2018, and (ii) a final dividend of HK\$30 million and a special dividend of HK\$20 million to our then Shareholders in FY2019.

The dividends of HK\$110,000,000, HK\$30,000,000 and HK\$20,000,000 distributed in FY2018 and FY2019 (as the case may be) were from the then retained profits of our Group which was then a group of private companies to our then Shareholder(s). Among such dividends, the final dividend of HK\$30,000,000 distributed in FY2019 to our then Shareholders was declared and distributed in accordance with the terms of the Pre-IPO Shareholders Agreement, further particulars of which are set out in “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement – Pre-IPO Shareholders Agreement” in this prospectus.

Moving forward, we currently intend to adopt, after the Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our equity shareholders in the future but subject to, among others, financial condition of our Group, the prevailing economic and social climate, our Group’s earnings and cash flows, our Group’s expected capital requirements and the statutory fund reserve requirements, the retained earnings and distributable reserves of our Company and each of the members of our Group and any other factors that our Board deems appropriate at such time.

A decision to declare and pay any dividends would require approval of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to our Shareholders’ approval.

### DISTRIBUTABLE RESERVES

Our Company was incorporated on 14 June 2017 and is an investment holding company. Please see note 28 to historical financial information in the Accountants’ Report for details of our Company’s reserves.

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### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2019, we had not entered into any off-balance sheet transactions.

### RECENT DEVELOPMENTS

Our business operations are primarily based in Hong Kong with multiple sales channels operating online and/or offline in Hong Kong, Macau, the PRC and Singapore. Our business model had remained unchanged since the end of the Track Record Period and up to the Latest Practicable Date. As more particularly described below, we have been (i) adjusting and enriching our product portfolio according to the prevailing circumstances and consumers' demand to ensure that we would remain the supplier of choice of our customers and could cope well with the ever-changing market conditions; and (ii) actively expanding our business operations in different markets outside Hong Kong, such that we would become less vulnerable to unfavourable developments that may arise from time to time in any specific market.

The outbreak of coronavirus disease 2019 (“COVID-19”) was first reported from Wuhan, China, on 31 December 2019. An infectious disease in nature, COVID-19 has spread to various other countries and regions, including Hong Kong (where the first confirmed case was reported on 23 January 2020), Macau and Singapore, among others, in the following months and resulted in mortality. As announced on 11 March 2020, the World Health Organization has made the assessment that COVID-19 can be characterised as a pandemic and expects to see the number of cases, the number of deaths, and the number of affected countries climb even higher in the days and weeks ahead.

According to the Ipsos Report, the COVID-19 outbreak has impacted the distribution and retail industries in Hong Kong in various aspects, given that local economic activities have been reduced for precautionary reasons and tourist traffic has decreased as a result of the border closures and the travel restrictions imposed. In particular, consumers' demand has shifted to necessities, such as cleaning wipes, and medical supplies, such as surgical masks and thermometers.

Set forth below is a holistic review of the developments of our Group amid the COVID-19 outbreak:

#### **Further Expansion of Our Product Portfolio**

We have remained steadfast in pursuing the strategy of broadening product selection by constantly rolling out new products that are sought-after by consumers notwithstanding the COVID-19 outbreak. Thanks to the industry insights and experience of our dedicated sourcing team and product development team, we have been granted the right to distribute a number of new other healthcare products that may be used for disinfection-related purposes, such as hand sanitisers and wet wipes and have also been able to source from overseas suppliers other anti-epidemic items that are in great demand, such as surgical masks and thermometers.

Our Directors believe that the above additions to our product portfolio demonstrate our ability to provide products that answer the prevailing market needs, and attest to the elasticity in our business operations and the resilience of our business model when faced with adverse developments in the market and the macroenvironment. Our anti-epidemic products have been sought-after by our chain retailer



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customers; in particular, CR Pharma Group has procured anti-epidemic products from us for distribution in Hong Kong and the PRC under the Master Supply Agreement. Our Directors consider that our sourcing ability and responsiveness to consumers' demand, as well as our close and amicable working relationships with our customers at both management and frontline levels, have made us one of the go-to supply chain partners of our customers when they seek to secure supply of products that correspond with the market conditions.

As an act of corporate social responsibility, we have donated a total of 240,000 surgical masks to the medical staff in the PRC, the Macau government and social welfare organisations in Hong Kong.

### **Development of Our Distribution Business in Other Markets and Our Strategic Cooperation with CR Pharma Group**

We had established our foothold in Macau during the Track Record Period by running our Retail Business through two brick-and-mortar retail stores there. On 27 September 2019, we obtained the Licence for Firm for Import, Export and Wholesale of Pharmaceutical Products in Macau, which paves the way for us to increase our market presence and develop our Distribution Business in the Macau market. Please see "Appendix III – Regulatory Overview – Macau – Import and export of pharmaceutical products and operation of a pharmacy – Import and export of pharmaceutical products" in this prospectus for further details. As a licensed wholesaler of imported and exported pharmaceutical products, we have been appointed as the exclusive distributor in Macau of a PCM product under the brand Po Chai Pills (保濟丸) subsequent to the Track Record Period.

Meanwhile, on 1 January 2020, we entered into the Master Supply Agreement with CR Pharmaceutical in relation to the supply of PCM, health supplement and other healthcare products by our Group to CR Pharma Group for a term commencing on the date of such agreement and ending on 31 December 2021. Please see "Connected Transactions – Non-exempt Continuing Connected Transactions – (1) Master Supply Agreement" in this prospectus for further details. Given our speciality as demonstrated by, among others, our ability to source anti-epidemic products that are in short supply during the COVID-19 outbreak, it is envisaged that the procurement of products from us by the CR Pharma Group would be conducted on a more extensive scale in the coming years under the Master Supply Agreement. It is intended that the products supplied by us under the Master Supply Agreement will be distributed by CR Pharma Group through its networks in Hong Kong and the PRC.

As the next step to cement our strategic partnership with CR Pharma Group and step up the development of our Distribution Business in the PRC, we entered into an agreement with CR Pharma Group on 11 March 2020 regarding the establishment of a joint venture in the PRC (with CR Pharma Group being the majority shareholder). The joint venture is expected to leverage the network of CR Pharma Group to distribute, among others, our products in the PRC. We would be a principal supplier of the joint venture, while its operations (including procurement and sales) are expected to be run by CR Pharma Group, which shall be responsible for, among others, procuring and assisting in obtaining all necessary filings, approvals and/or registrations from the relevant government agencies under the Strategic Framework Cooperation Agreement. Our Directors believe that the joint venture would serve as our springboard to the PRC market, where we could expand our Distribution Business to the PRC by supplying certain of our products to the joint venture on an offline basis. The breadth and depth of CR Pharma Group' retail network in the PRC

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which comprised over 840 retail pharmacies under national or regional premium brands as at 30 June 2019 are expected to be of wide appeal to brand owners of third-party brand products from all around the world, and our Directors foresee that our access to such an extensive retail network would sharpen our competitive edge as a distributor of health and well-being related products. At the same time, the establishment of the joint venture would provide an additional income source for our Group since we would not only gain revenue from sales to the joint venture but would also be entitled to a share of the profits made by it according to our shareholding. Please see “Business – Business Strategies – (A) Further Developing Our Supply Chain and Retail Management by (i) increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions – Expanding our Distribution Business to the PRC” in this prospectus for further details.

We believe that the scaling up of our business operations in the PRC and Macau could broaden our business focus in geographical terms and help reduce the overall exposure of our Group to changes in the conditions of any particular market.

### **Impact of the COVID-19 Outbreak on Our Business Operations**

While it has been necessary for us to make certain adjustments to the work arrangements of our staff for anti-epidemic causes, the COVID-19 outbreak has not had a significant adverse impact on our supply chain or our sales to major customers.

#### ***Work Arrangements of Our Staff***

Based on the scale of the COVID-19 outbreak in the respective country/region, we have not put in place any substantive special work arrangements for our staff in Hong Kong (which is host to our headquarters), Macau (where we conduct our Retail Business at two brick-and-mortar retail stores) and Singapore (where we carry out our Distribution Business primarily with local chain retailers). Taking into account the business hours of and the customer flow at the stores of our chain retailer customers, we have re-arranged the work schedule of our sales promoters where appropriate.

As regards our Shenzhen office (which mainly oversees our cross-border e-commerce business), the office operation had been suspended after the Chinese New Year holiday until 24 February 2020 in accordance with the notices and orders issued by the local governmental authorities, and our staff had been requested to work from home during the period of suspension.

In line with our effort to provide a safe working environment for our employees, we have implemented the following precautionary measures under our contingency plan to curb the COVID-19 outbreak:

- circulating a memorandum to our employees which sets out guidance on maintenance of good personal and workplace hygiene;
- suspending or delaying all business trips to the PRC and other countries that are affected by the COVID-19 outbreak;

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- taking the temperature of our staff when they enter our offices, warehouses or retail stores, which are recorded in a separate register;
- maintaining an adequate supply of surgical masks and alcohol hand sanitisers and providing our staff with such anti-epidemic items on a daily basis. Our staff (including our sales promoters stationed at the stores of our chain retailer customers) are required to maintain good personal hygiene and wear surgical masks at all time and clean their hands with the use of alcohol hand sanitisers regularly whenever they are present at our offices, warehouses or retail stores or otherwise on duty. In case there is an insufficient supply of such anti-epidemic items, all members of our staff will be subject to mandatory home office arrangements;
- maintaining good indoor ventilation and performing regular disinfection exercises after office hours at our offices, warehouses and retail stores;
- monitoring the sick leave records of our staff closely with particular attention paid to any unusual trend identified;
- advising our staff to avoid unnecessary travels to areas affected by the COVID-19 outbreak and crowded places;
- putting in place a reporting mechanism under which our staff are required to provide the travel records of them and make declarations of their health conditions upon returning to Hong Kong, and maintaining a register to document the above details; and
- monitoring the latest information released by the governments on the COVID-19 outbreak closely and keeping our staff informed about the material updates, such as the mandatory quarantine imposed in different jurisdictions.

To the best of the knowledge of our Directors, since the onset of the COVID-19 outbreak and up to the Latest Practicable Date, there had been no confirmed case of COVID-19 infection among our employees or instance in which any of our employees was unable to report duty as a result of the COVID-19 outbreak.

### *Our Supply Chain and Sales to Major Customers*

Our suppliers include primarily brand owners, distributors and traders supplying us with third-party brand products. All of our major suppliers during the Track Record Period are based in Hong Kong or foreign countries including the United States, Australia and Canada.

The chain retailers in Hong Kong constitute the largest customer segment of our Group; throughout the Track Record Period, over 70% of our total revenue was derived from sales to the two leading chain retailers in Hong Kong, which operated 359 stores and 232 stores in Hong Kong as at 31 December 2019 respectively.

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Our supply chain has not been materially disrupted by the outbreak of COVID-19 in Hong Kong and globally. In particular, despite that some of our major suppliers are located in the United States, Australia and Canada where there have been increasing number of confirmed COVID-19 cases in these countries, these suppliers have confirmed to us that the outbreak of COVID-19 in these countries has not materially affected or disrupted their production and shipment of their products to our Group, and they do not anticipate any such disruption, and the respective business of our major suppliers and retail chain customers in Hong Kong has primarily been conducted as usual following the onset of the COVID-19 outbreak. Our Directors confirm that since the end of the Track Record Period and up to the Latest Practicable Date, we had not experienced any cancellation of orders or loss of customers or suppliers that would have had a material adverse impact on our supply chain, sales channels, ability to discharge our obligations under the existing contracts or generally our business operations and financial condition.

On the basis of the above, our Directors confirm that since the end of the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortage of supply, dispute with customers, suppliers or banks, or disruption to our business operations in Hong Kong or other locations that would have had a material adverse impact on our business operations and financial condition as a result of the COVID-19 outbreak.

### **Our Financial Performance and Viability**

From the financial perspective, the outbreak of COVID-19 has had a minimal impact on us in view of the fact that the average revenue of the first two months of FY2020 was broadly comparable with the average revenue of the last six months of FY2019 and, in particular, we recorded a narrowed decrease in monthly revenue for February 2020 in percentage terms as compared with the decrease in monthly revenue for January 2020 (in comparison with the amount for February and January 2019 respectively).

Nevertheless, the COVID-19 outbreak is still ongoing and there is no guarantee that the situation will not deteriorate or the outbreak shall come to an end in the near future. Apart from the negative impact on the sales of our products, the COVID-19 outbreak may possibly bring disruption to our business operations in the future as a result of, for example, quarantines, temporary closure of factories of our suppliers and other measures to control the spread of COVID-19 that may be imposed by the governments in different affected countries and regions from time to time. In addition, if the COVID-19 outbreak is not contained in Hong Kong, China or globally in the near future, the economic activities across many industries, including the distribution, retail and tourism industries in Hong Kong and worldwide, can be further adversely affected; the resultant economic downturn may adversely affect the consumer sentiment and weaken the demand for health and well-being related products in the retail market, which is likely to take its toll on the business operations of our chain retailer customers and in turn the market penetration of our products and our sales. For further details of the potential impact of the COVID-19 outbreak on our Group, please see “Risk Factors – Risks Relating to Our Business – The recent outbreak of coronavirus disease 2019 (COVID-19) may have a material adverse effect on our business, results of operations and financial position” in this prospectus. In the event that the COVID-19 outbreak shall not come to an end in the near future, our business operations and results of operations including revenue and profitability may be adversely affected and a net profit lower than that for FY2019 may be recorded for FY2020 accordingly. In the extreme and unlikely event that the business operations of our Group are completely suspended on a temporary basis and no additional revenue from sales is recorded, based on our cash and bank balance,

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the anticipated level of trade receivable collection, our available and expected banking facilities and anticipated trade payables settlement, borrowings and monthly fixed costs, such as staff costs, interest expenses, and rent, we believe that we will have sufficient working capital for our business and remain financially viable for at least the next 12 months from the date of this prospectus.

### **Our Business Development in the Medium to Long Run**

Our Directors believe that the disruption caused by and the impact of the COVID-19 outbreak will not be permanent in nature. Despite the worsened market sentiment at present, our Directors remain positive that the Hong Kong economy will recover after the outbreak recedes. According to the Ipsos Report, our products are generally consumer goods, the demand for which arises from health, well-being or other personal needs and is therefore customary and habitual in nature and sustainable in the medium to long run; in addition, the COVID-19 outbreak is expected to have the positive effect of spurring the growth of consumers' health consciousness and the development of habits to maintain better personal health and environmental hygiene, and preventive measures such as taking vitamin and mineral supplements are expected to be more broadly taken. Moreover, as Hong Kong remains to be a place reputable for providing tax-free shopping experience and authentic products, visitors are expected to continue to be attracted to visit Hong Kong to make purchases of health and well-being related products; as stated in the Ipsos Report, the prospects of the distribution and retail markets in Hong Kong remain positive with enough room for strategic market players like us with (i) a comprehensive product portfolio and extensive sourcing capability; (ii) a strong network with retailers or established retail stores in prime locations; and (iii) offering of customer-oriented value-added services, to survive and substantiate their future growth in the industry in the long run.

Accordingly, our Directors consider that we will be primed to build on the signs of improvement in our financial performance in February 2020 as described above and regain growth momentum after the COVID-19 outbreak recedes. We remain resolved to continue to pursue the business strategies set out in "Business – Business Strategies" in this prospectus after Listing and apply all of the net proceeds from the Global Offering in accordance with the intended uses as disclosed in "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

With our unwavering endeavours to expand our business in the other markets as evidenced by our newly awarded exclusive distribution rights in Macau and our strategic cooperation with CR Pharma Group taking advantage of the market opportunities during the COVID-19 outbreak as described above, our Directors believe that we will be able to achieve further geographical diversification of our revenue sources in the long run, which will effectively reduce our susceptibility to any adverse development in Hong Kong or any other single market. On the other hand, our Directors consider that our firm commitment to building a product portfolio that caters to the prevailing market needs will also enable us to continue to gain recognition and trust from our customers notwithstanding changes in market conditions. We also aim to continue to expand our presence on the e-commerce portals such that we could remain effective in bringing our products to the consumers through our cross-border e-commerce business even when travel restrictions are in place and consumers from other places may be inhibited from visiting Hong Kong and physically making purchases of our products from our chain retailer customers.

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### **No Material Adverse Change**

Our Directors confirm that, since 31 December 2019 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position and no event has occurred that would materially and adversely affect the information shown in the consolidated financial statements of our Group set out in the Accountants' Report.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

A detailed description of our future plans is set out in “Business – Business Strategies” in this prospectus.

### USE OF PROCEEDS

We estimate that the net proceeds (i.e. gross proceeds net of the underwriting commission (exclusive of any discretionary incentive fee of up to approximately HK\$2.9 million (based on the high end of the Offer Price range of HK\$1.52 per Offer Share and assuming that the Over-allotment Option is not exercised at all) or up to 1.0% of the aggregate final Offer Price of the Offer Shares) and the estimated expenses payable by our Company) from the issue of the Offer Shares will be approximately HK\$230.3 million, based on an initial Offer Price of HK\$1.50 per Share (being the mid-point of the indicative Offer Price range set forth in this prospectus) and assuming that the Over-allotment Option is not exercised at all.

Our Directors intend to apply the net proceeds from the Global Offering as follows:

#### Further Developing Our Supply Chain and Retail Management

- approximately 30.0%, or HK\$69.1 million is expected to be used for further developing our supply chain and retail management:
  - approximately 15.0%, or HK\$34.6 million is expected to be used for increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions:
    - approximately 2.0%, or HK\$4.6 million is expected to be used for expanding our Distribution Business to the PRC;
    - approximately 1.0%, or HK\$2.4 million is expected to be used for setting up new online stores and further developing and optimising our online stores to increase their visibility and web traffic;
    - approximately 7.0%, or HK\$16.1 million is expected to be used for expanding our offline sales to other non-chain retailers in Hong Kong through acquisition of a local distributor or trader with an established customer base; and
    - approximately 5.0% or HK\$11.5 million is expected to be used for the purchase of inventories to meet our business needs as we expand our Distribution Business to the PRC, set up new online stores and further develop and optimise our online stores, and expand our offline sales to non-chain retailers in Hong Kong;

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## FUTURE PLANS AND USE OF PROCEEDS

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- approximately 10.0%, or HK\$23.0 million is expected to be used for broadening product selection by introducing new third-party brand products and developing new Private Label Products for our customers, both including the initial purchase of inventories and the related marketing efforts in the promotion of these new products:
  - approximately 5.0% or HK\$11.5 million is expected to be used for introducing new health supplement, skin care and personal care products sourced from third-party brand owners; and
  - approximately 5.0% or HK\$11.5 million is expected to be used for developing new health supplement products under our own brands; and
- approximately 5.0%, or HK\$11.5 million is expected to be used for enhancing enterprise resources planning, customer relationship management and warehouse management through the application of information technology and the upgrade of our systems:
  - approximately 2.0% or HK\$4.6 million is expected to be used for acquiring a new ERP system;
  - approximately 2.0% or HK\$4.6 million is expected to be used for the development of a mobile application mainly for use by the customers in our Retail Business for the purpose of building customer loyalty; and
  - approximately 1.0%, or HK\$2.3 million is expected to be used for upgrading our warehouse management system in Hong Kong.

### **Further Investing in Our Brand Management to Increase Mass Awareness of Our Group and Our Products**

- approximately 15.0% or HK\$34.5 million is expected to be used for further investing in our brand management to increase mass awareness of our Group and our products, with a stronger emphasis on our identity as the seller and distributor and our brand as we conduct marketing and promotional activities in respect of our third-party brand products and Private Label Products:
  - approximately 8.0% or HK\$18.4 million is expected to be used for implementing the marketing and promotional activities in respect of our Private Label Products; and
  - approximately 7.0% or HK\$16.1 million is expected to be used for implementing the marketing and promotional activities in respect of our third-party brand products.



## FUTURE PLANS AND USE OF PROCEEDS

### Repaying Loans

- approximately 45.0% or HK\$103.7 million is expected to be used to repay a portion of our bank borrowings, which had been used to finance (i) our business operations; and (ii) the purchase of our warehouse in Macau. Set forth below are the details of the relevant bank borrowings expected to be repaid by the use of the net proceeds from the Global Offering:

Bank borrowings	Principal amount (HK\$ million)	Carrying value as at 31 January 2020 (HK\$ million)	Interest rate	Maturity date	Uses	Repayment using net proceeds from the Global Offering (HK\$ million)
Invoice discounting loan	35.6	35.6	HIBOR + 2.50%	Within 120 days from the date of drawdown	Business operations	35.6
Invoice financing loan	17.9	17.9	HIBOR + 2.50%	Within 120 days from the date of drawdown	Business operations	17.9
Bank loan	50.0	50.0	HIBOR + 0.75%	Within 30 days from the date of drawdown	Business operations	20.1
Bank loan	20.0	20.0	HIBOR + 2.50%	Within 120 days from the date of drawdown	Business operations	20.0
Bank loan	11.3	10.1	Prime - 2.75%	July 2038	Purchase of a warehouse in Macau <sup>(Note)</sup>	10.1
<b>Total</b>	<b>134.8</b>	<b>133.6</b>				<b>103.7</b>

*Note:* The warehouse in Macau was purchased by our Group with a view to developing our Retail Business in Macau in the long run and is equipped with storage facilities that meet the safety and quality requirements for storing pharmaceutical products. As advised by the Macau Legal Advisers, in order to obtain the Licence for Firm for Import, Export and Wholesale of Pharmaceutical Products issued by the Health Bureau in Macau, our Group shall, among others, have facilities which meet the safety and quality requirements appropriate to the storage of medicinal products as a prerequisite. For further details on the relevant regulatory requirements, please see “Appendix III – Regulatory Overview – Macau – Import and export of pharmaceutical products and operation of a pharmacy – Import and export of pharmaceutical products” in this prospectus. The warehouse was purchased (rather than leased) by our Group so as to (i) avoid any disruption to the normal business operations in our Retail Business and our use of the warehouse facility in Macau arising from any relocation and fitting out of the warehouse upon termination or expiry of tenancy agreement; and (ii) meet the regulatory requirements in order for us to maintain the validity of our Licence for Firm for Import, Export and Wholesale of Pharmaceutical Products.

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## FUTURE PLANS AND USE OF PROCEEDS

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By repaying a portion of our bank borrowings i.e. approximately HK\$103.7 million using the net proceeds from the Global Offering, our Directors consider that our Group would benefit that, among others, (i) our outstanding bank borrowings as at 31 January 2020 be reduced by approximately 62.9% from HK\$165.0 million to HK\$61.3 million, and (ii) our gearing ratio (total debt ÷ total equity) would improve from approximately 152.6% as at 31 January 2020 to 20.8% taking into account, among others, our broadened equity base as a result of the Global Offering. Furthermore, our unutilised available banking facilities as at 31 January 2020 would increase by approximately 96.7% from HK\$107.2 million to HK\$210.9 million. As a result, our Directors consider that our Group would be in a better financial position and have greater flexibility in financing our Group's business growth and future expansion.

### **General Working Capital**

- approximately 10.0% or HK\$23.0 million is expected to be used for the general working capital purpose.

## FUTURE PLANS AND USE OF PROCEEDS

Set forth below is the expected time frame for the use of the net proceeds from the Global Offering in accordance with the above allocation:

	FY2020 <i>HK\$ million</i>	FY2021 <i>HK\$ million</i>	FY2022 <i>HK\$ million</i>	Total <i>HK\$ million</i>
<b>Further Developing Our Supply Chain and Retail Management by</b>				
• <b>Increasing accessibility and availability of our products to consumers through our Distribution Business model (offline), cross-border e-commerce business and potential acquisitions</b>				
– expanding our Distribution Business to the PRC	4.6	–	–	<b>4.6</b>
– setting up new online stores and further developing and optimising our online stores	1.4	0.5	0.5	<b>2.4</b>
– expanding our offline sales to other non-chain retailers in Hong Kong through acquisition	16.1	–	–	<b>16.1</b>
– purchase of inventories to meet our business needs	4.5	3.5	3.5	<b>11.5</b>
	<u>26.6</u>	<u>4.0</u>	<u>4.0</u>	<u><b>34.6</b></u>
• <b>Broadening product selection by introducing new third-party brand products and developing new Private Label Products for our customers</b>				
– introducing new health supplement, skin care and personal care products sourced from brand owners	3.9	3.8	3.8	<b>11.5</b>
– developing new health supplement products under our own brands	3.9	3.8	3.8	<b>11.5</b>
	<u>7.8</u>	<u>7.6</u>	<u>7.6</u>	<u><b>23.0</b></u>

## FUTURE PLANS AND USE OF PROCEEDS

	FY2020 <i>HK\$ million</i>	FY2021 <i>HK\$ million</i>	FY2022 <i>HK\$ million</i>	Total <i>HK\$ million</i>
<ul style="list-style-type: none"> <li>• <b>Enhancing enterprise resources planning, customer relationship management and warehouse management through the application of information technology and the upgrade of our systems</b> <ul style="list-style-type: none"> <li>– acquiring a new ERP system</li> <li>– development of a mobile application</li> <li>– upgrading our warehouse management system</li> </ul> </li> </ul>	4.6	–	–	4.6
	4.6	–	–	4.6
	2.3	–	–	2.3
	11.5	–	–	11.5
<b>Total</b>	<b>45.9</b>	<b>11.6</b>	<b>11.6</b>	<b>69.1</b>
<b>Further investing in our brand management to increase mass awareness of our Group and our products</b>				
<ul style="list-style-type: none"> <li>• implementing the marketing and promotional activities in respect of our Private Label Products</li> <li>• implementing the marketing and promotional activities in respect of our third-party brand products</li> </ul>	6.4	6.0	6.0	18.4
	5.3	5.4	5.4	16.1
<b>Total</b>	<b>11.7</b>	<b>11.4</b>	<b>11.4</b>	<b>34.5</b>
<b>Repaying loans</b>	<b>103.7</b>	–	–	<b>103.7</b>
<b>General working capital</b>	<b>23.0</b>	–	–	<b>23.0</b>
<b>Total net proceeds from the Global Offering</b>	<b>184.3</b>	<b>23.0</b>	<b>23.0</b>	<b>230.3</b>

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/or authorised financial institutions in Hong Kong.

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## FUTURE PLANS AND USE OF PROCEEDS

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Assuming that the Over-allotment Option is not exercised at all, the net proceeds from the Global Offering will be approximately HK\$233.9 million in the event that the Offer Price is set at HK\$1.52 per Share (being the high end of the indicative Offer Price range), approximately HK\$226.8 million in the event that the Offer Price is set at HK\$1.48 per Share (being the bottom end of the indicative Offer Price range) or approximately HK\$201.7 million in the event that we make a Downward Offer Price Adjustment and the Offer Price is set at HK\$1.34 per Offer Share.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will be approximately HK\$270.6 million in the event that the Offer Price is set at HK\$1.50 per Share (being the mid-point of the indicative Offer Price range), approximately HK\$274.7 million in the event that the Offer Price is set at HK\$1.52 per Share (being the high end of the indicative Offer Price range), approximately HK\$266.5 million in the event that the Offer Price is set at HK\$1.48 per Share (being the bottom end of the indicative Offer Price range) or approximately HK\$237.7 million in the event that we make a Downward Offer Price Adjustment and the Offer Price is set at HK\$1.34 per Offer Share.

In each of the above circumstances, we intend to apply the net proceeds for the various intended uses set out above in the proportions as stated above and the amount of net proceeds to be applied for each intended use will be adjusted accordingly.

### BASES AND ASSUMPTIONS

The business objectives and strategies set out by our Directors are based on the following general assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in the geographic locations which we operate in, including Hong Kong, Macau, the PRC and Singapore, which will adversely affect our business;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material adverse changes in the existing laws and regulations, policies or industry or regulatory treatment relating to our Group, or in the political, social, economical, fiscal or market conditions in which our Group operates;
- the Global Offering will be completed in accordance with the terms as described in “Structure of the Global Offering” in this prospectus;
- there will be no disasters, natural, political, social or otherwise, which would materially disrupt the business or operations of our Group;
- we will not be adversely affected by the risk factors as set out in “Risk Factors” in this prospectus; and

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## FUTURE PLANS AND USE OF PROCEEDS

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- we will continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions.

### REASONS FOR LISTING

Our mission is to become a leading and reputable provider of a suite of health and well-being related products through diversified online and offline sales channels with the mission of bringing health and vitality to consumers.

All our products are consumer products, which require marketing efforts to enhance the awareness of products and brands among consumers. We consider that the Listing will effectively raise the awareness among the general public of us as a recognised group of companies in the field of the distribution of health and well-being products.

The Listing will also instil confidence in our corporate governance and integrity and elevate our corporate image, reputation and status among both our suppliers and our customers. In this sense, the Listing will help consolidate our established business relationships with brand owners and chain retailers, among others, which are a key competitive advantage in the industry. We will have a higher industry standing as a result, with increased brand visibility in the market.

In addition, our credit profile will improve with a listing status, and we will have easier access to external financing.

For the above reasons, our Directors believe that the Listing will pave way for the long-term growth of our Group and enable us to make a greater impact in promoting a healthy modern lifestyle and achieve our mission.

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## CORNERSTONE INVESTOR

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### THE CORNERSTONE PLACING

Our Company, together with the Sole Sponsor, has entered into a cornerstone investment agreement with Jacobson Group Treasury Limited (“**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to subscribe at the Offer Price for such number of our Offer Shares (“**Cornerstone Placing**”) (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$80,000,000 (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).

Our Company is of the view that as the Cornerstone Investor is an indirectly wholly-owned subsidiary of a leading pharmaceutical company in Hong Kong having an extensive sales and distribution coverage for both the private and public market sectors in Hong Kong, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investor has confidence in our business and prospect.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will, when issued and delivered, rank *pari passu* in all respects with the other fully paid Offer Shares then in issue and will be counted towards the public float of our Company. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the cornerstone investment agreement). The total number of Offer Shares to be subscribed for by the Cornerstone Investor pursuant to the Cornerstone Placing will not be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering nor by any exercise of the Over-allotment Option as described in “Structure of the Global Offering” in this prospectus. Details of the actual number of Offer Shares to be subscribed for by the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company.

For illustration purpose only, the number of Offer Shares to be subscribed for by the Cornerstone Investor in respect of the Cornerstone Placing under the indicative Offer Price range set out in this prospectus is set forth below:

Indicative Offer Price	Number of Shares to be subscribed for (rounded down to the nearest whole board lot of 2,000 Shares)	Approximate percentage	Approximate percentage	Approximate percentage	Approximate percentage
		of the total number of the Offer Shares (assuming that the Over-allotment Option is not exercised)	of the total number of the Offer Shares (assuming that the Over-allotment Option is exercised in full)	completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is exercised in full)
High-end: HK\$1.52	52,630,000	27.35%	23.78%	6.58%	6.35%
Mid-point: HK\$1.50	53,332,000	27.72%	24.10%	6.67%	6.43%
Bottom-end: HK\$1.48	54,054,000	28.09%	24.43%	6.76%	6.52%
Downside: HK\$1.34	59,700,000	31.03%	26.98%	7.46%	7.20%

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## CORNERSTONE INVESTOR

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To the best of the knowledge of our Directors, each of the Cornerstone Investor and its ultimate beneficial owners is independent of our Company, our connected persons and their respective associates. In addition, our Company confirms that (i) there is not any side arrangement between our Group and the Cornerstone Investor and its beneficial owner(s) and/or associates in connection with the Cornerstone Placing; (ii) the Cornerstone Investor and its beneficial owner(s) and/or close associates are not accustomed to take and have not taken any instructions from our Company, its connected persons or existing shareholders or any of its subsidiaries or their respective close associates; and (iii) the subscription of Offer Shares by the Cornerstone Investor is not financed by our Company, its connected persons or existing shareholders or any of its subsidiaries or their respective close associates. As confirmed by the Cornerstone Investor, the execution, delivery and performance of the cornerstone investment agreement by the Cornerstone Investor or the subscription of the Offer Shares by the Cornerstone Investor under the Cornerstone Placing would not require the passing or obtaining of any resolutions, approval or consent by the shareholders of the holding company of the Cornerstone Investor. Immediately after completion of the Global Offering and the Capitalisation Issue, the Cornerstone Investor will not have any representation in our Board, nor will it become a substantial shareholder of our Company. The Cornerstone Investor does not have any preferential rights in the cornerstone investment agreement compared with other public Shareholders and there is no arrangement regarding deferred settlement of payment or deferred delivery of the Offer Shares to be subscribed for by the Cornerstone Investor in the cornerstone investment agreement. As confirmed by the Cornerstone Investor, the subscription under the cornerstone investment agreement is funded by the internal resources of the Cornerstone Investor and/or its holding company and/or other group companies of the holding company.

### THE CORNERSTONE INVESTOR

The information about our Cornerstone Investor set out below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing:

The Cornerstone Investor is an indirect wholly-owned subsidiary of **Jacobson Pharma Corporation Limited (stock code: 2633)**, the shares of which are listed on the Main Board of the Stock Exchange. Jacobson Pharma Corporation Limited is a leading pharmaceutical company in Hong Kong and together with its subsidiaries (collectively, the “**Jacobson Group**”), vertically integrated in the research, development, production, sale and distribution of generics, specialty drugs and proprietary medicines. As a major provider of generic drugs in Hong Kong, the Jacobson Group has one of the most extensive sales and distribution coverage for both the private and public market sectors in Hong Kong, with an expanding reach into strategically selected Asian markets. Our Company started business relationship with a fellow subsidiary of the Cornerstone Investor in 2017, which was one of our top five suppliers during the Track Record Period supplying a PCM product to us.



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## **CORNERSTONE INVESTOR**

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### **CONDITIONS PRECEDENT**

The subscription obligations of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (1) the Underwriting Agreements being entered into and having become effective and unconditional and all of the conditions precedent to completion set forth therein having been satisfied (or waived) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- (2) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed for by the Cornerstone Investor) and such approval, permission or waiver not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (3) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Global Offering or in the cornerstone investment agreement and there being no orders or injunctions from a government authority in effect precluding or prohibiting consummation of such transactions;
- (4) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters); and
- (5) the representations, warranties and undertakings from each of the Cornerstone Investor and our Company given under the cornerstone investment agreement are and will remain true and accurate in all material respects.

### **RESTRICTIONS ON THE CORNERSTONE INVESTOR**

The Cornerstone Investor has undertaken that, unless prior written consent of each of our Company, the Sole Sponsor and the Joint Global Coordinators has been obtained, it will not, and will cause its affiliates not to, at any time during the period of six months starting from and inclusive of the Listing Date, (i) dispose of (as defined in the cornerstone investment agreement) any of the Shares acquired under the cornerstone investment agreement or any interest in any company or entity holding (directly or indirectly) any of the relevant Shares; (ii) agree or contract to, or publicly announce any intention to enter into a transaction with a third party for the disposal of any of the Shares acquired under the cornerstone investment agreement or any interest in any company or entity holding (directly or indirectly) any relevant Shares; or (iii) allow itself to undergo a change of control (which has the meaning ascribed to it under the Takeovers Code) at the level of its ultimate beneficial owner.

The Cornerstone Investor has also agreed and undertaken that, save with the prior written consent of our Company, the Sole Sponsor and the Joint Global Coordinators, the aggregate holding (direct or indirect) of the Cornerstone Investor and its associates in the total issued share capital of our Company will be less than (i) 10%; or (ii) such other percentage as provided in the Listing Rules from time to time for the definition of a substantial shareholder of our Company, and it would not become a connected person of our Company within the meaning of the Listing Rules at any time following the Listing Date.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Shenwan Hongyuan Securities (H.K.) Limited  
Soochow Securities International Brokerage Limited  
China Everbright Securities (HK) Limited  
SPDB International Capital Limited  
Yue Xiu Securities Company Limited  
GLAM Capital Limited  
Livermore Holdings Limited  
Valuable Capital Limited  
TradeMaster Securities (Hong Kong) Limited  
BOA MS Capital Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares to be offered pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

##### *Grounds for Termination*

The Sole Sponsor may (on behalf of the Hong Kong Underwriters) upon giving notice to our Company prior to 8:00 a.m. on the Listing Date, terminate the Hong Kong Underwriting Agreement if:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Cayman Islands, Hong Kong or any other jurisdiction(s) relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”) or any other similar event; or

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## UNDERWRITING

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- (ii) any change, or any event or series of events likely to result in any change, in local, national, regional or international financial, political, military, industrial, economic, currency exchange rates, exchange control, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of the Relevant Jurisdictions or elsewhere; or
- (iii) any moratorium, suspension or limitation on trading in shares or securities generally on, the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any of these stock exchanges and/or the Relevant Jurisdictions; or
- (iv) any change or development occurs involving a change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in any of the Relevant Jurisdictions; or
- (v) any change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects, trading position or operation of our Company or any member of our Group, including any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against our Company or any member of our Group; or
- (vi) any change or development involving a materialisation of any of the risks set out in “Risk Factors” in this prospectus; or
- (vii) any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving directly or indirectly any of the Relevant Jurisdictions or any escalation thereof, or the declaration by any of the Relevant Jurisdictions of a national emergency or war; or
- (ix) any event of force majeure, including without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, explosion, outbreak of disease or epidemic, terrorism (whether or not responsibility has been claimed), labour dispute, strike or lock-out involving directly or indirectly any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (x) the imposition of any economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, for or on any of the Relevant Jurisdictions; or
- (xi) any executive Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship; or
- (xii) the chairman or chief executive officer or chief financial officer of our Company vacating his office; or
- (xiii) a contravention by any member of our Group of the Listing Rules or applicable laws and regulations; or
- (xiv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xv) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, in any such case, individually or in aggregate, in the sole and absolute opinion of the Sole Sponsor (for itself and on behalf of the Hong Kong Underwriters):

- (A) is or may be or is likely to be materially adverse to or materially or prejudicially affect, the business, financial or other condition of our Company or our Group or to any present or prospective shareholder of our Company in his/her/its capacity as such; or
- (B) has or might have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering, the International Offering or the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (C) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable to proceed with or to market the Hong Kong Public Offering, the International Offering or the Global Offering, or for a material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering, the International Offering or the Global Offering to be performed or implemented or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

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## UNDERWRITING

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- (b) there comes to the notice of the Sole Sponsor any matter or event showing any of the warranties given by our Company, our Controlling Shareholders and our executive Directors in the Hong Kong Underwriting Agreement to be untrue, inaccurate or misleading in any respect which is or, in the sole and absolute opinion of the Sole Sponsor, likely to be, material in the context of the Global Offering when given or repeated; or
- (c) there comes to the notice of the Sole Sponsor any breach on the part of our Company, our Controlling Shareholders or our executive Directors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (d) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
- (e) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued by our Company in connection with the Global Offering (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading; or
- (f) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or
- (g) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Group pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement; or
- (h) a prohibition is imposed on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (i) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or
- (j) a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group, which in the sole and absolute opinion of the Sole Sponsor, may or is likely to be material in the context of the Global Offering provided that the Sole Sponsor shall, to the extent practicable, seek to consult with our Company on the effect of any such development.

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## UNDERWRITING

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### *Undertakings to the Stock Exchange pursuant to the Listing Rules*

#### *By Our Company*

Pursuant to Rule 10.08 of the Listing Rules, we will not issue any further shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealing on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing), except for the circumstances set out in Rule 10.08 of the Listing Rules.

#### *By Our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and to the Stock Exchange that he/it shall not, and shall procure that the relevant registered holder(s) shall not, unless in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing from the date by reference to which disclosure of his/its shareholdings is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Each of our Controlling Shareholders has further undertaken to our Company and the Stock Exchange that, within the period commencing from the date by reference to which disclosure of his/its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall and shall procure the relevant registered holder(s) that:

- (i) when he/it pledges or charges any of the Shares referred to in (a) above beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (the “**Banking Ordinance**”)), he/it will immediately inform us in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the Shares referred to in (a) above so pledged or charged will be disposed of, he/it will immediately inform us in writing of such indications.

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## UNDERWRITING

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If we have been informed of any matter under Note 3 to Rule 10.07 (2) of the Listing Rules, we will forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 2.07C of the Listing Rules as soon as possible.

### *Undertakings to the Hong Kong Underwriters*

#### *By Our Company*

Under the Hong Kong Underwriting Agreement, our Company has undertaken to the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that, and each of our Controlling Shareholders and our executive Directors has jointly and severally undertaken to the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters to procure (so far as he/it is able to do so) our Company that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Capitalisation Issue, the grant of the Over-allotment Option, the Shares allotted and issued upon the exercise of the Over-allotment Option, any Shares which may fall to be issued by way of scrip dividend schemes or similar arrangements in accordance with the memorandum and articles of association of our Company or any consolidation, sub-division or capital reduction of the Shares, our Company shall not:

- (a) allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so:
  - (i) at any time during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-up Period**”); or
  - (ii) at any time during the six months commencing on the date on which the First Lock-up Period expires (the “**Second Lock-up Period**”) so as to result in our Controlling Shareholders and/or any companies controlled by him/it, his/it associates, nominee or trustee when taken together, ceasing to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; or
- (b) at any time during the First Lock-up Period, subject to the Listing Rules and the Takeovers Code, make or agree to make any repurchase any Shares or other securities of our Company.

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## UNDERWRITING

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### *By Our Controlling Shareholders*

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor, the Joint Global Coordinators, the Hong Kong Underwriters and us that, without the prior written consent of the Joint Global Coordinators, save as (i) pursuant to the Global Offering or the Stock Borrowing Agreement; or (ii) permitted under the Listing Rules:

- (a) he/it will not, and will procure that none of his/its associates or company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the First Lock-up Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant, or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) either directly or indirectly, conditionally or unconditionally, any of the Shares or other securities of our Company or any interest therein held by him/it or his/its associates (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such Shares or other securities of our Company or any interest therein) as of the Listing Date (the “**Relevant Securities**”) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (other than any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules;
- (b) he/it will not, and will procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the Second Lock-up Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)), either directly or indirectly, conditionally or unconditionally, any of the Relevant Securities or enter into any swap or other arrangement that the transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing, or announce any intention to do so, if, immediately following such transactions, it will result in our Controlling Shareholders and/or any companies controlled by him/it, his/it associates, nominee or trustee when taken together, would cease to be a group of controlling shareholders (as defined



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## UNDERWRITING

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in the Listing Rules) of our Company and in the event of a disposal by him/it of any of the Relevant Securities during the Second Lock-up Period, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company; and

- (c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:
- (i) when he/it pledges or charges or otherwise create any rights of encumbrances over any Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as requested by our Company, the Sole Sponsor and/or the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters); and
  - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Relevant Securities (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company in writing of such indications, and inform the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in writing as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

We will also, as soon as we have been informed of the above matters (if any) by our Controlling Shareholders, inform the Joint Global Coordinators and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

### **Indemnity**

Each of our Company, our Controlling Shareholders and our executive Directors has jointly and severally undertaken to indemnify each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us, our Controlling Shareholders and our executive Directors of the terms and conditions of the Hong Kong Underwriting Agreement.

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## UNDERWRITING

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### **Commission, Incentive Fee and Expenses**

The Underwriters will receive a gross underwriting commission of 7.0% of the aggregate final Offer Price payable for the Offer Shares initially offered under the Global Offering, out of which they will pay any sub-underwriting commissions. Our Company may pay an incentive fee of up to approximately HK\$2.9 million (based on the high end of the Offer Price range of HK\$1.52 per Offer Share and assuming that the Over-allotment Option is not exercised at all) or up to 1.0% of the aggregate final Offer Price of the Offer Shares at our discretion.

The aggregate commissions (exclusive of any discretionary incentive fee) payable by us in relation to the Global Offering, together with Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$58.3 million in total (assuming (i) the Offer Price is fixed at HK\$1.50, which is the mid-point of our indicative Offer Price range; and (ii) the Over-allotment Option is not exercised at all).

### **The International Offering**

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters to be named therein would severally and not jointly, agree to procure subscribers for, or failing which to subscribe for themselves, their respective applicable proportions of the International Offer Shares initially being offered in the International Offering.

Under the International Underwriting Agreement, we will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time within a period commencing on the Listing Date and ending on the 30th day after the date on which the application lists for the Hong Kong Offer Shares will close (or such later date on which such application lists may close as stated in “How to Apply for the Hong Kong Offer Shares” in this prospectus) to require us to issue up to an aggregate of 28,863,000 additional Shares, representing 15% of the aggregate number of the Offer Shares initially available under the Global Offering. These additional Shares will be issued at the Offer Price and will be for the purpose of, among other things, covering over-allocations in the International Offering, if any.

### **RESTRICTIONS ON THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been publicly offered or sold, and will not be publicly offered or sold, directly or indirectly, in the PRC or the United States.

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## UNDERWRITING

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### STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it (on behalf of the Underwriters and not as our agent), may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate and/or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Such over-allocations and/or transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on or before Sunday, 3 May 2020.

The Stabilising Manager or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares; and
- (ii) in connection with any action described in paragraph (i) above:
  - (A) (1) over-allocate the Shares, or
    - (2) sell or agree to sell the Shares so as to establish a short position in them;
  - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (ii)(A) above;
  - (C) sell or agree to sell any of the Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
  - (D) offer or attempt to do anything as described in paragraphs (ii)(A), (ii)(B) or (ii)(C) above.

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## UNDERWRITING

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Specifically, prospective applications for and investors in the Shares should note that:

- the Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong, and the stabilising period is expected to expire on Sunday, 3 May 2020, after which an announcement will be made pursuant to section 9 of, and schedule 3 to, the Securities and Futures (Price Stabilizing) Rules of Hong Kong (Chapter 571W of the Laws of Hong Kong). After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- stabilising bids must be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid for the Shares by applicants for, or investors in, the Shares.

We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of Hong Kong (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

### **Interests of the Underwriters and the Sole Sponsor in Our Company**

The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of our Company's financial results for the first full financial year of our Company after the Listing Date.

Save (i) as disclosed in this prospectus, and (ii) for their interests and obligations under the Underwriting Agreements, none of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of:

- (i) the Hong Kong Public Offering of 19,242,000 Shares (subject to reallocation) in Hong Kong as described in “The Hong Kong Public Offering” in this section; and
- (ii) the International Offering of 173,178,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S.

The number of the Hong Kong Offer Shares and the International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively, may be subject to reallocation as described in “The Hong Kong Public Offering – Reallocation and Clawback” in this section.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing approval and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined on or around the Price Determination Date;
- (iii) the execution of the International Underwriting Agreement; and
- (iv) the obligations of the Underwriters under the respective Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Sponsor (for itself and on behalf of the Joint Global Coordinators and the Underwriters)) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Monday, 6 April 2020 and in any event not later than 12:00 noon on Wednesday, 8 April 2020.

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## STRUCTURE OF THE GLOBAL OFFERING

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As disclosed in “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement – Pre-IPO Shareholders Agreement” in this prospectus, it is a term of the Pre-IPO Shareholders Agreement that “Qualified IPO” shall mean an initial public offering of our Company which, unless otherwise approved by Pre-IPO Investor A, has a market capitalisation at Listing of not less than 120% of the agreed valuation at which Pre-IPO Investment A was made (that valuation being HK\$992,683,000). In case where the market capitalisation of our Company (calculated based on the final Offer Price) immediately after the issue of the Offer Shares (excluding, for this purpose, the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue is less than HK\$1,191,219,600 (i.e. 120% × HK\$992,683,000), the Global Offering will also be subject to the parties to the Pre-IPO Shareholders Agreement having agreed to amend the Pre-IPO Shareholders Agreement to the effect that the Global Offering at the final Offer Price shall, for the purpose of the Pre-IPO Shareholders Agreement, be deemed as a Qualified IPO in this regard, on or before the date of the International Underwriting Agreement.

**If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Wednesday, 8 April 2020, the Global Offering will not proceed and will lapse.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the next Business Day following such lapse: (a) in the South China Morning Post (in English); (b) in the Hong Kong Economic Times (in Chinese); and (c) on the website of our Company at [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, we will hold all application monies in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to despatch Share certificates for the Offer Shares on Tuesday, 14 April 2020. However, these Share certificates will only become valid certificates of title if (a) the Global Offering has become unconditional in all respects and (b) the right of termination as described in “Underwriting” in this prospectus has not been exercised, which is expected to be at 8:00 a.m. (Hong Kong time) on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

We are initially offering 19,242,000 Shares at the Offer Price, representing 10% of the 192,420,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Hong Kong Offer Shares will represent approximately 2.40% of our enlarged issued share capital immediately after completion of the Global Offering and Capitalisation Issue, assuming that the Over-allotment Option is not exercised.

#### Allocation

Allocation of the Offer Shares to the investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes as follows:

**Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregated subscription price of HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less; and

**Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. Applicants can only apply for Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B. Multiple or suspected multiple applications within either pool or between pools and any application for more than 9,620,000 Hong Kong Offer Shares are liable to be rejected.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation.

In the event that the International Offer Shares are fully subscribed or oversubscribed under the International Offering:

- (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares from the Hong Kong Public Offering to the International Offering;
- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Joint Global Coordinators have the authority to reallocate Offer Shares to the Hong Kong Public Offering from the International Offering, and make available such reallocated Offer Shares as additional Hong Kong Offer Shares, provided that such reallocation shall comply with guidance letter HKEX-GL91-18 issued by the Stock Exchange;
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 38,484,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, such that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 57,726,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 57,726,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, such that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 76,968,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
- (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 76,968,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, such that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 96,210,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).



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## STRUCTURE OF THE GLOBAL OFFERING

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In the event that the International Offer Shares are undersubscribed under the International Offering:

- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
- (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed, then the Joint Global Coordinators have the authority to re-allocate Offer Shares to the Hong Kong Public Offering from the International Offering and make available such reallocated Offer Shares as additional Hong Kong Offer Shares, provided that such re-allocation is made in accordance with guidance letter HKEX-GL91-18 issued by the Stock Exchange.

In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators have the authority to re-allocate Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that, in accordance with guidance letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares re-allocated to the Hong Kong Public Offering should not exceed 19,242,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 38,484,000 Shares, representing 20% of the Offer Shares initially available under the Global Offering; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$1.48 per Offer Share) stated in this prospectus or (if a Downward Offer Price Adjustment is made) the final Offer Price after making a Downward Offer Price Adjustment.

### **Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Offer Shares under the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.52 per Offer Share in addition to any brokerage fee, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “Price determination of the Global Offering” in this section, is less than the maximum Offer Price of HK\$1.52 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Please see “How to Apply for the Hong Kong Offer Shares” in this prospectus for further details.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### THE INTERNATIONAL OFFERING

The International Offering is expected to be fully underwritten by the International Underwriters on a several basis. Our Company expect to enter into the International Underwriting Agreement relating to the International Offering.

The International Offering will consist of initially 173,178,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering (subject to reallocation and assuming that the Over-allotment Option is not exercised) and approximately 21.65% of our enlarged issued share capital immediately after completion of the Global Offering and Capitalisation Issue.

The International Offering is subject to the same conditions set out in “Conditions of the Global Offering” in this section.

### Allocation

The International Offering will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The International Offer Shares will be allocated in accordance with the book-building process described in “Price Determination of the Global Offering” in this section, and is based on several factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to achieve a distribution of the Shares that would allow for the establishment of a solid professional and institutional shareholder base which will be beneficial to our Company and our Shareholders as a whole.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Offer Shares under the Hong Kong Public Offering.

We are expected to grant to the International Underwriters the Over-allotment Option, further particulars of which are set out in “Over-allotment Option” in this section below.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) have the right, exercisable at any time from the Listing Date until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 28,863,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering to cover over-allocations in the International Offering, if any, on the same terms and conditions as the Offer Shares that are subject to the Global Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.48% of our Company’s enlarged issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the requirements of the Listing Rules.

### **STOCK BORROWING AGREEMENT**

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilising Manager or any person acting for it may choose to borrow Shares from Tycoon Empire under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stabilising Manager will enter into the Stock Borrowing Agreement with Tycoon Empire, our Controlling Shareholder, whereby the Stabilising Manager may borrow Shares from Tycoon Empire on the following conditions:

- (i) such stock borrowing arrangement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (ii) the maximum number of Shares borrowed from Tycoon Empire under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (iii) the same number of Shares so borrowed must be returned to Tycoon Empire or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised; or (b) the day on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (c) such earlier time as may be agreed in writing between Tycoon Empire and the Stabilising Manager;
- (iv) the stock borrowing arrangement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- (v) no payment will be made to Tycoon Empire by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set out in Rule 10.07(3) of the Listing Rules.

### PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 6 April 2020 and in any event, no later than 12:00 noon on Wednesday, 8 April 2020.

The Offer Price will not be more than HK\$1.52 per Offer Share and is expected to be not less than HK\$1.48 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus (subject to any Downward Offer Price Adjustment).

The Joint Global Coordinators will solicit from prospective investors indications of interest in acquiring the International Offer Shares. Prospective professional, institutional and other investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

### Announcement of Offer Price Reduction

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the prior consent of our Company, determine the Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

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## STRUCTURE OF THE GLOBAL OFFERING

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In such situation, our Company will, as soon as practicable following the decision to set the Offer Price below the bottom end of the indicative Offer Price range, publish on our website [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) and on the Stock Exchange's website [www.hkexnews.hk](http://www.hkexnews.hk) an announcement of the Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations and is expected to be announced on Thursday, 9 April 2020. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed. In the absence of an announcement that a Downward Offer Price Adjustment has been made, the Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

### **Announcement of Offer Price and Basis of Allocations**

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the indication of the levels of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Tuesday, 14 April 2020, in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) and on the Stock Exchange's website [www.hkexnews.hk](http://www.hkexnews.hk) and in a variety of channels in the manner described in "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" in this prospectus. You should note that our website and all information contained in our website, does not form part of this prospectus.

### **PRICE PAYABLE ON APPLICATION**

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.52 for each Hong Kong Offer Share (plus brokerage, SFC transaction levy and Stock Exchange trading fees). If the Offer Price is less than HK\$1.52, appropriate refund payments (including brokerage, SFC transaction levy and the Stock Exchange trading fees attributable to the surplus application monies) will be made to successful applicants. Further details is set out in "How to Apply for the Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

### **REDUCTION IN INDICATIVE OFFER PRICE RANGE AND/OR NUMBER OF OFFER SHARES**

The Joint Global Coordinators (for themselves and on behalf of the other Underwriters), may, where considered appropriate, based on the levels of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the prior consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Offer Shares, cause to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) an announcement of the reduction in the indicative Offer Price range and/or number of Offer Shares. Upon the issuance of such notices, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and

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## STRUCTURE OF THE GLOBAL OFFERING

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conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering have the right to withdraw their applications if the indicative Offer Price range and/or number of Offer Shares is so reduced.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares offered under the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares available under the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators, subject to compliance with the applicable requirements under the Listing Rules and guidance letter HKEX-GL91-18 issued by the Stock Exchange.

### STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price. Such transactions may be carried out in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws, rules and regulations, including those of Hong Kong (such as the Securities and Futures (Price Stabilizing) Rules under the SFO, as amended, supplemented or otherwise modified from time to time). In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

We have appointed the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules under the SFO, as amended, supplemented or otherwise modified from time to time. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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Any market purchases of Shares may be carried out on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued under the Over-allotment Option, namely 28,863,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong and stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising actions in Hong Kong during the stabilisation period. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (i) the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- (ii) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;
- (iii) no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day from the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (iv) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and

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## STRUCTURE OF THE GLOBAL OFFERING

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- (v) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants or investors for the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

### **OVER-ALLOCATION**

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 28,863,000 additional Shares and cover such over-allocations by, among other methods, exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at their sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

### **THE SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 15 April 2020, dealings in Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 15 April 2020.

The Shares will be traded in board lots of 2,000 Shares each and the stock code is 3390.



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk) or the IPO App; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you

- are an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Offer Shares under the International Offering or otherwise participated in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the IPO App or [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. (in respect of (i) below) or 10:00 a.m. (in respect of (ii) below) on Monday, 30 March 2020 till 12:00 noon on Friday, 3 April 2020 from:

- (i) the following offices of the Joint Global Coordinators:

**Shenwan Hongyuan Capital (H.K.) Limited**

Level 17  
28 Hennessy Road  
Hong Kong

**Soochow Securities International Brokerage Limited**

Level 17  
Three Pacific Place  
1 Queen's Road East  
Hong Kong

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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(ii) any of the branches of the following receiving bank:

**Any of the following branches of DBS Bank (Hong Kong) Limited:**

<b>District</b>	<b>Branch name</b>	<b>Address</b>
Hong Kong Island	Head Office	G/F, The Center 99 Queen's Road Central Central
	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F United Centre 95 Queensway Admiralty
Kowloon	Yaumatei Branch	G/F & 1/F 131-137 Woo Sung Street Yau Ma Tei
New Territories	Tuen Mun Town Plaza – SME Banking Centre	Shop 23, G/F Tuen Mun Town Plaza (II) 3 Tuen Lung Street Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 March 2020 until 12:00 noon on Friday, 3 April 2020 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached for the payment, and marked payable to "Ting Hong Nominees Limited – Tycoon Group Hong Kong Public Offering" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 30 March 2020	–	10:00 a.m. to 4:00 p.m.
Tuesday, 31 March 2020	–	10:00 a.m. to 4:00 p.m.
Wednesday, 1 April 2020	–	10:00 a.m. to 4:00 p.m.
Thursday, 2 April 2020	–	10:00 a.m. to 4:00 p.m.
Friday, 3 April 2020	–	10:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. on Friday, 3 April 2020 to 12:00 noon on Friday, 3 April 2020, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as an agent for or for the benefit of that person or by that person or by any other person as an agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **YELLOW** Application Form for details.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

#### General

Individuals who meet the criteria in “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the IPO App or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

#### Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) or the IPO App (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 30 March 2020 until 11:30 a.m. on Friday, 3 April 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 3 April 2020 or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

#### No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

#### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F., One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not** a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor and our Hong Kong Branch Share Registrar.

#### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable or before the fifth day after the time of opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates<sup>(Note)</sup>:

Monday, 30 March 2020	– 9:00 a.m. to 8:30 p.m.
Tuesday, 31 March 2020	– 8:00 a.m. to 8:30 p.m.
Wednesday, 1 April 2020	– 8:00 a.m. to 8:30 p.m.
Thursday, 2 April 2020	– 8:00 a.m. to 8:30 p.m.
Friday, 3 April 2020	– 8:00 a.m. to 12:00 noon

*Note:* These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 30 March 2020 until 12:00 noon on Friday, 3 April 2020 (24 hours daily, except the last application day).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 3 April 2020, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker(s), the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 3 April 2020.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box set out in the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) or the IPO App.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see “Structure of the Global Offering – Price Payable on Application” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 April 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 3 April 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the levels of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 14 April 2020 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company’s website at [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, 14 April 2020;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) or from the "Allotment Result" function in the IPO App with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 14 April 2020 to 12:00 midnight on Monday, 20 April 2020;
- by telephone enquiry line by calling (852) 3691-8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 14 April 2020 to Friday, 17 April 2020; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 14 April 2020 to Thursday, 16 April 2020 at all the receiving bank's designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### **12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES**

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Sponsor believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, or not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.52 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 14 April 2020.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Tuesday, 14 April 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 15 April 2020 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 14 April 2020 or such other date as notified by us in an announcement.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 14 April 2020, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 14 April 2020, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 14 April 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 14 April 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

**(iii) *If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 14 April 2020, or such other date as notified by our Company in an announcement as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 14 April 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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*(iv) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 14 April 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" in this section on Tuesday, 14 April 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 14 April 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 14 April 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 14 April 2020.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following version is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

The Directors  
Tycoon Group Holdings Limited  
Shenwan Hongyuan Capital (H.K.) Limited

Dear Sirs,

We report on the historical financial information of Tycoon Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-58, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 (the “Track Record Period”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017, 2018 and 2019 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-58 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 March 2020 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## **DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

## **REPORTING ACCOUNTANTS' RESPONSIBILITY**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

### **OPINION**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2017, 2018 and 2019 and of the financial performance and cash flows of the Group for the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company and a subsidiary of the Group in respect of the Track Record Period.

**No historical financial statements for the Company**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

30 March 2020

**I. HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

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

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

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.



## (A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Years ended 31 December		
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
REVENUE	6	366,478	693,326	700,755
Cost of sales		(257,987)	(483,027)	(509,614)
Gross profit		108,491	210,299	191,141
Other income and gains	6	17	18	397
Selling and distribution expenses		(15,409)	(47,729)	(62,295)
Administrative expenses		(12,547)	(33,598)	(54,894)
Finance costs	7	(2,677)	(11,714)	(5,989)
Fair value gain/(loss) on a derivative component of a convertible note		(1,080)	11,700	–
Loss on redemption of a convertible note		–	(5,297)	–
PROFIT BEFORE TAX	8	76,795	123,679	68,360
Income tax	11	(12,869)	(22,779)	(13,844)
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				
Equity holders of the Company		<u>63,926</u>	<u>100,900</u>	<u>54,516</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE YEAR				
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		<u>12</u>	<u>(71)</u>	<u>(107)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Equity holders of the Company		<u>63,938</u>	<u>100,829</u>	<u>54,409</u>

**(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Notes	As at 31 December		
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	15	22,941	55,387	57,292
Right-of-use assets	16	4,522	15,837	15,003
Prepayments and deposits	19	251	2,049	3,827
Intangible assets	14	–	6,652	1,449
Deferred tax assets	26	27	1,607	3,318
Total non-current assets		27,741	81,532	80,889
<b>CURRENT ASSETS</b>				
Inventories	17	25,051	73,891	84,069
Trade receivables	18	90,005	145,402	117,161
Prepayments, deposits and other receivables	19	12,880	18,479	33,808
Due from a director	21	65,216	–	–
Cash and bank balances	20	21,862	59,196	50,437
Total current assets		215,014	296,968	285,475
<b>CURRENT LIABILITIES</b>				
Trade payables	22	17,957	46,320	34,635
Other payables and accruals	23	14,110	17,898	21,529
Due to a director	21	–	48,564	–
Interest-bearing bank borrowings	24	29,670	126,524	151,120
Lease liabilities	16	1,705	6,330	7,903
Tax payable		3,756	9,437	24,865
Total current liabilities		67,198	255,073	240,052
NET CURRENT ASSETS		147,816	41,895	45,423
TOTAL ASSETS LESS CURRENT LIABILITIES		175,557	123,427	126,312
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	16	1,325	9,243	7,592
Convertible note	25	50,877	–	–
Deferred tax liabilities	26	233	233	360
Total non-current liabilities		52,435	9,476	7,952
Net assets		123,122	113,951	118,360
<b>EQUITY</b>				
Equity attributable to equity holders of the Company				
Issued capital	27	–	100	100
Reserves	28	123,122	113,851	118,260
Total equity		123,122	113,951	118,360

## (C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				Total equity HK\$'000
	Share capital HK\$'000 (note 27)	Merger reserve* HK\$'000 (note 28(b))	Exchange reserve* HK\$'000	Retained profits* HK\$'000	
At 1 January 2017	–	20	–	59,164	59,184
Profit for the year	–	–	–	63,926	63,926
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	–	12	–	12
Total comprehensive income for the year	–	–	12	63,926	63,938
At 31 December 2017 and 1 January 2018	–	20	12	123,090	123,122
Profit for the year	–	–	–	100,900	100,900
Other comprehensive expenses for the year:					
Exchange differences on translation of foreign operations	–	–	(71)	–	(71)
Total comprehensive income/(expenses) for the year	–	–	(71)	100,900	100,829
Issue of shares (note 27)	100	–	–	–	100
Acquisition of subsidiaries under common control pursuant to Reorganisation (note 1)	–	(100)	–	–	(100)
Interim 2018 dividends (note 12)	–	–	–	(110,000)	(110,000)
At 31 December 2018 and 1 January 2019	100	(80)	(59)	113,990	113,951
Profit for the year	–	–	–	54,516	54,516
Other comprehensive expenses for the year:					
Exchange differences on translation of foreign operations	–	–	(107)	–	(107)
Total comprehensive income/(expenses) for the year	–	–	(107)	54,516	54,409
Final 2018 dividends (note 12)	–	–	–	(30,000)	(30,000)
Special 2019 dividends (note 12)	–	–	–	(20,000)	(20,000)
Total dividends	–	–	–	(50,000)	(50,000)
At 31 December 2019	100	(80)	(166)	118,506	118,360

- These reserve accounts comprise the consolidated reserves of HK\$123,122,000, HK\$113,851,000 and HK\$118,260,000 in the consolidated statements of financial position as at 31 December 2017, 2018 and 2019, respectively.

## (D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Years ended 31 December		
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		76,795	123,679	68,360
Adjustments for:				
Finance costs	7	2,677	11,714	5,989
Depreciation of property, plant and equipment, including leasehold land	8	626	2,158	4,135
Depreciation of right-of-use assets	8	2,564	5,164	7,712
Gain on disposal of items of property, plant and equipment	8	–	(14)	–
Gain on disposal of items of right-of-use assets	8	(17)	–	–
Gain on disposal of a subsidiary	30	–	–	(18)
Fair value loss/(gain) on a derivative component of a convertible note		1,080	(11,700)	–
Loss on redemption of a convertible note		–	5,297	–
		<u>83,725</u>	<u>136,298</u>	<u>86,178</u>
Increase in inventories		(15,393)	(48,840)	(10,178)
Decrease/(increase) in trade receivables		(42,562)	(55,397)	28,241
Increase in prepayments, deposits and other receivables		(10,255)	(7,397)	(19,287)
Increase/(decrease) in trade payables		2,841	28,363	(11,685)
Increase in other payables and accruals		<u>9,318</u>	<u>3,590</u>	<u>3,915</u>
Cash generated from operations		27,674	56,617	77,184
Hong Kong profits tax paid		<u>(21,262)</u>	<u>(18,678)</u>	<u>–</u>
Net cash flows from operating activities		<u>6,412</u>	<u>37,939</u>	<u>77,184</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of items of property, plant and equipment		(19,019)	(34,211)	(5,225)
Proceeds from disposal of items of property, plant and equipment		–	40	–
Proceeds from disposal of items of right-of-use assets		134	–	–
Proceeds from disposal of a subsidiary	30	–	–	8,400
Purchase of intangible assets		–	(6,652)	(999)
Payment of right-of-use assets		(1,388)	–	–
Advances to a director		(43,990)	(16,831)	(579)
Repayment from a director		<u>6,219</u>	<u>1,847</u>	<u>579</u>
Net cash flows from/(used in) investing activities		<u>(58,044)</u>	<u>(55,807)</u>	<u>2,176</u>

	<i>Notes</i>	Years ended 31 December		
		2017	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid		(2,574)	(5,990)	(6,272)
New bank loans	29(a)	114,693	223,720	537,834
Repayment of bank loans	29(a)	(91,516)	(126,866)	(513,238)
Issuance/(redemption) of a convertible note	29(a)	49,779	(50,000)	–
Principal elements of lease payments	29(a)	(1,933)	(4,354)	(7,771)
Dividends paid	12	–	–	(50,000)
Repayment to a director		–	(33,503)	(49,731)
Advances from a director		–	52,267	1,167
		<u>68,449</u>	<u>55,274</u>	<u>(88,011)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		16,817	37,406	(8,651)
Cash and cash equivalents at beginning of year		5,033	21,862	59,196
Effect of foreign exchange rate changes, net		<u>12</u>	<u>(72)</u>	<u>(108)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>21,862</u>	<u>59,196</u>	<u>50,437</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances		<u>21,862</u>	<u>59,196</u>	<u>50,437</u>

## (E) STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
NON-CURRENT ASSET				
Investment in subsidiaries	(i)	<u>–</u>	<u>480,000</u>	<u>480,000</u>
CURRENT ASSETS				
Prepayments, deposits and other receivables		–	117	152
Due from subsidiaries		–	–	47,690
Cash and bank balances		<u>–</u>	<u>–</u>	<u>350</u>
Total current assets		<u>–</u>	<u>117</u>	<u>48,192</u>
CURRENT LIABILITIES				
Due to a director		43	43	–
Due to subsidiaries		–	521	–
Other payables and accruals		–	–	73
Interest-bearing bank borrowings		<u>–</u>	<u>–</u>	<u>50,000</u>
Total current liabilities		<u>43</u>	<u>564</u>	<u>50,073</u>
NET CURRENT LIABILITIES		<u>(43)</u>	<u>(447)</u>	<u>(1,881)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(43)</u>	<u>479,553</u>	<u>478,119</u>
Net assets/(liabilities)		<u>(43)</u>	<u>479,553</u>	<u>478,119</u>
EQUITY				
Issued capital	27	–	100	100
Accumulated losses	28	(43)	(446)	(1,880)
Contribution surplus	28	<u>–</u>	<u>479,899</u>	<u>479,899</u>
Total equity		<u>(43)</u>	<u>479,553</u>	<u>478,119</u>

## Note:

- (i) The investments in subsidiaries are unlisted shares at cost. Details of the subsidiaries are disclosed in note 1 to the Historical Financial Information.

## II. NOTES TO HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Tycoon Group Holdings Limited (the “Company”) is an exempted company incorporated in the Cayman Islands with limited liability on 14 June 2017. The registered address of the Company is 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 814, 8/F., Wah Wai Centre, 38-40 Au Pui Wan Street, Fo Tan, New Territories, Hong Kong.

The Company is an investment holding company. During the years ended 31 December 2017, 2018 and 2019 (the “Track Record Period”), the entities now comprising the Group were engaged in the trading of health and well-being related products.

The Company and its entities now comprising the Group underwent a group reorganisation (the “Reorganisation”) as set out in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ establishment and place of business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tycoon Capital Investment Ltd. <i>(Note (a))</i>	British Virgin Islands (“BVI”) 15 December 2016/ Hong Kong	United States dollar (“US\$”) 1 ordinary	100	–	Investment holding
Key Zone Investment Inc. <i>(Note (a))</i>	BVI 3 January 2017/ Hong Kong	US\$1 ordinary	100	–	Investment holding
Tycoon Asia Pacific Group Limited (“Tycoon HK”) <i>(Note (b))</i>	Hong Kong 17 April 2015/ Hong Kong	HK\$10,000 ordinary	–	100	Distribution business
Tycoon Asia Pacific (Singapore) Pte. Limited <i>(Note (c))</i>	Singapore 30 June 2017/ Singapore	US\$100,000 ordinary	–	100	Distribution business
Tycoon Asia Pacific Group (Macau) Company Limited <i>(Note (i))</i>	Macau 16 January 2018/ Macau	Macau Pataca (“MOP”) 25,000 ordinary	–	100	Retail business
Tycoon Asia Pacific (Australia) Pty Limited <i>(Note (d))</i>	Australia 12 January 2018/ Australia	Australian dollar (“AUD”) 1 ordinary	–	100	Representative office
Dynasty Garden Limited <i>(Note (a))</i>	BVI 3 January 2017/ Hong Kong	US\$1 ordinary	–	100	Investment holding
Fancy Summit Inc. <i>(Note (a))</i>	BVI 3 January 2017/ Hong Kong	US\$1 ordinary	–	100	Investment holding
Key Companion Limited <i>(Note (a))</i>	BVI 3 January 2017/ Hong Kong	US\$1 ordinary	–	100	Investment holding

Name	Place and date of incorporation/ establishment and place of business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Leading Vision Inc. (Note (a))	BVI 8 November 2016/ Hong Kong	US\$1 ordinary	–	100	Investment holding
Million Effort Holdings Limited (Note (a))	BVI 28 March 2018/ Hong Kong	US\$1 ordinary	–	100	Investment holding
Million Effort Investment Limited (Note (a))	BVI 28 May 2018/ Hong Kong	US\$1 ordinary	–	100	Investment holding
Profit Lead Limited (Note (h))	Hong Kong 9 December 2015/ Hong Kong	HK\$1 ordinary	–	100	Distribution business
Fame Bloom Trading Limited (Note (d))	Hong Kong 9 September 2016/ Hong Kong	HK\$10,000 ordinary	–	100	Investment holding
Great Smart Asia Pacific Limited (Note (d))	Hong Kong 3 January 2017/ Hong Kong	HK\$1 ordinary	–	100	Distribution business
T Max Marketing Limited (Note (d))	Hong Kong 4 September 2017/ Hong Kong	HK\$1 ordinary	–	100	Provision of marketing services
Billion Crown (China) Limited (Note (d))	Hong Kong 8 February 2018/ Hong Kong	HK\$1 ordinary	–	100	Investment holding
Tycoon (Shenzhen) E-commerce Company Limited (Note (d))	People's Republic of China ("PRC") 28 August 2018/ Mainland China	HK\$1,000,000 ordinary	–	100	Provision of operational and marketing support services
Easy International Electronic Commerce Limited ("EIECL") (Note (e))	Hong Kong 3 September 2012/ Hong Kong and Mainland China	HK\$2,000,000 ordinary	–	100	Retail business
Titita Trading Co., Limited ("Titita") (Note (f))	Hong Kong 24 June 2014/ Hong Kong and Mainland China	HK\$10,000 ordinary	–	100	Retail business
Tycoon Asia Pacific (Malaysia) Sdn. Bhd. (Note (g))	Malaysia 27 May 2019/ Malaysia	Malaysian Ringgit 1,000,000 ordinary	–	100	Not yet commenced business



*Notes:*

- (a) No audited financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (b) The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 prepared under Hong Kong Financial Reporting Standards (“HKFRSs”) were audited by Ernst & Young.
- (c) The statutory financial statements of this entity for the period from the date of incorporation to 31 December 2017 and for the year ended 31 December 2018 prepared under Singapore Financial Reporting Standards were audited by Ernst & Young LLP in Singapore.
- (d) No audited financial statements have been prepared for these entities from the date of incorporation to 31 December 2019.
- (e) On 15 August 2018, the Group acquired the entire equity interest in EIECL, which holds the operation rights for an online store at an e-commerce portal, from an independent third party. The purchase consideration of RMB5,235,000 (equivalent to approximately HK\$6,202,000), including transaction costs of RMB470,000 (equivalent to approximately HK\$535,000), was accounted for as the cost of intangible assets on 15 August 2018. The entire equity interest in EIECL was subsequently disposed of on 31 May 2019 as detailed in note 30 to the Historical Financial Information.
- (f) On 25 April 2019, the Group acquired the entire equity interest in Titita, which holds the operation rights of an online store at an e-commerce channel from an independent third party. The purchase consideration of HK\$999,000 was accounted for as the cost of intangible assets on 25 April 2019.
- (g) No audited financial statements have been prepared for this entity from the date of incorporation to the date of this report.
- (h) The statutory financial statements of this entity for the period from the date of incorporation to 31 December 2018 prepared under HKFRSs were audited by Ernst & Young.
- (i) The statutory financial statements of this entity for the period from the date of incorporation to 31 December 2018 prepared under Macao Financial Reporting Standards were audited by Ernst & Young.

**2.1 BASIS OF PRESENTATION**

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 30 November 2018. The companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

**2.2 BASIS OF PREPARATION**

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

Except for the derivative component of a convertible note which is stated at fair value, the Historical Financial Information has been prepared under the historical cost convention.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to HKFRS 3	<i>Definition of a Business</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

***Merger accounting for business combination under common control***

The acquisitions of subsidiaries under common control has been accounted for using the principles of merger accounting. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they have been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

**Fair value measurement**

The Group measures the derivative component of a convertible note at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	4% or over the lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

#### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

#### **Leases**

##### ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless our Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects our Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### ***Short-term leases***

The Group applies the short-term lease recognition exemption to its short-term leases of office units (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

**Financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

***Financial assets at amortised cost (debt instruments)***

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integrated to the contractual terms.

#### ***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### ***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

### **Financial liabilities**

#### ***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amount due a director, interest-bearing bank borrowings, lease liabilities and convertible note.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

***Convertible notes***

If the conversion option of convertible notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative components of the convertible notes are measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

***Reclassification of financial assets and liabilities***

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities during the Track Record Period.



**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

**Inventories**

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

**Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## **Revenue recognition**

### ***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

### ***Sale of goods***

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of goods provide customers with sales rebates and other deductions. The rights of return and target rebates give rise to variable consideration.

*(i) Sales rebates*

Retrospective sales rebates may be provided to certain customers once the sales amounts of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the expected value method is used which best predicts the amount of variable consideration. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

*(ii) Rights of return*

For contracts which provide a customer with a right to return the goods within a specified period, the most likely amount method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

*(iii) Other deductions*

Other deductions include discounts. Other deductions are offset against amounts payable by the customers. To estimate the variable consideration for the expected deduction, the expected value method is used which best predicts the amount of variable consideration. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected deduction is recognised.

**Refund liabilities**

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

**Employee benefits**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Staff benefits are also provided to the staff working in other countries according to the respective countries' statutory requirements.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Special dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare special dividends. Consequently, special dividends are recognised immediately as a liability when they are proposed and declared.

**Foreign currencies**

The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

***Revenue from contracts with customers***

Certain contracts for the sale of products include sales rebates and discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of products with sales rebates and discounts, given the large number of customer contracts that have similar characteristics. The selected method that better predicts the amount of variable consideration related to sales rebates and discounts.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Impairment of trade receivables***

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of trade receivables as well as other quantitative and qualitative information and calculated the lifetime ECLs based on historical credit loss experience, and on management's judgement and assessment of the forward-looking information. Significant judgement and estimates is required in assessing the ultimate realisation of these receivables, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial condition of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. Further details are disclosed in note 18 to the Historical Financial Information.

***Provision against obsolete and slow-moving inventories***

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

***Valuation of derivative component of convertible notes***

When the fair value of the derivative component of a convertible note recorded in the consolidated statement of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the Monte Carlo simulation method. The inputs to the model, such as equity value, expected volatility, cost of equity and discount rate, is taken from observable markets when possible, but when this is not feasible, a degree of judgement is required in establishing fair value. The judgements include considerations of inputs such as the equity value of the Group, estimated volatility of the equity value of the Group, cost of equity and discount rate. Changes in assumptions about these factors could affect the reported fair value of the derivative component.

***Variable consideration for sales rebates and discounts***

The Group estimates variable consideration to be included in the transaction price for the sale of products with sales rebates and discounts.

The Group developed a statistical model for forecasting sales rebates and discounts. The model used the historical data of sales rebates and discounts of each product to come up with expected rebate and other deductions percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical sales rebates and discounts pattern will impact the expected sales rebates and discounts percentages estimated by the Group.

The Group's expected sales rebates and other deductions are analysed on a per customer basis. Determining whether a customer will likely be entitled to a rebate and discounts depends on the customer's historical rebate and other deductions entitlement and accumulated purchases to date.

The Group updates its assessment of expected sales rebates and discounts at the end of each reporting period and the refund liabilities are adjusted accordingly. Estimates of expected sales rebates and discounts are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of customers' actual rebates and discounts entitlements in the future. The amounts of HK\$10,399,000, HK\$13,299,000 and HK\$9,804,000 were recognised as refund liabilities as at 31 December 2017, 2018 and 2019, respectively, for the expected sales rebates and discounts.

## 5. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are reported in a 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 retail stores segment, which includes the operation of retail stores; and
- (c) the online stores segment, which includes the operation of online stores.

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/loss before tax is measured consistently with the Group's profit before tax except that the gain/loss on disposal and write-off of items of property, plant and equipment, right-of-use assets and a subsidiary, foreign exchange differences, net, fair value gain/(loss) on a derivative component, loss on redemption of a convertible note, finance costs and unallocated head office and corporate expenses are excluded from such measurement.

Segment assets exclude an amount due from a director, cash and bank balances, deferred tax assets and other unallocated corporate assets as these assets are managed on a group basis. Segment liabilities exclude interest-bearing bank borrowings, a convertible note, an amount due to a director, tax payable and deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

### Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's key management personnel for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017, 2018 and 2019, and as at 31 December 2017, 2018 and 2019 is set out below.

	Distribution			Retail stores			Online stores			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue (note 6)</b>												
Revenue from												
external customers	366,423	673,391	666,942	-	7,271	18,534	55	12,664	15,279	366,478	693,326	700,755
Intersegment sales	511	4,778	11,214	-	-	-	-	-	-	511	4,778	11,214
<b>Total</b>	<b>366,934</b>	<b>678,169</b>	<b>678,156</b>	<b>-</b>	<b>7,271</b>	<b>18,534</b>	<b>55</b>	<b>12,664</b>	<b>15,279</b>	<b>366,989</b>	<b>698,104</b>	<b>711,969</b>



	Distribution			Retail stores			Online stores			Unallocated			Total		
	Years ended 31 December			Years ended 31 December			Years ended 31 December			Years ended 31 December			Years ended 31 December		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Depreciation of property, plant and equipment, including leasehold land	626	1,786	2,852	-	345	1,047	-	27	210	-	-	26	626	2,158	4,135
Depreciation of right-of-use assets	2,564	3,524	4,670	-	1,426	2,750	-	-	-	-	214	292	2,564	5,164	7,712
Capital expenditure*	27,052	21,545	11,679	-	28,085	2,058	-	7,256	24	-	1,292	156	27,052	58,178	13,917

*Other segment information*

Depreciation of property, plant and equipment,

including leasehold land

Depreciation of right-of-use assets

Capital expenditure\*

\* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.



**Geographical information****(a) Revenue from external customers**

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	362,852	650,320	636,952
Mainland China	–	11,886	15,150
Macau	3,626	30,465	46,649
Singapore	–	655	2,004
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue from contracts with customers	<u>366,478</u>	<u>693,326</u>	<u>700,755</u>

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

**(b) Non-current assets**

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	27,463	42,286	46,560
Macau	–	26,313	24,032
Mainland China	–	7,227	1,932
Singapore	–	1,196	786
Australia	–	854	601
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>27,463</u>	<u>77,876</u>	<u>73,911</u>

The non-current asset information is based on the location of the assets and excludes deferred tax assets and financial instruments.

**Information about major customers**

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the reporting years ended 31 December 2017, 2018 and 2019 is set out below:

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
<b>Distribution</b>			
Customer A	242,548	470,094	427,063
Customer B	40,352	N/A <sup>#</sup>	N/A <sup>#</sup>
	<u>          </u>	<u>          </u>	<u>          </u>

<sup>#</sup> Sales to Customer B during the years ended 31 December 2018 and 2019 amounted to less than 10% of the total revenue of the Group during the respective years. Accordingly, no disclosure is presented above.

## 6. REVENUE AND OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
<u>Revenue from contracts with customers</u>			
Sale of goods	366,478	693,326	700,755

Revenue from contracts with customers

## (i) Disaggregated revenue information

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
<b><u>Geographical markets</u></b>			
Hong Kong	362,852	650,320	636,952
Mainland China	–	11,886	15,150
Macau	3,626	30,465	46,649
Singapore	–	655	2,004
	<u>366,478</u>	<u>693,326</u>	<u>700,755</u>
Total revenue from contracts with customers	366,478	693,326	700,755
	<u>366,478</u>	<u>693,326</u>	<u>700,755</u>
<b><u>Timing of revenue recognition</u></b>			
Goods transferred at a point in time	366,478	693,326	700,755

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
<b><u>Revenue from contracts with customers</u></b>			
External customers			
Distribution	366,423	673,391	666,942
Retail stores	–	7,271	18,534
Online stores	55	12,664	15,279
Intersegment sales			
Distribution	511	4,778	11,214
	<u>366,989</u>	<u>698,104</u>	<u>711,969</u>
Intersegment adjustments and eliminations	(511)	(4,778)	(11,214)
	<u>366,478</u>	<u>693,326</u>	<u>700,755</u>
Total revenue from contracts with customers	366,478	693,326	700,755

**(ii) Performance obligations**

Information about the Group's performance obligations is summarised below:

**Sale of goods**

The performance obligation is satisfied upon the transfer of promised goods or services (that is an asset) to a customer and payment is generally due within 30 to 120 days from such transfer. Some contracts provide customers with volume rebates and other deductions which give rise to variable consideration subject to constraint.

As the remaining performance obligations (unsatisfied or partially satisfied) as at 31 December 2017, 2018 and 2019 are part of contracts that have an original expected duration of one year or less, the transaction price allocated to such is not separately determined, as permitted by the practical expedient in HKFRS 15.

**Other income and gains**

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of items of property, plant and equipment	–	14	–
Gain on disposal of items of right-of-use assets	17	–	–
Gain on disposal of a subsidiary ( <i>note 30</i> )	–	–	18
Others	–	4	379
	<u>17</u>	<u>18</u>	<u>397</u>

**7. FINANCE COSTS**

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	1,492	2,287	5,267
Interest on lease liabilities	208	401	722
Coupon interest on a convertible note	393	3,337	–
Imputed interest on a convertible note	584	5,689	–
	<u>2,677</u>	<u>11,714</u>	<u>5,989</u>

**8. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	257,987	483,027	509,614
Depreciation of property, plant and equipment, including leasehold land ( <i>note 15</i> )	626	2,158	4,135
Depreciation of right-of-use assets ( <i>note 16</i> )	2,564	5,164	7,712
Auditor's remuneration	496	500	345
Employee benefit expense (excluding directors' and chief executive's remuneration ( <i>note 9</i> )): <ul style="list-style-type: none"> <li>Wages and salaries</li> <li>Pension scheme contributions (defined contribution scheme)</li> </ul>	10,265	20,586	40,319
	<u>431</u>	<u>986</u>	<u>1,905</u>
	<u>10,696</u>	<u>21,572</u>	<u>42,224</u>

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Expenses under short-term leases	243	908	1,268
Gain on disposal of items of property, plant and equipment	–	(14)	–
Gain on disposal of items of right-of-use assets	(17)	–	–
Gain on disposal of a subsidiary ( <i>note 30</i> )	–	–	(18)
Foreign exchange differences, net	8	285	(64)
Listing expenses	–	6,536	12,422
	<u>          </u>	<u>          </u>	<u>          </u>

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Wong Ka Chun, Michael (the "Controlling Shareholder", or "Mr. Wong") was appointed and designated as an executive director and the chief executive officer of the Company on 14 June 2017 and 8 October 2018, respectively.

Mr. Chan Fan Shing was appointed as an executive director of the Company on 8 October 2018.

Ms. Tam Ka Heng, Carmen, was appointed and resigned as a non-executive director of the Company on 8 October 2018 and 13 December 2018, respectively. Mr. Yao Qingqi and Ms. Chong Yah Lien were appointed as non-executive directors on 19 February 2019. Mr. Ng Wang Yu Gary and Ms. Li Ka Wa Helen were appointed as non-executive directors on 19 July 2019.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Fees	–	–	324
Other emoluments:			
Salaries, allowances and benefits in kind	352	869	2,089
Pension scheme contributions (defined contribution scheme)	10	22	36
	<u>          </u>	<u>          </u>	<u>          </u>
	362	891	2,125
	<u>          </u>	<u>          </u>	<u>          </u>
	362	891	2,449
	<u>          </u>	<u>          </u>	<u>          </u>

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 December 2017</b>				
<u>Executive director</u>				
Mr. Wong	–	352	10	362
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Year ended 31 December 2018</b>				
<u>Executive directors</u>				
Mr. Wong	–	650	18	668
Mr. Chan Fan Shing	–	219	4	223
<u>Non-executive director</u>				
Ms. Tam Ka Heng, Carmen	–	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	869	22	891
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 December 2019</b>				
<u>Executive directors</u>				
Mr. Wong	54	650	18	722
Mr. Chan Fan Shing	54	1,439	18	1,511
<u>Non-executive directors</u>				
Ms. Chong Yan Lien	54	–	–	54
Mr. Yao Qingqi	54	–	–	54
Mr. Ng Wang Yu Gary	54	–	–	54
Ms. Li Ka Wa Helen	54	–	–	54
	<u>324</u>	<u>2,089</u>	<u>36</u>	<u>2,449</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

During the Track Record Period, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

#### 10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the years ended 31 December 2017, 2018 and 2019 included one, two and two directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining non-director, non-chief executive and highest paid employees for the Track Record Period are as follows:

	Years ended 31 December		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,984	3,795	3,885
Performance-related bonuses	320	–	410
Pension scheme contributions	89	62	54
	<u>3,393</u>	<u>3,857</u>	<u>4,349</u>

The number of non-director, non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Years ended 31 December		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Nil to HK\$1,000,000	4	2	1
HK\$1,000,001 to HK\$1,500,000	–	–	1
HK\$1,500,001 to HK\$2,000,000	–	1	1
	<u>–</u>	<u>1</u>	<u>1</u>

During the Track Record Period, no remuneration was paid by the Group to any of the non-director, non-chief executive and highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

**11. INCOME TAX**

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the reporting periods, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. The first HK\$2,000,000 (2018: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	<b>Years ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong			
Charge for the year	12,790	24,359	15,809
Overprovision in prior years	(20)	–	(381)
Deferred	99	(1,580)	(1,584)
	<u>12,869</u>	<u>22,779</u>	<u>13,844</u>
Total tax charge for the year	<u>12,869</u>	<u>22,779</u>	<u>13,844</u>

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

	<b>Years ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>76,795</u>	<u>123,679</u>	<u>68,360</u>
Tax at the statutory tax rate at 16.5%	12,671	20,407	11,279
Effect of tax rate differences in other jurisdictions	13	168	231
Income not subject to tax	–	–	(12)
Adjustment in respect of current tax of previous periods	(20)	–	(381)
Tax loss not recognised	–	–	378
Expenses not deductible for tax	224	2,397	2,160
Others	(19)	(193)	189
	<u>12,869</u>	<u>22,779</u>	<u>13,844</u>
Tax charge	<u>12,869</u>	<u>22,779</u>	<u>13,844</u>

**12. DIVIDENDS**

During the year ended 31 December 2018 and before the completion of the Reorganisation, a subsidiary of the Group declared interim dividends of HK\$110,000,000 to the shareholders of the Company.

During the year ended 31 December 2019 and after the completion of the Reorganisation, the Company declared final dividends of HK\$30,000,000, being 10,000,000 ordinary shares at a dividend of HK\$3 per ordinary share, to the shareholders of the Company in respect of the financial year ended 31 December 2018. A special dividend of HK\$20,000,000, being 10,000,000 ordinary shares at a dividend of HK\$2 per ordinary share, has also been declared to the shareholders of the Company during the year ended 31 December 2019.

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation.

## 14. INTANGIBLE ASSETS

	Licences <i>HK\$'000</i> <i>(Note b)</i>	Operating rights <i>HK\$'000</i> <i>(Note a)</i>	Total <i>HK\$'000</i>
Cost and net carrying amount:			
At 1 January 2017, 31 December 2017 and 1 January 2018	–	–	–
Additions			
Licences for pharmaceutical products trading in Macau	450	–	450
Operating rights ( <i>note 1(e)</i> )	–	6,202	6,202
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2018 and 1 January 2019	450	6,202	6,652
Disposals			
Operating rights ( <i>note 1(e)</i> )	–	(6,202)	(6,202)
Additions ( <i>note 1(f)</i> )	–	999	999
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2019	<u>450</u>	<u>999</u>	<u>1,449</u>

*Notes:*

- (a) The operating rights are the rights for an online store at an e-commerce service portal to the Group that enable the Group to sell its products through the internet online platform. These operating rights are stated at historical cost. The operating rights are regarded as having an indefinite useful life and are not amortised as there is no foreseeable limit to the years over which the assets are expected to generate economic benefits for the Group. The Group needs to apply to the e-commerce service providers for the renewal of the operating rights each year and the Group considers that there are no practical difficulties in the renewal for minimal cost. No impairment was considered necessary at 31 December 2018 and 2019.
- (b) The licences for pharmaceutical products trading in Macau are stated at historical cost. The licences are regarded as having an indefinite useful life and are not amortised as there is no foreseeable limit to the years over which the assets are expected to generate economic benefits for the Group. The Group needs to apply to the relevant local authority for the renewal of the licences each year and the Group considers that there are no practical difficulties in the renewal for minimal cost. No impairment was considered necessary at 31 December 2018 and 2019.

**Impairment testing of intangible assets as at 31 December 2018**

Included in intangible assets are mainly the operating rights held in EIECL granted by e-commerce service providers which have been regarded as one cash-generating unit (“CGU”) for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management, with cash flows beyond the five-year period being extrapolated using a growth rate of 2%. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate applied to the cash flow projections is 18.8%.

Assumptions were used in the value in use calculation of the CGU for 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on discount rates are consistent with external information sources.

Based on the results of the impairment testing which was conducted as at 31 December 2018, the estimated recoverable amount exceeded the carrying amount of the CGU, including the operating rights of HK\$6.2 million, by HK\$8.5 million (i.e. the “headroom”). If the pre-tax discount rate of 20.0%, 21.0% and 22.0% had been applied, the headroom would be HK\$7.0 million, HK\$5.9 million and HK\$4.8 million, respectively. If the terminal growth rates of 1.5%, 1.0% and 0.5% had been applied, the headroom would be HK\$8.1 million, HK\$7.7 million and HK\$7.4 million, respectively. The directors believe that any reasonably possible change in a key assumption for the estimation of CGU’s recoverable amount would not cause the carrying amount of the CGU to exceed its recoverable amount.

#### **Impairment testing of intangible assets as at 31 December 2019**

Included in intangible assets are mainly the operating rights held in Titita granted by e-commerce service providers, which have been regarded as one CGU for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management, with cash flows beyond the five-year period being extrapolated using a growth rate of 3%. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate applied to the cash flow projections is 17.7%.

Assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets:

**Budgeted gross margins** – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

**Discount rates** – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on discount rates are consistent with external information sources.

Based on the results of the impairment testing which was conducted as at 31 December 2019, the estimated recoverable amount exceeded the carrying amount of the CGU, including the operating rights of HK\$1.0 million, by HK\$2.0 million (i.e. the “headroom”). If the pre-tax discount rate of 20.0%, 21.0% and 22.0% had been applied, the headroom would be HK\$1.4 million, HK\$1.2 million and HK\$1.0 million, respectively. If the terminal growth rates of 1.5%, 1.0% and 0.5% had been applied, the headroom would be HK\$1.7 million, HK\$1.6 million and HK\$1.6 million, respectively. The directors believe that any reasonably possible change in a key assumption for the estimation of CGU’s recoverable amount would not cause the carrying amount of the CGU to exceed its recoverable amount.



## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2017</b>						
At 1 January 2017:						
Cost	–	–	134	71	398	603
Accumulated depreciation	–	–	(28)	(22)	(80)	(130)
Net carrying amount	–	–	106	49	318	473
At 1 January 2017, net of accumulated depreciation	–	–	106	49	318	473
Additions	21,909	780	258	84	63	23,094
Depreciation provided for the year (note 8)	(312)	(104)	(57)	(23)	(130)	(626)
At 31 December 2017, net of accumulated depreciation	21,597	676	307	110	251	22,941
At 31 December 2017:						
Cost	21,909	780	392	155	461	23,697
Accumulated depreciation	(312)	(104)	(85)	(45)	(210)	(756)
Net carrying amount	21,597	676	307	110	251	22,941
	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2018</b>						
At 1 January 2018:						
Cost	21,909	780	392	155	461	23,697
Accumulated depreciation	(312)	(104)	(85)	(45)	(210)	(756)
Net carrying amount	21,597	676	307	110	251	22,941
At 1 January 2018, net of accumulated depreciation	21,597	676	307	110	251	22,941
Additions	29,697	3,473	1,013	28	–	34,211
Transfer from right-of-use assets	–	–	–	–	418	418
Disposals	–	–	–	–	(26)	(26)
Depreciation provided for the year (note 8)	(1,325)	(329)	(203)	(35)	(266)	(2,158)
Exchange realignment	–	–	1	–	–	1
At 31 December 2018, net of accumulated depreciation	49,969	3,820	1,118	103	377	55,387
At 31 December 2018:						
Cost	51,606	4,253	1,406	183	853	58,301
Accumulated depreciation	(1,637)	(433)	(288)	(80)	(476)	(2,914)
Net carrying amount	49,969	3,820	1,118	103	377	55,387

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>31 December 2019</b>						
At 1 January 2019:						
Cost	51,606	4,253	1,406	183	853	58,301
Accumulated depreciation	(1,637)	(433)	(288)	(80)	(476)	(2,914)
Net carrying amount	<u>49,969</u>	<u>3,820</u>	<u>1,118</u>	<u>103</u>	<u>377</u>	<u>55,387</u>
At 1 January 2019, net of accumulated depreciation						
Additions	2,191	1,967	812	255	–	5,225
Transfer from right-of-use assets	–	–	–	–	815	815
Depreciation provided for the year (note 8)	(1,881)	(1,154)	(441)	(81)	(578)	(4,135)
At 31 December 2019, net of accumulated depreciation	<u>50,279</u>	<u>4,633</u>	<u>1,489</u>	<u>277</u>	<u>614</u>	<u>57,292</u>
At 31 December 2019:						
Cost	53,797	6,220	2,218	438	1,668	64,341
Accumulated depreciation	(3,518)	(1,587)	(729)	(161)	(1,054)	(7,049)
Net carrying amount	<u>50,279</u>	<u>4,633</u>	<u>1,489</u>	<u>277</u>	<u>614</u>	<u>57,292</u>

The total additions with respect to leasehold land for the years ended 31 December 2017, 2018 and 2019 was HK\$18,221,000, HK\$26,196,000, and Nil, respectively.

The total depreciation with respect to leasehold land for the years ended 31 December 2017, 2018 and 2019 was HK\$241,000, HK\$1,061,000 and HK\$1,591,000, respectively.

The carrying amounts with respect to leasehold land for the years ended 31 December 2017, 2018 and 2019 were HK\$17,980,000, HK\$43,115,000 and HK\$41,524,000, respectively.

The total cash outflows with respect to leasehold land for the years ended 31 December 2017, 2018 and 2019 were HK\$15,345,000, HK\$26,196,000 and Nil, respectively.

At 31 December 2017, 2018 and 2019, certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK\$21,597,000, HK\$49,969,000 and HK\$50,279,000, respectively, were pledged to secure bank loans granted to the Group (note 24).

## 16. LEASES

### (i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>Right-of-use assets</b>			
Properties	968	14,192	15,003
Motor vehicles	<u>3,554</u>	<u>1,645</u>	<u>–</u>
	<u>4,522</u>	<u>15,837</u>	<u>15,003</u>

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
<b>Lease liabilities</b>			
Current	1,705	6,330	7,903
Non-current	1,325	9,243	7,592
	<u>3,030</u>	<u>15,573</u>	<u>15,495</u>

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
<b>Lease liabilities</b>			
Properties	975	14,577	15,495
Motor vehicles*	2,055	996	–
	<u>3,030</u>	<u>15,573</u>	<u>15,495</u>

\* The relevant lease liabilities were secured by the right-of-use assets under motor vehicles.

The lease liabilities based on their maturities are as follows:

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Analysed into:			
Within one year	1,705	6,330	7,903
In the second year	855	8,520	5,992
In the third to fifth years, inclusive	470	723	1,600
	<u>3,030</u>	<u>15,573</u>	<u>15,495</u>

Additions to the right-of-use assets during the years ended 31 December 2017, 2018 and 2019 were HK\$3,958,000, HK\$16,897,000 and HK\$7,693,000, respectively.

(ii) **Amounts recognised in the consolidated statements of comprehensive income**

The consolidated statements of profit or loss and other comprehensive income show the following amounts relating to leases:

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
<b>Depreciation charge of right-of-use assets (note 8)</b>			
Properties	1,220	3,673	6,882
Motor vehicles	1,344	1,491	830
	<u>2,564</u>	<u>5,164</u>	<u>7,712</u>

	Years ended 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Interest expense ( <i>note 7</i> )	208	401	722
Expense relating to leases of short-term leases ( <i>note 8</i> )	243	908	1,268
	<u>451</u>	<u>1,309</u>	<u>1,990</u>

The total cash outflows for leases for the years ended 31 December 2017, 2018 and 2019 were HK\$3,529,000, HK\$4,755,000 and HK\$8,493,000, respectively.

**(iii) The Group's leasing activities**

The Group leases various properties and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants.

**(iv) Extension options**

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

**17. INVENTORIES**

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Finished goods	<u>25,051</u>	<u>73,891</u>	<u>84,069</u>

**18. TRADE RECEIVABLES**

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Trade receivables	<u>90,005</u>	<u>145,402</u>	<u>117,161</u>

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

There are certain concentrations of credit risk. The total trade receivables from the five largest customers at 31 December 2017, 2018 and 2019 accounted for 94%, 96% and 82% of the total trade receivables, respectively, while 75%, 77% and 51% of the total trade receivables were due from the largest customer at 31 December 2017, 2018 and 2019, respectively. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables is an amount due from a related company of the Group of Nil, Nil and HK\$8,782,000 at 31 December 2017, 2018 and 2019, respectively, which is repayable on credit terms similar to those offered to the major customers of the Group.

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

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Trade receivables:			
Within 90 days	89,434	142,686	106,942
91 to 180 days	531	2,702	10,147
Over 180 days	40	14	72
	90,005	145,402	117,161
	90,005	145,402	117,161

As part of its normal business, the Group entered into invoice discounting arrangements (the “Arrangements”) and transferred certain trade receivables (“Factored Trade Receivables”) to the banks. In the opinion of the directors, the Group retained the substantial risks and rewards, which included default risks relating to such Factored Trade Receivables, and accordingly, it continued to recognise the full carrying amounts of the Factored Trade Receivables and the associated liabilities. The Group is not exposed to default risks of the trade debtors after the settlement of the Factored Trade Receivables by the customers. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The carrying amounts of the assets that the Group continued to recognise as at 31 December 2017, 2018 and 2019 amounted to Nil, HK\$79,852,000 and HK\$51,179,000, respectively, and that of the associated liabilities as at 31 December 2017, 2018 and 2019 were Nil, HK\$59,878,000 and HK\$24,281,000, respectively. These financial assets are carried at amortised cost in the Historical Financial Information.

An impairment analysis was performed at the end of each of the reporting periods. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group has applied the simplified approach to provide impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. Given (i) the customers of the Group are mainly well-known retailers and there was no history of default in prior years, the directors of the Company considered that the default rate of financial assets is minimal; and (ii) no adverse change in the business environment is anticipated, and management considered that the expected credit loss rates of retailers were minimal, for all ageing bands as at 31 December 2017, 2018 and 2019. As a result, no loss allowance for impairment of trade receivables was necessary for the years ended 31 December 2017, 2018, and 2019.

#### 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Prepayments	12,005	14,902	25,718
Deferred listing fees	–	2,189	5,752
Deposits	522	2,021	5,792
Other receivables	604	1,416	373
	13,131	20,528	37,635
Less: Prepayments and deposits classified as non-current assets	(251)	(2,049)	(3,827)
	12,880	18,479	33,808
	12,880	18,479	33,808

Prepayments, deposits and other receivables mainly represent rental deposits and prepayments to suppliers. As at 31 December 2019, included in deposits was HK\$540,000 for rental deposits placed with the Controlling Shareholder in relation to leasing properties from the Controlling Shareholder for warehouse and carpark use. Expected credit losses for financial assets included in prepayments, deposits and other receivables are estimated by applying the general approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Since there was no recent history of default and the financial assets were considered to be of low credit risk, the loss rate was estimated to be minimal and management considered that no provision for impairment of financial assets included in prepayments, deposits and other receivables was necessary as at 31 December 2017, 2018 and 2019.

## 20. CASH AND BANK BALANCES

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

## 21. BALANCES WITH A DIRECTOR

Particulars of an amount due from a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	1 January	Maximum amount outstanding during the	31 December	Maximum amount outstanding during the	31 December	Maximum amount outstanding during the	31 December
	2017	year	2017	year	2018	year	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Wong	27,445	67,129	65,216	81,928	–	579	–

The amount due to a director represented an amount due to Mr. Wong of HK\$48,564,000 as at 31 December 2018.

The balances with a director are non-trade in nature, unsecured, interest-free and repayable on demand.

## 22. TRADE PAYABLES

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

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	8,925	29,210	13,505
31 to 60 days	5,873	12,559	12,640
61 to 120 days	3,159	4,399	7,891
Over 120 days	–	152	599
	<u>17,957</u>	<u>46,320</u>	<u>34,635</u>

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

Included in the Group's trade payables is an amount due from a related company of the Group of Nil, Nil and HK\$296,000 at 31 December 2017, 2018 and 2019, respectively, which is repayable on credit terms similar to those offered to the major suppliers of the Group.

## 23. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Accruals	3,562	4,023	11,364
Refund liabilities	10,399	13,299	9,804
Interest payables	85	283	–
Other payables	64	293	361
	<u>14,110</u>	<u>17,898</u>	<u>21,529</u>

Other payables are non-interest-bearing and repayable on demand.

## 24. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2017		As at 31 December 2018		As at 31 December 2019	
	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000	Contractual interest rate (%)	HK\$'000
<b>Secured and current</b>						
Bank loans – secured	Prime -2.75 to + 1.00	29,670	Prime -2.75 to + 1.00	62,556	Prime -2.75 to + 1.00	111,862
Invoice financing loans – secured	N/A	–	HIBOR + 3.25	4,090	HIBOR + 2.5 to 3.25	14,977
Invoice discounting loans – secured	N/A	–	HIBOR + 2.5	59,878	HIBOR + 2.5	24,281
Total		<u>29,670</u>		<u>126,524</u>		<u>151,120</u>
Analysis into:						
Bank loans repayable:						
On demand*		<u>29,670</u>		<u>126,524</u>		<u>151,120</u>

\* As further explained in note 34 to the Historical Financial Information, all of the Group's interest-bearing bank borrowings as at 31 December 2017, 2018 and 2019, respectively, containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the interest-bearing bank borrowings are included within current interest-bearing bank borrowings and analysed into interest-bearing bank borrowings repayable on demand.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the interest-bearing bank borrowings, the amounts repayable in respect of the interest-bearing bank borrowings are as follows:

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Analysed into:			
Interest-bearing bank borrowings repayable:			
Within one year	22,261	108,683	136,086
In the second year	460	2,820	2,941
In the third to fifth years, inclusive	1,452	6,671	4,246
Beyond five years	5,497	8,350	7,847
	29,670	126,524	151,120
	29,670	126,524	151,120

At 31 December 2017, 2018 and 2019, the Group's interest-bearing bank borrowings were secured by:

- (a) Mortgages over the properties owned by the Group situated in Hong Kong and Macau (note 15).
- (b) Guarantees provided by the Controlling Shareholder of HK\$57,000,000, HK\$129,253,000 and HK\$155,508,000, respectively, and which will be released upon listing of the shares of the Company on the Stock Exchange.
- (c) Guarantees provided by the Government of the Hong Kong Special Administrative Region to the Group of HK\$9,600,000, HK\$13,200,000 and HK\$13,200,000, respectively, under the Small and Medium Enterprises Financing Guarantee Scheme.
- (d) Factored Trade Receivables of Nil, HK\$79,852,000 and HK\$51,179,000, respectively.

As at 31 December 2017, the Group's interest-bearing bank borrowings of HK\$20,670,000 were also secured by mortgages over properties and a car park space owned by the Controlling Shareholder situated in Hong Kong.

Except for the Group's interest-bearing bank borrowings of HK\$10,580,000 and HK\$10,176,000 as at 31 December 2018 and 2019, respectively, that were denominated in MOP, the Group's interest-bearing bank borrowings are all denominated in Hong Kong dollars.

## 25. CONVERTIBLE NOTE

On 21 November 2017 (the "Issue Date"), Tycoon HK issued a convertible note in the principal amount of HK\$50,000,000 ("CN2017") which bears interest at 7% per annum and payable quarterly in advance on the Issue Date, 1 March, 1 June, 1 September and 1 December. CN2017 which would mature on 31 May 2020 (the "Maturity Date") and would be convertible into ordinary shares of the Company at any time on or before the thirtieth day before the date of listing application of the initial public offer or be mandatory convertible on the date which the listing shares are allotted and issued under the initial public offer prior to the Maturity Date. The noteholder (the "Noteholder") may require Tycoon HK to early redeem CN2017 when the guaranteed profit requirement for the years ended 31 December 2017 and 2018 are not met or upon the occurrence of any events of defaults.

The interest amortised for the year is calculated by applying an effective interest rate of 27.8% to the liability component for the 30-month period from the note's Issue Date.

On 13 December 2018, Mr. Wong purchased CN2017 from the Noteholder. Subsequently, Tycoon HK redeemed CN2017 from Mr. Wong at a cash consideration of HK\$50,000,000 on 14 December 2018, and the entire CN2017 was extinguished on 14 December 2018.



The net proceeds received from the issuance of CN2017 have been split into the liability and derivative components and their movements are as follows:

	<b>Liability component</b> <i>HK\$'000</i>	<b>Derivative component</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At the Issue Date	31,600	18,400	50,000
Transaction costs	(221)	–	(221)
Effective interest expenses	977	–	977
Coupon interest paid	(959)	–	(959)
Fair value loss on a derivative component	–	1,080	1,080
	<hr/>	<hr/>	<hr/>
At 31 December 2017 and 1 January 2018	31,397	19,480	50,877
Effective interest expenses	9,026	–	9,026
Coupon interest paid	(3,500)	–	(3,500)
Fair value gain on a derivative component	–	(11,700)	(11,700)
Loss on redemption of a convertible note	5,297	–	5,297
Redemption	(42,220)	(7,780)	(50,000)
	<hr/>	<hr/>	<hr/>
As at 31 December 2018, 1 January 2019 and 31 December 2019	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at the Issue Date, 31 December 2017 and 14 December 2018, the fair values of the derivative component were HK\$18,400,000, HK\$19,480,000 and HK\$7,780,000, respectively, which were determined by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professionally qualified valuers, based on the Monte Carlo simulation method. The key inputs into the model for the value of the derivative component are disclosed in note 33.

## 26. DEFERRED TAX

### Deferred tax liabilities

The deferred tax liabilities recognised in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 1 January 2017	107
Deferred tax charged to profit or loss during the year	<hr/> 126
At 31 December 2017, 1 January 2018, 31 December 2018 and 1 January 2019	233
Deferred tax charged to profit or loss during the year	<hr/> 127
At 31 December 2019	<hr/> <hr/> 360

**Deferred tax assets**

The deferred tax assets recognised in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

	<b>Loss available for offsetting against future taxable profits</b> <i>HK\$'000</i>
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Deferred tax credited to profit or loss during the year	27
At 31 December 2017 and 1 January 2018	27
Deferred tax credited to profit or loss during the year	1,580
At 31 December 2018 and 1 January 2019	1,607
Deferred tax credited to profit or loss during the year	1,711
At 31 December 2019	<u>3,318</u>

Apart from the tax losses for which deferred tax assets had been recognised above, the Group had estimated unutilised tax losses subject to agreement of relevant tax authorities of approximately Nil, Nil and HK\$1,835,000 as at 31 December 2017, 2018 and 2019, respectively, in Hong Kong and other jurisdictions that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

**27. SHARE CAPITAL**

The Company is a limited liability company incorporated in the Cayman Islands on 14 June 2017. The authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

There was no authorised and issued capital as at 31 December 2016 since the Company had not yet been incorporated.

	<b>31 December 2017</b> <i>HK\$'000</i>	<b>31 December 2018</b> <i>HK\$'000</i>	<b>31 December 2019</b> <i>HK\$'000</i>
Issued and fully paid:			
10,000,000 (2018: 10,000,000; 2017: 1) ordinary shares of HK\$0.01 each	–	100	100

During the years ended 31 December 2017, 2018 and 2019, the movements in share capital were as follows:

Pursuant to a written resolution passed on 30 November 2018, 9,999,999 ordinary shares of HK\$0.01 each were allotted, issued and credited as fully paid to the Company's initial subscriber. In addition, 2,500,000 and 124,900 shares were transferred to China Resources Pharmaceutical Retail Group Limited and Worldwide Master International Investment Limited, respectively, on 19 February 2019. See the details as set out in "History, Reorganisation and corporate structure – Reorganisation" and "Pre-IPO Investments" in the Prospectus.

## 28. RESERVES

- (a) The amounts of the Group's reserves and the movements therein for each of the reporting periods are presented in the consolidated statements of changes in equity on page 8.
- (b) Merger reserve

The merger reserve of the Group represents the issued capital of the companies now comprising the Group before the completion of the Reorganisation and deemed distribution to the Controlling Shareholder by issuance of the Company's shares pursuant to the Reorganisation.

*Company*

	<b>Contribution surplus</b> <i>HK\$'000</i> <i>(Note)</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 14 June 2017	–	–	–
Loss for the period	–	(43)	(43)
As at 31 December 2017	–	(43)	(43)
Capital injection due to Reorganisation	479,899	–	479,899
Loss for the year	–	(403)	(403)
At 31 December 2018 and 1 January 2019	479,899	(446)	479,453
Profit for the year	–	48,566	48,566
Final 2018 dividends ( <i>note 12</i> )	–	(30,000)	(30,000)
Special 2019 dividends ( <i>note 12</i> )	–	(20,000)	(20,000)
As at 31 December 2019	<u>479,899</u>	<u>(1,880)</u>	<u>478,019</u>

*Note:* The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange thereof. Pursuant to the Cayman Islands company law, a company may make distributions to its members out of the contributed surplus in certain circumstances.

## 29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

## (a) Changes in liabilities arising from financing activities

	Other payables and accruals <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Interest- bearing bank loans <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>
At 1 January 2017	–	–	6,493	2,647
Changes from financing cash flows				
Net proceeds from issuance of a convertible note	–	49,779	–	–
Interest paid	(1,407)	(959)	–	(208)
New bank loans	–	–	114,693	–
Repayment of bank loans	–	–	(91,516)	–
Principal elements of lease payments	–	–	–	(1,933)
Other changes				
Fair value change of a convertible note	–	1,080	–	–
Effective interest expense	1,492	977	–	208
Additions to lease liabilities	–	–	–	2,570
Decrease arising from disposal of items of right-of-use assets	–	–	–	(254)
	<u>85</u>	<u>50,877</u>	<u>29,670</u>	<u>3,030</u>
At 31 December 2017	<u>85</u>	<u>50,877</u>	<u>29,670</u>	<u>3,030</u>

	Amount due to a director <i>HK\$'000</i>	Other payables and accruals <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Interest- bearing bank loans <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>
At 1 January 2018	–	85	50,877	29,670	3,030
Changes from financing cash flows					
Interest paid	–	(2,089)	(3,500)	–	(401)
New bank loans	–	–	–	223,720	–
Repayment of bank loans	–	–	–	(126,866)	–
Principal elements of lease payments	–	–	–	–	(4,354)
Repayment to a director	(33,503)	–	–	–	–
Advances from a director	52,267	–	–	–	–
Redemption of a convertible note	–	–	(50,000)	–	–
Other changes					
Fair value change of a derivative component of a convertible note	–	–	(11,700)	–	–
Loss on redemption of a convertible note	–	–	5,297	–	–
Effective interest expense	–	2,287	9,026	–	401
Additions to lease liabilities	–	–	–	–	16,897
Non-cash transactions ( <i>note 29(b)(i)</i> )	29,800	–	–	–	–
	<u>48,564</u>	<u>283</u>	<u>–</u>	<u>126,524</u>	<u>15,573</u>
At 31 December 2018	<u>48,564</u>	<u>283</u>	<u>–</u>	<u>126,524</u>	<u>15,573</u>

	Amount due to a director <i>HK\$'000</i>	Other payables and accruals <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Interest- bearing bank loans <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>
At 1 January 2019	48,564	283	–	126,524	15,573
Changes from financing cash flows					
Interest paid	–	(5,550)	–	–	(722)
New bank loans	–	–	–	537,834	–
Repayment of bank loans	–	–	–	(513,238)	–
Principal elements of lease payments	–	–	–	–	(7,771)
Repayment to a director	(49,731)	–	–	–	–
Advances from a director	1,167	–	–	–	–
Other changes					
Effective interest expense	–	5,267	–	–	722
Additions to lease liabilities	–	–	–	–	7,693
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,693</u>
At 31 December 2019	<u>–</u>	<u>–</u>	<u>–</u>	<u>151,120</u>	<u>15,495</u>

**(b) Major non-cash transactions**

- (i) During the year ended 31 December 2018, the dividend declared to the Controlling Shareholder of HK\$110,000,000 was used to settle the amount due from a director of HK\$80,200,000 and the remaining balance of HK\$29,800,000 was included in “Due to a director” in the consolidated statement of financial position as at 31 December 2018.
- (ii) The Group had additions to right-of-use assets and lease liabilities as detailed in note 16 and note 29(a).
- (iii) During the year ended 31 December 2017, non-current deposit paid of HK\$4,075,000 were transferred to property, plant and equipment.
- (iv) During the year ended 31 December 2019, HK\$815,000 was transferred from right-of-use assets to property, plant and equipment.

**30. DISPOSAL OF A SUBSIDIARY**

		As at 31 December		
	<i>Note</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net assets disposed of:				
Intangible assets	14	–	–	6,202
Prepayments, deposits and other receivables		–	–	2,180
		<u>–</u>	<u>–</u>	<u>8,382</u>
Gain on disposal of a subsidiary		–	–	18
		<u>–</u>	<u>–</u>	<u>8,400</u>
Satisfied by:				
Cash		–	–	8,400
		<u>–</u>	<u>–</u>	<u>8,400</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	–	8,400

### 31. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	Years ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Sales to a related company ( <i>note (i)</i> )	–	–	45,875
Purchases from a related company ( <i>note (ii)</i> )	–	–	1,421
Redemption of a convertible note by the Controlling Shareholder ( <i>note 25</i> )	–	50,000	–

During the year ended 31 December 2019, the Group leased properties from the Controlling Shareholder for warehouse and carpark use. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Right-of-use assets of HK\$6,142,000 and lease liabilities of HK\$6,180,000 in respect of the leases were recognised in the consolidated statement of financial position as at 31 December 2019. During the year ended 31 December 2019, depreciation of right-of-use assets of HK\$768,000 and interest expense on the lease liabilities of HK\$80,000 was charged to the consolidated statements of profit or loss and other comprehensive income.

*Notes:*

- (i) The sales to CR Care Company Limited, a related party, were made with reference to the prices and conditions offered to the major customers of the Group. CR Care Company Limited is a wholly-owned subsidiary of a shareholder of the Company, which had a 25% equity interest in the Company since February 2019.
- (ii) The purchases from Sanjiu Healthy World Company Ltd, a related party, were made at a mutually agreed price. Sanjiu Healthy World Company Ltd is a non-wholly-owned subsidiary of a shareholder of the Company, which had a 25% equity interest in the Company since February 2019.

#### (b) Outstanding balances with related parties

Details of outstanding balances with related companies, CR Care Company Limited and Sanjiu Healthy World Company Ltd, the Controlling Shareholder and a director are disclosed in notes 18, 22, 19 and 21 to the Historical Financial Information, respectively.

- (c) The compensation of key management personnel of the Group for each of the reporting periods represented the executive directors' and the chief executive's emoluments as disclosed in note 9 to the Historical Financial Information.
- (d) The Group had banking facilities guaranteed by the Controlling Shareholder amounting to HK\$57,000,000, HK\$129,253,000 and HK\$155,508,000, respectively, as at 31 December 2017, 2018 and 2019, as further detailed in note 24(b) to the Historical Financial Information, and which will be released upon listing of the shares of the Company on the Stock Exchange.

## 32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

**Financial assets:**

	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>31 December 2017</u>		
Trade receivables	90,005	90,005
Financial assets included in prepayments, deposits and other receivables	1,126	1,126
Due from a director	65,216	65,216
Cash and bank balances	21,862	21,862
	<u>178,209</u>	<u>178,209</u>
<u>31 December 2018</u>		
Trade receivables	145,402	145,402
Financial assets included in prepayments, deposits and other receivables	3,437	3,437
Cash and bank balances	59,196	59,196
	<u>208,035</u>	<u>208,035</u>
<u>31 December 2019</u>		
Trade receivables	117,161	117,161
Financial assets included in prepayments, deposits and other receivables	6,165	6,165
Cash and bank balances	50,437	50,437
	<u>173,763</u>	<u>173,763</u>

As part of its normal business, the Group entered into the Arrangements (note 18) and transferred the Factored Trade Receivables to the banks. In the opinion of the directors, the Group retained the substantial risks and rewards, which included the default risks relating to such Factored Trade Receivables, and accordingly, it continued to recognise the full carrying amounts of the Factored Trade Receivables and the associated liabilities. The Group is not exposed to default risks of the trade debtors after the settlement of the Factored Trade Receivables by the customers. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The carrying amounts of the assets that the Group continued to recognise as at 31 December 2017, 2018 and 2019 amounted to Nil, HK\$79,852,000 and HK\$51,179,000, respectively, and that of the associated liabilities as at 31 December 2017, 2018 and 2019 were Nil, HK\$59,878,000 and HK\$24,281,000, respectively.

**Financial liabilities:**

	<b>Financial liabilities at amortised cost</b> <i>HK\$'000</i>	<b>Financial liabilities at fair value through profit or loss-held for trading</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<u>31 December 2017</u>			
Trade payables	17,957	–	17,957
Financial liabilities included in other payables and accruals	149	–	149
Interest-bearing bank borrowings	29,670	–	29,670
Lease liabilities	3,030	–	3,030
Convertible note	31,397	19,480	50,877
	<u>82,203</u>	<u>19,480</u>	<u>101,683</u>
<u>31 December 2018</u>			
Trade payables	46,320	–	46,320
Financial liabilities included in other payables and accruals	576	–	576
Due to a director	48,564	–	48,564
Interest-bearing bank borrowings	126,524	–	126,524
Lease liabilities	15,573	–	15,573
	<u>237,557</u>	<u>–</u>	<u>237,557</u>
<u>31 December 2019</u>			
Trade payables	34,635	–	34,635
Financial liabilities included in other payables and accruals	361	–	361
Interest-bearing bank borrowings	151,120	–	151,120
Lease liabilities	15,495	–	15,495
	<u>201,611</u>	<u>–</u>	<u>210,611</u>

**33. FAIR VALUE MEASUREMENT**

Management has assessed that the fair values of cash and bank balances, financial assets included in prepayments, deposits and other receivables, trade receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and balances with a director approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Group's financial controller. The valuation process and results are discussed with the board of directors at least once a year for annual financial reporting.



The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The difference between the fair values and carrying amounts of non current portion of deposits as at 31 December 2017, 2018 and 2019 is insignificant.

During the years ended 31 December 2017 and 2018, the fair value of the liability portion of the convertible note was estimated by discounting the expected future cash flows using an equivalent market yield for a similar convertible note with consideration of the Group's own non-performance risk. The respective fair value measurement uses significant observable inputs within level 2.

During the year ended 31 December 2017, a summary of significant unobservable inputs to the valuation of the derivative component of a convertible note together with a quantitative sensitivity analysis as at 31 December 2017 is as follows:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
<u>31 December 2017</u>				
Derivative component of a convertible note	Monte Carlo simulation method	Equity value of the Company	HK\$450,000,000	10% increase (decrease) in equity value would result in an increase (decrease) in fair value by HK\$2,500,000 (HK\$1,600,000).
		Expected volatility	40.00%	1% increase (decrease) in expected volatility would result in an increase (decrease) in fair value by HK\$630,000 (HK\$400,000).
		Cost of equity	19.43%	1% increase (decrease) in cost of equity would result in an increase (decrease) in fair value by HK\$260,000 (HK\$40,000).
		Discount rate	23.60%	1% increase (decrease) in discount rate would result in an increase (decrease) in fair value by HK\$880,000 (HK\$810,000).

The derivative component of a convertible note is measured at Level 3 fair value.

The movements in fair value measurements in Level 3 during the Track Record Period are as follows:

	<i>HK\$'000</i>
At 1 January 2017	–
Derivative component of a convertible note recognised ( <i>note 25</i> )	18,400
Fair value loss recognised in profit or loss	1,080
	<hr/>
At 31 December 2017 and 1 January 2018	19,480
Fair value gain recognised in profit or loss	(11,700)
Redemption	(7,780)
	<hr/>
At 31 December 2018, 1 January 2019 and 31 December 2019	<hr/> <hr/> –

During the years ended 31 December 2017, 2018 and 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

#### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include interest-bearing bank borrowings, lease liabilities, balances with a director, financial assets included in prepayments, deposits and other receivables, trade receivables, trade payables, financial liabilities included in other payables and accruals and cash and bank balances. Details of these financial instruments are disclosed in the respective notes to the Historical Financial Information.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

##### Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's bank borrowings which are based on the Hong Kong Prime Rate and HIBOR. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate bank borrowings).

	<b>Increase in interest rate (basis points)</b>	<b>Decrease in the Group's profit after tax <i>HK\$'000</i></b>
31 December 2017	50	124
31 December 2018	50	531
31 December 2019	50	633

##### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

*Maximum exposure and year-end staging*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the reporting periods. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	HK\$'000		
<u>31 December 2017</u>						
Trade receivables*	–	–	–	90,005		90,005
Financial assets included in prepayments, deposits and other receivables						
– Normal**	1,126	–	–	–		1,126
Due from a director						
– Normal**	65,216	–	–	–		65,216
Cash and bank balances						
– Not yet past due	21,862	–	–	–		21,862
	<u>88,204</u>	<u>–</u>	<u>–</u>	<u>90,005</u>		<u>178,209</u>
<u>31 December 2018</u>						
Trade receivables*	–	–	–	145,402		145,402
Financial assets included in prepayments, deposits and other receivables						
– Normal**	3,437	–	–	–		3,437
Cash and bank balances						
– Not yet past due	59,196	–	–	–		59,196
	<u>62,633</u>	<u>–</u>	<u>–</u>	<u>145,402</u>		<u>208,035</u>
<u>31 December 2019</u>						
Trade receivables*	–	–	–	117,161		117,161
Financial assets included in prepayments, deposits and other receivables						
– Normal**	6,165	–	–	–		6,165
Cash and bank balances						
– Not yet past due	50,437	–	–	–		50,437
	<u>56,602</u>	<u>–</u>	<u>–</u>	<u>117,161</u>		<u>173,763</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 18 to the Historical Financial Information.

\*\* The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

*Concentrations of credit risk*

Management monitors the creditworthiness and payment patterns of each debtor closely and on an ongoing basis.

The following table demonstrates the concentrations of credit risk of the total trade receivables which were due from the Group's largest external customer and the Group's five largest external customers, respectively.

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Percentage of total trade receivables due from:			
Group's largest external customer	75%	77%	51%
Group's five largest external customers	94%	96%	82%

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information.

All of the current portion of the other receivable balances are expected to be recovered within one year.

*Liquidity risk*

The Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. In addition, banking facilities have been put in place for contingency purposes.

The following table details the remaining contractual maturities at the end of each of the reporting periods of the Group's financial liabilities, which were based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date that the Group could be required to repay:

	Within one year or on demand HK\$'000	In the second year HK\$'000	In the third to fifth years, inclusive HK\$'000	Total HK\$'000
<u>31 December 2017</u>				
Trade payables	17,957	–	–	17,957
Financial liabilities included in other payables and accruals	149	–	–	149
Lease liabilities	1,786	898	478	3,162
Convertible note	3,500	3,500	51,458	58,458
Interest-bearing bank borrowings*	29,670	–	–	29,670
	<u>53,062</u>	<u>4,398</u>	<u>51,936</u>	<u>109,396</u>

	Within one year or on demand <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years, inclusive <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>31 December 2018</u>				
Trade payables	46,320	–	–	46,320
Financial liabilities included in other payables and accruals	576	–	–	576
Lease liabilities	6,363	9,693	797	16,853
Due to a director	48,564	–	–	48,564
Interest-bearing bank borrowings*	126,524	–	–	126,524
	<u>228,347</u>	<u>9,693</u>	<u>797</u>	<u>238,837</u>
<u>31 December 2019</u>				
Trade payables	34,635	–	–	34,635
Financial liabilities included in other payables and accruals	361	–	–	361
Lease liabilities	8,298	6,606	1,852	16,756
Interest-bearing bank borrowings*	151,120	–	–	151,120
	<u>194,414</u>	<u>6,606</u>	<u>1,852</u>	<u>202,872</u>

\* All interest-bearing bank borrowings containing a repayment on demand clause give the lender the unconditional right to call the loan at any time, and therefore, for the purpose of the above maturity profile, these amounts are classified as “on demand”.

Notwithstanding the above repayment on demand clause, the directors do not believe that the bank loans would be called in their entirety within 12 months, and they considered that the bank loans would be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of bank loans, the maturity terms at 31 December 2017, 2018 and 2019 were as follows:

	As at 31 December		
	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed into:			
Bank loans repayable:			
Within one year	23,508	110,952	141,498
In the second year	472	2,929	3,052
In the third to fifth years, inclusive	1,560	6,923	4,394
Beyond five years	5,859	8,561	8,043
	<u>31,399</u>	<u>129,365</u>	<u>156,987</u>

**Capital management**

The primary objective of the Group's capital management policy is to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The directors of the Company review the capital structure on a periodical basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital and will balance the Group's overall capital structure through new share issues as well as raising new debts or repaying existing debts.

No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital using a gearing ratio, which is net debt divided by the total sum of equity attributable to equity holders of the Company ("Capital") plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, financial liabilities included in other payables and accruals, an amount due to a director, lease liabilities and liability component of a convertible note less cash and cash equivalents. Total capital comprises ordinary equity holders' equity as stated in the consolidated statement of financial position. The gearing ratios as at the end of the Track Record Period were as follows:

	As at 31 December		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Interest-bearing bank borrowings	29,670	126,524	151,120
Trade payables	17,957	46,320	34,635
Other payables and accruals	149	576	361
Due to a director	–	48,564	–
Lease liabilities	3,030	15,573	15,495
Liability component of a convertible note	31,397	–	–
Less: Cash and bank balances	(21,862)	(59,196)	(50,437)
Net debt	<u>60,341</u>	<u>178,361</u>	<u>151,174</u>
Capital	<u>123,122</u>	<u>113,951</u>	<u>118,360</u>
Capital and net debt	<u>183,463</u>	<u>292,312</u>	<u>269,534</u>
Gearing ratio	<u>32.89%</u>	<u>61.02%</u>	<u>56.09%</u>

**35. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the entities now comprising the Group in respect of any period subsequent to 31 December 2019.

**36. EVENTS AFTER THE REPORTING PERIOD**

The outbreak of coronavirus disease 2019 ("COVID-19") was first reported from Wuhan, China on 31 December 2019 and COVID-19 has spread to various other countries and regions, including Hong Kong, Macau and Singapore in early 2020. It has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity holders of the Company as if the Global Offering had taken place on 31 December 2019. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 December 2019 or any future dates:

	<b>Consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2019</b>	<b>Estimated net proceeds from the Global Offering</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets per Offer Share</b>
	<i>HK\$'000</i> <i>(note 1)</i>	<i>HK\$'000</i> <i>(note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(note 3)</i>
Based on an Offer Price of HK\$1.34 per Offer Share, after a Downward Offer Price Adjustment of 10% below the bottom end of the indicative Offer Price range	116,911	220,661	337,572	0.42
Based on an Offer Price of HK\$1.48 per Offer Share	116,911	245,714	362,625	0.45
Based on an Offer Price of HK\$1.52 per Offer Share	116,911	252,872	369,783	0.46

*Notes:*

1. The consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2019 is based on consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2019 of approximately HK\$118,360,000 as extracted from the Accountants' Report set out in Appendix I to this prospectus, after netting off intangible assets of approximately HK\$1,449,000.
2. The estimated net proceeds from the Global Offering are calculated based on the indicative Offer Price range of HK\$1.48, HK\$1.52 and HK\$1.34 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the underwriting fees and related expenses borne by the Company (excluding listing expenses which have been recognised in profit or loss prior to 31 December 2019) and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Offer Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Global Offering and its Capitalisation Issue, but takes no account of any Shares which may be issued under the Over-allotment Option, or any Shares which may be allotted, issued or repurchased by the Company.
4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2019.



**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

*The following version is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

To the Directors of Tycoon Group Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tycoon Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2019, and related notes as set out on pages II-1 to II-2 of the prospectus dated 30 March 2020 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in pages II-1 to II-2.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2019 as if the transaction had taken place at 31 December 2019. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2019, on which an accountants’ report has been published.

**Directors’ responsibility for the Pro Forma Financial Information**

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

**Our independence and quality control**

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

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants' responsibilities**

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

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

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

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

30 March 2020

## OVERVIEW

Our Group's business activities are principally based in Hong Kong with operations in the PRC, Macau and Singapore and are therefore subject to the relevant laws and regulations in these jurisdictions. Set forth below is a summary of the material laws and regulations relating to our Group's business and operations.

## HONG KONG

### Health and Safety

#### *Public Health and Municipal Services Ordinance*

The legal framework for food safety control in Hong Kong is set out in Part V of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) ("**Public Health Ordinance**") and the relevant sub-legislations thereunder. As we are a provider of a number of, among other products, PCM, health supplement, and other healthcare products, we are subject to the Public Health Ordinance and the relevant sub-legislations thereunder.

The Public Health Ordinance requires the manufacturers and sellers of food or drugs to ensure that their products are fit for human consumption and comply with the requirements in respect of food safety, food standards and labelling.

Section 50 of the Public Health Ordinance prohibits the manufacturing, advertising and sale in Hong Kong of food or drugs that are injurious to health. Anyone who fails to comply with this section commits an offence punishable by a fine at level 3 (currently at HK\$10,000) and imprisonment for three months.

Section 52 of the Public Health Ordinance provides that, subject to a few defences in section 53 of the same ordinance, if a seller sells to the prejudice of a purchaser any food or drug which is not of the nature, substance or quality of the food or drug demanded by the purchaser, the seller shall be guilty of an offence punishable by a fine at level 3 (currently at HK\$10,000) and imprisonment for three months.

Pursuant to section 54 of the Public Health Ordinance, any person who sells or offers for sale any food intended for, but unfit for, human consumption, or any drug intended for use by human but unfit for the purpose, shall be guilty of an offence. The maximum penalty for contravention of section 54 is a fine at level 5 (currently at HK\$50,000) and imprisonment for six months.

Section 61 of the Public Health Ordinance provides that it shall be an offence for any person who gives with any food or drug sold by him/her or displays with any food or drug exposed for sale by him any label which falsely describes the food or drug or is calculated to mislead as to its nature, substance or quality, unless he proves that he did not know, and could not with reasonable diligence have ascertained, that the label was of such a character as aforesaid. It shall also be an offence if any person publishes or is party to the publication of an advertisement falsely describing any food or drug or is likely to mislead as to the nature, substance or quality of any food or drug. However, it shall be a defence for the defendant to prove

either that he did not know, and could not with reasonable diligence have ascertained, that the advertisement was of such a character as is described in that subsection; or that, being a person whose business it is to publish, or arrange for the publication of, advertisements, he received the advertisement in the ordinary course of business.

### *Food and Drugs (Composition and Labelling) Regulations*

A subsidiary legislation of the Public Health Ordinance, Food and Drugs (Composition and Labelling) Regulations (“**Food and Drugs Regulations**”) (Cap 132W of the Laws of Hong Kong), contain provisions for the advertising and labelling of food.

Regulation 3 of the Food and Drugs Regulations provides that the standards of composition of the foods and drugs specified in Schedule 1 to the Food and Drugs Regulations shall be up to the standards as specified in that schedule. The applicability of individual standards specified thereunder depends on whether the individual product in question is a drug within the Public Health Ordinance.

Regulation 5 of the Food and Drugs Regulations provides that any person who advertises for sale, sells or manufactures for sale any food or drug which does not conform to the relevant requirements as to composition prescribed in Schedule 1 to the Food and Drugs Regulations commits an offence and is liable to a fine at level 5 (currently at HK\$50,000) and imprisonment for six months.

Pursuant to Regulation 4A of the Food and Drugs Regulations, all pre-packaged food, except for those exempted items listed in Schedule 4 to the Food and Drugs (Composition and Labelling) Regulations, shall be marked and labelled in the manner prescribed in Schedule 3 to the Food and Drugs Regulations. Contravention of those requirements may result in a fine at level 5 (currently at HK\$50,000) and imprisonment for six months upon conviction.

Pursuant to Regulation 4B of the Food and Drugs Regulations, pre-packaged food should be marked or labelled with its energy value and nutrient content in the manner prescribed in Part 1 of Schedule 5, and nutrition claims, if any, made on the label of the product or in any advertisement for the product should comply with Part 2 of Schedule 5. Contravention of those requirements may result in a fine at level 5 (currently at HK\$50,000) and imprisonment for six months upon conviction.

### *Food Safety Ordinance*

Food Safety Ordinance (Cap 612 of the Laws of Hong Kong) establishes a registration scheme for food importers and food distributors, to require the keeping of records by persons who acquire, capture, import or supply food and to enable food import controls to be imposed.

As we are a provider of a number of, among other products, health supplement products, we are subject to the regulations of the Food Safety Ordinance, and Tycoon Hong Kong is registered as a food importer and a food distributor under the registration scheme under the Food Safety Ordinance.

*Registration as food importer and distributor*

Sections 4 and 5 of the Food Safety Ordinance require any person who carries on a food importation business or food distribution business to register with the Food and Environmental Hygiene Department as a food importer or food distributor. Any person who does not register but carries on a food importation or distribution business, without reasonable excuse, commits an offence and is liable to a fine at level 5 (currently at HK\$50,000) and imprisonment for six months.

*Record-keeping requirement relating to movement of food*

Pursuant to section 24 of the Food Safety Ordinance, a person who, in the course of business, supplies food in Hong Kong by wholesale must record the following information about the supply within 72 hours after the time the supply took place: (a) the date the food was supplied; (b) the name and contact details of the person to whom the food was supplied; (c) the total quantity of the food; and (d) a description of the food. Any person who fails to comply with the record-keeping requirement, without reasonable excuse, commits an offence and is liable to a fine at level 3 (currently at \$10,000) and imprisonment for three months.

*Consumer Goods Safety Ordinance*

The Consumer Goods Safety Ordinance (Cap 456 of the Laws of Hong Kong) imposes a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes.

The products sold, distributed and marketed by our Group, other than food (which are specifically excluded under the schedule of the Consumer Goods Safety Ordinance), are regulated by the Consumer Goods Safety Ordinance and the Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong).

Under section 4(1) of the Consumer Goods Safety Regulation, consumer goods are required to be reasonably safe having regard to all of the circumstances including the manner in which, and the purpose for which the products are presented, promoted or marketed, the use of any mark in relation to the products, instructions and warnings given for the keeping or use of the products, reasonable safety standards published by a standards institute or other similar bodies and the existence of any reasonable means to make the products safer.

Under section 2(1) of the Consumer Goods Safety Regulation, where consumer goods or their packages are marked with, or where any labels affixed to or any documents enclosed in their packages contain, any warning or caution regarding the safe keeping, use, consumption or disposal, such warning or caution shall be in both the English and the Chinese languages. Such warnings and cautions, as required by section 2(2) of the Consumer Goods Safety Regulation, shall be legible and be placed in a conspicuous position on: (a) the consumer goods; (b) any package of the consumer goods; (c) a label securely affixed to the package; or (d) a document enclosed in the package.

*Chinese Medicine Ordinance*

The Chinese Medicine Ordinance (Cap 549 of the Laws of Hong Kong) provides for the regulation of activities or matters relating to Chinese medicines, including, among other matters, the licensing of traders in Chinese medicines, the registration of proprietary Chinese medicines and the manufacture, possession and sale of Chinese medicines.

*Chinese herbal medicines*

Sections 109 and 111 of the Chinese Medicine Ordinance restrict the sale, wholesale and dispense, etc of the Chinese herbal medicines specified in Schedule 1 and Schedule 2 thereto. Among our Group's other healthcare products, there is a product belong to a Chinese herbal medicine specified in Schedule 2 of the Chinese Medicines Ordinance.

Pursuant to section 109, except under and in accordance with the Chinese Medicine Ordinance, no person shall sell by retail, or dispense to another person any Chinese herbal medicine specified in Schedule 1 except in accordance with a prescription given by a registered Chinese medicine practitioner; or without a retailer licence in respect of such Chinese herbal medicine; or subject to section 145(1), at any place other than the premises specified in such licence. Sections 109 also restricts the wholesale of Chinese herbal medicine by requiring that except under and in accordance with the Chinese Medicine Ordinance, no person shall sell or distribute by way of wholesale, or possess for the purpose of wholesale, any Chinese herbal medicine specified in Schedule 1 without a wholesaler licence in Chinese herbal medicines in respect of such Chinese herbal medicine; or subject to section 145(1), at any place other than the premises specified in such licence.

Further, pursuant to section 110 of the Chinese Medicine Ordinance, except under and in accordance with the Chinese Medicine Ordinance, no person shall have in his possession any Chinese herbal medicine specified in Schedule 1 thereto, unless the Chinese herbal medicine is possessed under and in accordance with a licence granted by the Medicines Board under the Chinese Medicine Ordinance.

Section 111 is similar to section 109 except that it applies to the Chinese herbal medicine specified in Schedule 2 thereto rather than Schedule 1 thereto.

Tycoon Hong Kong is a holder of the Wholesaler Licence in Chinese Herbal Medicines (“**Chinese Herbal Medicines Wholesaler Licence**”) issued by the Chinese Medicines Traders Committee and such Chinese Herbal Medicines Wholesaler Licence is valid until 1 June 2021. Our Directors confirm that as at the Latest Practicable Date, the Chinese Herbal Medicines Wholesaler Licence has not been suspended or revoked and Tycoon Hong Kong has met the applicable criteria and requirements on maintaining the Chinese Herbal Medicines Wholesaler Licence valid.

*Proprietary Chinese medicines – registration*

Pursuant to section 119 of the Chinese Medicine Ordinance, no person shall sell, import or possess any proprietary Chinese medicine unless the proprietary Chinese medicine is registered with the Medicines Board.

Section 128 of the Chinese Medicine Ordinance provides for transitional registration of proprietary Chinese medicines. Pursuant to section 128(1), where a proprietary Chinese medicine is, on 1 March 1999, (a) manufactured, sold or supplied for sale in Hong Kong; or (b) manufactured outside Hong Kong and is sold or supplied for sale in Hong Kong, the manufacturer in the former case (a), or an importer or a local representative or agent of the manufacturer in the latter case (b), may apply within such period of time as may be determined by the Medicines Board for the registration of the proprietary Chinese medicine in accordance with section 121.

Subject to such classification of category, conditions and restrictions as may be imposed by the Medicines Board, where an application is made under section 128(1), the proprietary Chinese medicine shall be deemed to have been registered and a certificate is deemed to have been issued under section 121. Subject to section 128(7) including the de-registration and any requirements in respect of proprietary Chinese medicines, such registration shall continue in effect until the issue of a certificate of registration under section 121(2); or the refusal of the application for registration of that proprietary Chinese medicine under section 121(4); or such date as may be specified and promulgated by the Secretary of Food and Health by notice published in the Gazette, whichever is the earliest.

All the proprietary Chinese medicines currently handled by the Group are made and registered by respective manufacturers. Our Directors confirm that as at the Latest Practicable Date, all proprietary Chinese medicines carried by our Group, as applicable under section 119 of Chinese Medicine Ordinance, have been duly registered with the Medicines Board and some of proprietary Chinese medicines are registered by means of transitional registrations and that the registrations of all the proprietary Chinese medicines carried by our Group remain valid and not de-registered.

#### *Proprietary Chinese medicines – licensing of traders*

Pursuant to section 134 of the Chinese Medicines Ordinance, no person shall sell or distribute by way of wholesale, or possess for the purpose of wholesale, any proprietary Chinese medicine without a wholesaler licence in proprietary Chinese medicines, or at any place other than the premises specified in such licence.

Tycoon Hong Kong is a holder of the Wholesaler Licence in Proprietary Chinese Medicine (“**PCM Wholesaler Licence**”) issued by the Chinese Medicines Traders Committee and such PCM Wholesaler Licence is valid until 16 July 2021. Our Directors confirm that as at the Latest Practicable Date, the PCM Wholesaler Licence has not been suspended or revoked and Tycoon Hong Kong has met the applicable criteria and requirements on maintaining the PCM Wholesaler Licence valid.

#### *Proprietary Chinese medicines – labelling requirements*

According to section 143 of the Chinese Medicines Ordinance, no person shall sell or have in his possession for the purpose of selling any proprietary Chinese medicine unless the package of the proprietary Chinese medicine is labelled in the prescribed manner in regulation 26 of the Chinese Medicines Regulation



(Cap 549F of the Laws of Hong Kong). Similarly, section 144 of the Chinese Medicines Ordinance, no person shall sell or have in his possession for the purpose of selling any proprietary Chinese medicine without a package insert which complies with the prescribed requirements in regulation 28 of the Chinese Medicines Regulation.

Any person who contravenes sections 109, 110, 111, 119, 134, 143 or 144 of the Chinese Medicine Ordinance commits an offence and is liable to a fine at level 6 (currently at HK\$100,000) and imprisonment for two years.

### ***Pharmacy and Poisons Ordinance***

Pharmaceutical products and medicines sold in Hong Kong are regulated by the Pharmacy and Poisons Ordinance (Cap 138 of the Laws of Hong Kong) and the various regulations made under it, including, *inter alia*, the Pharmacy and Poisons Regulations (Cap 138A of the Laws of Hong Kong).

Under section 2 of the Pharmacy and Poisons Ordinance, “pharmaceutical products” and “medicines” are defined as any substance as or combination of substances: (a) presented as having properties for treating or preventing disease in human beings or animals; or (b) that may be used in, or administered to, human beings or animals, either with a view to: (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical diagnosis.

Sections 21 and 26 of the Pharmacy and Poisons Ordinance regulate the sale of certain poisons as listed in the Poisons List the Pharmacy and Poisons Regulations. Section 28A of the Pharmacy and Poisons Ordinance prohibits any person from carrying on business as importer or exporter of pharmaceutical products and medicines unless the person is a licensed wholesale dealer or a licensed manufacturer. Pursuant to sections 33 and 34 of the Pharmacy and Poisons Ordinance, any person who contravenes of sections 21, 26 and 28A shall be guilty of an offence, punishable by a fine at level 6 (currently at HK\$100,000) and imprisonment for two years.

Pursuant to regulation 36 of the Pharmacy and Poisons Regulations (Cap 138A of the Laws of Hong Kong), no person shall sell, offer for sale or distribute or possess for the purposes of sale, distribution or other use any pharmaceutical product or substance unless the product or substance is registered under Pharmacy and Poisons Regulations. According to regulation 36C of the Pharmacy and Poisons Regulations, “pharmaceutical products” and “substance” are defined as to have the meaning assigned to “pharmaceutical product” and “medicine” in the Pharmacy and Poisons Ordinance.

Pursuant to regulation 25 of the Pharmacy and Poisons Regulations, no person shall, by way of wholesale dealing, sell or supply at or from any premises a pharmaceutical product, or a substance or article consisting of or containing any poison, unless the person (a) holds a wholesale dealer licence in respect of those premises, (b) is an authorized seller of poisons, or (c) is a licensed manufacturer selling or supplying only pharmaceutical products manufactured by him.

Tycoon Hong Kong is currently holding a Wholesale Dealer Licence issued by the Pharmacy and Poison Board with validity until 6 September 2020. Our Directors confirm that the Wholesale Dealer Licence has not been suspended or revoked and Tycoon Hong Kong has met the applicable criteria and requirements on maintaining the permit valid.

#### *Antibiotics Ordinance*

The Antibiotics Ordinance (Chapter 137 of the Laws of Hong Kong) and the Antibiotics Regulations (Chapter 137A of the Laws of Hong Kong) regulate the sale and supply of substances as specified in the Schedule 1 to the Antibiotics Regulations.

Our Directors confirm that our Group does not carry on, sell or supply any substances as specified in the Schedule 1 to the Antibiotics Ordinance at the moment. Accordingly, a permit to deal in such substances and preparations to which the Antibiotics Ordinance applies is not necessary at the moment.

Nonetheless, Tycoon Hong Kong has obtained and is currently holding such permit (“**Antibiotics Permit**”) issued by the Director of Health on 1 October 2019 with validity until 30 September 2020. Our Directors confirm that the Antibiotic Permit has not been suspended or revoked and Tycoon Hong Kong has met the applicable criteria and requirements on maintaining the permit valid. This would allow our Group to deal with the specified substances within the validity of the Antibiotics Permit if it so wishes.

#### *Occupational Safety and Health Ordinance*

The Occupational Safety and Health Ordinance (Cap 509 of the Laws of Hong Kong) provides for protection to employees with respect to their safety and health in workplaces. It applies not only to industrial workplaces but also non-industrial.

Under the Occupational Safety and Health Ordinance, every employer must, as far as reasonably practicable, ensure the safety and health at work for all employees by: (a) providing and maintaining plant and systems of work that are safe and without risks to health; (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances; (c) providing such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees; (d) as regards any workplace under the employer’s control, (i) maintaining the workplace in a condition that is safe and without risks to health; and (ii) providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and (e) providing and maintaining a working environment for the employees that is safe and without risks to health. An employer who fails to comply with the above provisions commits an offence and is liable on conviction to a fine of HK\$200,000. Further, an employer who intentionally, knowingly or recklessly fails to comply with these provisions commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may serve improvement notices on an employer or an occupier of the workplace against contravention of this ordinance or the Factories and Industrial Undertakings Ordinance (Cap 59 of the Laws of Hong Kong), or suspension notices against an activity or condition or use of

workplace where there is an imminent risk of death or serious bodily injury. An employer or occupier who fails to comply with such notices without reasonable excuse commits an offence and is liable on conviction to a fine of HK\$200,000 and HK\$500,000 respectively, and imprisonment of up to 12 months.

### *Occupiers Liability Ordinance*

The Occupiers Liability Ordinance (Cap 314 of the Laws of Hong Kong) provides for the liability of occupiers and others for injury or damage resulting to persons or goods lawfully on any land or other property from dangers due to the state of the property or to things done or omitted to be done there, and for purposes connected therewith. Without altering the rules of the common law as to the persons on whom a duty is so imposed or to whom it is owed, the ordinance regulates the nature of the duty imposed by law in consequence of a person's occupation or control of premises and of any invitation or permission he gives (or is to be treated as giving) to another to enter or use the premises.

### **Trade**

#### *Sale of Goods Ordinance*

The Sale of Goods Ordinance (Cap 26 of the Laws of Hong Kong) codifies the law relating to the sale of goods.

In general, where the seller sells goods in the course of a business, there is an implied condition that the goods supplied under the sale contract are of merchantable quality and reasonably fit for the particular purpose for which the goods are being bought.

Where a contract for the sale of goods is by description, there is an implied condition that the goods shall correspond with the description. In the case of a contract of sale is a contract for sale by sample, there is an implied condition that: (a) the bulk shall correspond with the sample in quality; (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (c) the goods shall be free from any defect, rendering them un-merchantable, which would not be apparent on reasonable examination of the sample. If the sale is by sample as well as by description, the goods still need to correspond with the description even when the bulk of the goods corresponds with the sample.

#### *Trade Descriptions Ordinance*

The Trade Descriptions Ordinance (Cap 362 of the Laws of Hong Kong) prohibits false trade description, false, misleading or incomplete information, false statements etc, in respect of goods offered in the course of trade. Therefore, all the products and supplement sold by our Group are required to comply with the relevant provisions therein.

Section 2 of the Trade Descriptions Ordinance provides, among others, that "trade description" in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or

reconditioning, person by whom manufactured, produced, processed or reconditioned etc), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto. Section 7A provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

Under sections 13E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance, a trader commits an offence if he engages in relation to a consumer in a commercial practice that: (a) is a misleading omission; (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product.

Pursuant to section 18 of the Trade Descriptions Ordinance, a person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for five years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for two years.

### ***Competition Ordinance***

Enacted on 14 December 2015, the Competition Ordinance (Cap 619 of the Laws of Hong Kong) is to (i) prohibit conduct that prevents, restricts or distorts competition in Hong Kong, (ii) prohibit mergers that substantially lessen competition in Hong Kong, (iii) establish the Competition Commission and the Competition Tribunal, and (iv) provide for incidental and connected matters.

The Competition Ordinance includes, among other provisions, the following:

- (a) the First Conduct Rule: this rule aims to prohibit anti-competitive agreements, concerted practices and decisions among parties. Under the First Conduct Rule, an undertaking must not:–
  - (i) make or give effect to an agreement; (ii) engage in a concerted practice; or (iii) make or give effect to a decision of an association as a member of the association of undertakings, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong;
  
- (b) the Second Conduct Rule: this rule aims to prohibit anti-competitive conduct by a party with substantial market power. The Second Conduct Rule prohibits an undertaking that has a substantial degree of market power in a market to abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Conduct such as predatory behaviour towards competitors or limiting production, markets or technical development to the prejudice of consumers may constitute such an abuse. In

determining whether an undertaking has a substantial degree of market power, matters such as the undertaking's market share, its power to make decisions including pricing, and the entry barriers to competitors are all relevant.

- (c) the Competition Ordinance also contains provisions, the Merger Rule, with respect to controlling mergers. However, the merger provisions currently only apply to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance. In other words, they only apply to the broadcasting and telecommunications sectors and therefore, not to the business of our Group.

Upon contravention of a competition rule by an offender, the Competition Tribunal may impose penalties including pecuniary penalty, injunctive orders, disqualification orders, costs orders, award of damages, and other orders. If a pecuniary penalty is to be imposed, the maximum amount of such pecuniary penalty imposed in relation to conduct constituting a single contravention is 10% of the turnover of the undertaking concerned for each year the contravention occurred, for up to three years of contravention.

### *Import and Export Ordinance*

The Import and Export Ordinance (Cap 60 of the Laws of Hong Kong) provides for the regulation and control of the import of articles into Hong Kong, the export of articles from Hong Kong, the handling and carriage of articles within Hong Kong which have been imported into Hong Kong or which may be exported from Hong Kong, and any matter incidental to or connected with the foregoing.

The import and export of certain articles are prohibited unless with the relevant licences under sections 6C and 6D which are issued under section 3 of the Import and Export Ordinance. Pursuant to section 6C of the Import and Export Ordinance, no person shall import any article specified in Schedule 1 to the Import and Export (General) Regulations (Cap 60A of the Laws of Hong Kong) except under and in accordance with an import licence issued by the Director-General of Trade and Industry under section 3 of the Import and Export Ordinance. Section 6D of the Import and Export Ordinance provides that no person shall export any article specified in the second column of Schedule 2 to the Import and Export (General) Regulations to the place specified opposite thereto in the third column of the schedule except under and in accordance with an export licence issued by the Director-General of Trade and Industry under section 3 of the Import and Export Ordinance. Any person who contravenes sections 6C or 6D of the Import and Export Ordinance shall be guilty of an offence and liable to a fine of \$500,000 and to imprisonment for two years on summary conviction, or a fine of \$2,000,000 and to imprisonment for seven years on conviction on indictment.

These provisions regulate the importation and exportation of articles including the pharmaceutical products, medicines and proprietary Chinese medicines and must be covered by a proper import or export licence.

Our Group had previously carried out export of goods to Macau, which were duly executed under proper export licence application. Our Group currently holds no import licence for importing pharmaceutical and medicine products. However, with a valid Wholesale Dealer Licence, Tycoon Hong Kong may apply for the import of pharmaceutical and medicine products when needed.

***Import and Export (Registration) Regulations***

Regulation 3 of the Import and Export (Registration) Regulations (“**Import and Export Regulations**”) (Cap 60E of the Laws of Hong Kong) sets out exemptions in respect of regulations 4 and 5.

Pursuant to regulation 4 of the Import and Export Regulations, every person, including company, who imports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise an accurate and complete import declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation of the article to which it relates.

Regulation 5 of the Import and Export Regulations requires that every person who exports or re-exports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise an accurate and complete export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the exportation of the article to which it relates.

Any person fails or neglects to do such declaration as required under regulations 4 and 5 of the Import and Export Regulations within 14 days after the importation or exportation (as the case may be) of the article to which it relates without any reasonable excuse shall be liable to (1) a fine of HK\$1,000 upon summary conviction; and (2) commencing from the date of conviction, a fine of HK\$100 in respect of everyday during which his failure or neglect to lodge such declaration in that manners continues. Further, any person who knowingly or recklessly lodges any declaration with the Commissioner of Customs and Excise that is inaccurate in any material particular shall be liable on summary conviction to a fine of HK\$10,000.

**Intellectual Property**

During the Track Record Period, our Directors confirm that our Group sources products through the following channels:

- (a) as an authorised distributor of the brand owners;
- (b) through other authorised distributors of the brand owners;
- (c) through other suppliers (not authorised by the brand owners or authorised distributors), either from Hong Kong or overseas, and
- (d) direct purchase from brand owners (without being an authorised distributor), either from Hong Kong or overseas.

Our Directors confirm that to their best knowledge, information and belief, the products sourced through all the above channels, including those through channels (c) and (d), are genuine products of the brand owners. As advised by the Hong Kong Counsel, generally, the laws in Hong Kong do not prohibit the sale of products sourced through channels (c) and (d). However, the following laws and regulations may be relevant.

### *Copyright Ordinance*

The Copyright Ordinance (Cap 528 of the Laws of Hong Kong) makes provisions in respect of copyright and related rights subsisting in copyright works.

A person may incur civil liability if he or she infringes the copyright in a work by “secondary infringement”.

Section 30 of the Copyright Ordinance provides that, the copyright in a work is infringed by a person who, without the licence of the copyright owner, imports, exports, possesses, deals with or provides means for making infringing copies, for the purpose or in the course of any trade or business, and which he knows or has reason to believe to be an infringing copy of the work. Further, section 31 of the Copyright Ordinance provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner: (i) possesses for the purpose of or in the course of any trade or business; (ii) sells or lets for hire, or offers or exposes for sale or hire; (iii) exhibits in public or distributes for the purpose of or in the course of any trade or business; or (iv) distributes (otherwise than for the purpose of or in the course of any trade or business) to such an extent as to affect prejudicially the owner of the copyright, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies. If such knowledge or guilty state of mind cannot be proved, that person will not be liable for secondary infringement.

An infringement of copyright is actionable by the copyright owner and a person infringing the copyright may incur civil liability for various ways of remedies including damages, injunctions, accounts, order for delivery up or disposal of infringing copy.

Further, section 118 sets out criminal offences for copyright infringement. Under section 118(1) of the Copyright Ordinance, a person commits an offence if he, without the licence of the copyright owner of a copyright work, makes for sale or hire, imports or exports other than for his private and domestic use, sells or lets for hire for the purpose of or in the course of any trade or business, possesses an infringing copy of the work with a view to sell or hire or exhibit for the purpose of or in the course of any trade or business, or distributes an infringing copy of the work to such an extent as to prejudicially affect the copyright owner. A person who commits an offence under section 118(1) is liable on conviction on indictment to a fine at level 5 (currently HK\$50,000) and to imprisonment for four years.

According to section 118(4), a person also commits an offence if he makes, imports, exports, possesses, sells or lets for hire an article specifically designed or adopted for making copies of a particular copyright work which article is used or intended to be used for making infringing copies for sale or hire

or use for the purpose of or in the course of any trade or business. Under section 118(8), if a person possesses an article knowing or having reason to believe that it is used or is intended to be used to make infringing copies for sale or hire or use for the purpose of or in the course of any trade or business, he also commits an offence. The penalty for an offence under section 118(4) or (8) is liable on conviction on indictment to a fine of HK\$500,000 and to imprisonment for eight years.

As to what constitutes as an infringing copy, section 35(2) provides that a copy of a work is an infringing copy if its making constituted an infringement of the copyright in the work in question. Further, section 35(2) provides that a copy of a work is an infringing copy if its making constituted an infringement of the copyright in the work in question. Further, section 35(3) provides that except as otherwise provided in section 35A or 35B, a copy of a work other than a copy of an accessory work is also an infringing copy if: (a) it has been or is proposed to be imported into Hong Kong; and (b) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

However, section 35(4) provides that, in respect of the criminal provisions (i.e. sections 118 to 133), “infringing copy” does not include a copy of a work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong any time after the expiration of 15 months beginning on the first day of publication of the work in Hong Kong or elsewhere; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work. Section 35(5) also provides that, in respect of the provisions on proceedings relating to importation of infringing articles (i.e. Division VII of the Copyright Ordinance), “infringing copy” does not include a copy of a work or a copy of an accessory work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

Section 35(8) provides that for the purpose sections 35(3), 35(4) and 35(5), accessory work means a work incorporated in or consisting of– (a) a label affixed to, or displayed on, an article; (b) the packaging or container in which an article is packaged or contained; (c) a label affixed to, or displayed on, the packaging or container in which an article is packaged or contained; (d) a written instruction, warranty or other information incidental to an article and provided with the article on its sale; or (e) an instructional sound recording or film incidental to an article and provided with the article on its sale, and the economic value of the article (inclusive of the label, packaging, container, instruction, warranty, other information, sound recording or film, as the case may be) is not predominantly attributable to the economic value of the work.

As advised by Hong Kong Counsel, the packaging of our products sourced through channels (c) and (d) as mentioned above will generally fall within the category of “accessory works” and hence the packages, display or advertisement of these products are usually exempted from an infringement of copyright under Section 35(3) and Section 35(8) of the Copyright Ordinance.



*Trade Marks Ordinance*

The Trade Marks Ordinance (Cap 559 of the Laws of Hong Kong) provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Cap 559A of the Laws of Hong Kong).

Under section 18 of the Trade Marks Ordinance, a person infringes a registered trade mark if: (a) in the course of trade or business, he uses a sign which is identical or similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered; and (b) the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public.

Subject to the exceptions in section 19 to 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark.

An infringement of a registered trade mark is actionable by the owner of the trade mark who may apply to the court for orders to deal with the infringing goods, material or articles, such as an order for delivery up, forfeiture, destroy, disposal or an order as the court may decide.

As advised by the Hong Kong Counsel, generally, importation, sales and advertisement of products through channels (c) and (d) mentioned above are not prohibited under the laws of Hong Kong. Importation, sales and advertisements of these products will fall under section 20 of the Trade Marks Ordinance which provides exhaustion of rights generally applicable for defending the use of registered trademarks in relation to products procured through such importation channels which have been put on the market anywhere in the world under such trade marks by the owners of trade marks or with their consent (whether express, or implied or conditional or unconditional) unless the condition of the products has been changed or impaired after they have been put on the market and the use of the registered trade marks in relation to those products is detrimental to the distinctive character or repute of the trade marks.

Our Directors confirm that, during the Track Record Period, prior to sales of products imported through channels (c) and (d) to our customers, there were physical checks on the products to ensure the products are of conforming quality and in good condition and they did not engage in any repackaging, including re-boxing, over-stickering and rebranding of such imported products sourced by our Group. Therefore, as advised by the Hong Kong Counsel, the risk of action against our Group for infringement of registered trade marks due to sourcing and selling of products imported through channels (c) and (d) is unlikely.

Trade marks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trade marks and that use of the trade marks by third parties will cause the owner damage.

*Law on Passing Off*

The action for passing off is recognised at common law. Unlike in an action for deceit, the persons deceived in the action for passing off at common law are the plaintiff's customers rather than the plaintiff himself. In a passing off action, it is not necessary that the plaintiff's customers must be themselves deceived. The passing off action has extended to cases where the defendant sells fraudulently marked goods to retail dealers with the express purpose of the goods being resold to the end purchasers as the plaintiff's goods.

The elements of passing off comprise reputation, misrepresentation and damage, which are frequently referred to as a "classical trinity". It is necessary for a plaintiff of passing off action to: (a) establish that there is a goodwill or reputation attached to the goods or services which he supplies by association with some "get-up" (e.g. a brand name, a trade description, individual features of labelling or packaging, etc) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services; (b) demonstrate a misrepresentation by the defendant to the public leading or likely to lead the public to believe that goods or services offered by him are the plaintiff's goods or services. It is not a defence that the misrepresentation is unintentional; and (c) demonstrate that he has suffered or is likely to suffer damage as a result of such misrepresentation by the defendant.

The importation and sale in local market of the brand owner's goods bearing the marks under which the owner has allowed them to be sold in a foreign country does not generally amount to passing off since no misrepresentation is involved as to the origin of the goods.

Nonetheless, it may amount to passing off for an importer to import and sell the brand owner's goods of one quality, which is not marketed by the brand owner in Hong Kong, as goods of another quality sold by the brand owner in local market. Further, actionable passing off may occur when the importer alters the labelling of the foreign quality goods to the labelling used by the brand owner for his goods of the quality sold on the local market.

**Other relevant laws and regulations***Personal Data (Privacy) Ordinance*

The Personal Data (Privacy) Ordinance (Cap 486 of the Laws of Hong Kong) protects the privacy of individuals in relation to personal data. A data user shall not do an act, or engage in a practice, that contravenes a data protection principle unless the act or practice, as the case may be, is required or permitted under the Personal Data (Privacy) Ordinance.

The Personal Data (Privacy) Ordinance also places a statutory duty on data users to comply with the requirements of the six data protection principles contained in Schedule 1 thereto: (a) principle 1 – purpose and manner of collection of personal data; (b) principle 2 – accuracy and duration of retention of personal data; (c) principle 3 – use of personal data; (d) principle 4 – security of personal data; (e) principle 5 – information to be generally available; and (f) principle 6 – access to personal data.

Non-compliance with a data protection principle may lead to a complaint to the Privacy Commissioner for Personal Data. Section 50 of the Personal Data (Privacy) Ordinance provides that if, following the completion of an investigation, the Privacy Commissioner is of the opinion that the relevant data user is contravening or has contravened a requirement under the Personal Data (Privacy) Ordinance, the Commissioner may serve on the data user a notice in writing, directing the data user to remedy and, if appropriate, prevent any recurrence of the contravention.

A data user who contravenes an enforcement notice commits an offence and is liable: (a) on a first conviction: (i) to a fine at level 5 (currently at \$50,000) and to imprisonment for two years; and (ii) if the offence continues after the conviction, to a daily penalty of \$1,000; and (b) on a second or subsequent conviction: (i) to a fine at level 6 (currently at \$100,000) and to imprisonment for two years; and (ii) if the offence continues after the conviction, to a daily penalty of \$2,000.

### ***Employment Ordinance***

The Employment Ordinance (Cap 57 of the Laws of Hong Kong) provides for the protection of the wages of employees and regulates general employment conditions.

According to Part VIII of the Employment Ordinance, penalties for contravening the provisions in the Employment Ordinance may range from a fine at level 3 (currently at HK\$10,000) to a fine of HK\$350,000 and imprisonment for three years, depending on the particular sections offended. In the case of outstanding wages, pursuant to section 65 an employer convicted of an offence under Employment Ordinance may also be ordered to pay any wages or other sum outstanding in addition to any fine imposed.

### ***Employees' Compensation Ordinance***

The Employees' Compensation Ordinance (Cap 282 of the Laws of Hong Kong) provides for the payment of compensation to employees who are injured in the course of their employment. This ordinance sets out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation notwithstanding the employee might have been at fault or negligent when the accident occurred. Similarly, if incapacity or the death of an employee results from an occupational disease and is due to the nature of any employment in which the employee was employed at any time within the prescribed period immediately preceding such incapacity or death, then the employee or members of his family, as the case may be, shall be entitled to the same compensation as if such incapacity or death had been caused by an accident arising out of and in the course of employment.

Pursuant to section 40(1) of the Employees' Compensation Ordinance, no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the applicable amount specified in the Fourth Schedule of the ordinance. An employer contravening section 40(1) of the Employees' Compensation Ordinance

commits an offence and is liable: (a) on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years; and (b) on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

### ***Minimum Wage Ordinance***

The Minimum Wage Ordinance (Cap 608 of the Laws of Hong Kong) provides for a minimum wage at a prescribed hourly rate (currently at HK\$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance subject to the exceptions stipulated in section 7 of the ordinance.

Pursuant to section 15 of the Minimum Wage Ordinance, a provision of a contract of employment purporting to extinguish or reduce any right, benefit or protection conferred on the employee by the ordinance is void.

### ***Mandatory Provident Fund Schemes Ordinance***

The Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong) provides for, among others, the establishment, contributions, registration and regulation of non-governmental mandatory provident fund schemes for the purpose of funding benefits on retirement.

Unless otherwise exempted, pursuant to the Mandatory Provident Fund Schemes Ordinance, every employer of a relevant employee shall take all practicable steps to ensure that the employee becomes a member of a registered scheme within 60 days (non-casual employee) and 10 days (casual employee) and every employer of a relevant employee shall take all practicable steps to ensure that the employee continues to be so registered afterwards throughout his employment with that employer. Employers and employees are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution to a mandatory provident fund scheme, subject to the minimum and maximum level of relevant income for contribution purpose, which are currently HK\$7,100 per month and HK\$30,000 per month respectively. An employer who without reasonable excuse fails to enrol his employees in a mandatory provident fund scheme commits an offence and is liable on conviction to a fine of HK\$350,000 and to imprisonment for 3 years, while an employer who without reasonable excuse fails to comply with the contribution requirement is liable to a fine of HK\$450,000 and to imprisonment for 4 years.

## **PRC**

### **Cross-border E-commerce**

During the Track Record Period and up to the Latest Practicable Date, we made our sales to the PRC consumers by way of cross-border e-commerce transactions.

*E-commerce Law*

According to the E-commerce Law of the People's Republic of China (effective since 1 January 2019), e-commerce business operators refer to natural persons, legal persons and other non-legal-person organisations that engage in business of sale of goods or provision of services through internet and other information network, including e-commerce platform operators, business operators using the platform, and e-commerce business operators engaging in sale of goods or provision of services through their self-built website or other network services.

Save for certain excepted cases, e-commerce business operators shall apply for business licence pursuant to the E-commerce Law. E-commerce business operators shall display, prominently and continuously on their homepage, their business licence information, administrative licensing information relating to their business operation, or hyperlinks of the aforesaid information. E-commerce business operators shall disclose information of goods or services fully, accurately and promptly, and protect consumers' right to know and right to choose. E-commerce business operators shall not use false transactions, fabricated user review etc. to conduct false or misleading business promotion, so as to defraud or mislead consumers.

*Notice on Work Relating to Improved Regulation of Cross-border E-commerce ("CBEC") Retail Importation*

The Notice on Work Relating to Improved Regulation of Cross-border E-commerce Retail Imports (Shang Cai Fa [2018] No. 486, promulgated by Ministry of Commerce, National Development and Reform Commission, Ministry of Finance, General Administration of Customs and State Administration of Taxation, effective on 1 January 2019) ("**486 Notice**") regulates the cross-border e-commerce retail imports. According to the 486 Notice, cross-border e-commerce retail imports refer to the activities in which the Chinese consumers purchase goods from overseas through third-party cross-border e-commerce platform operators and have the bought goods imported into the PRC by way of "imports through bonded online shopping" or the "imports through direct purchasing". Such imported goods must be, amongst other matters, those goods specified in the Cross-border E-Commerce Retail Import List and are for personal use, and not subject to the licence approval, registration or filing requirements for the first-time imported goods, except for goods from epidemic areas for which importation is expressly suspended by the relevant authorities, and where the risk emergency response is activated for goods which exhibit major quality and safety risks. Cross-border e-commerce enterprises shall be responsible for quality and safety of the goods, be liable for consumer rights protection, perform the obligations to remind and inform consumers, and transmit cross-border e-commerce retail importation transaction electronic data which carries an electronic signature real-time to the Customs, and may declare the list to the Customs on its own or entrust an agent to do so, and bear the corresponding liability. It shall entrust an enterprise which has completed industry and commerce registration in China to complete Customs registration and make declaration. The cross-border e-commerce enterprises and the entrusted enterprises should be subject to regulation by the relevant authorities, and bear civil liability jointly and severally.

***Announcement on Regulatory Matters Relating to Cross-border E-commerce Retail Imports and Exports***

Announcement on Regulatory Matters Relating to Cross-border E-commerce Retail Imports and Exports (General Administration of Customs Announcement [2018] No. 194, promulgated by General Administrations of Customs, effective from 1 January 2019) stipulates that enterprises participating in cross-border e-commerce retail import and export business such as cross-border e-commerce platform enterprises, logistics enterprises, payment enterprises etc. shall register with the Customs at the locality pursuant to the relevant provisions on registration and administration of Customs declaration organisations; overseas cross-border e-commerce enterprises shall entrust a domestic agent to register with the Customs at the locality of the agent. Enterprises participating in cross-border e-commerce retail importation and exportation business and registered with the Customs shall be included in Customs creditworthiness administration, and the Customs shall implement differential Customs clearance administrative measures in accordance with the creditworthiness rating. Cross-border e-commerce direct purchase imports and commodities subject to the “online purchase bonded imports” importation policy shall be regulated as per inbound goods for personal use, and should not be subject to the licence approval, registration or filing requirements for the first-time imported goods. Customers (purchasers) should submit authentic identity information in the transaction.

***Notice on Improving Tax Policies for Cross-border E-commerce Retail Importation***

Notice on Improving Tax Policies for Cross-border E-commerce Retail Importation (Cai Guan Shui [2018] No. 49, promulgated by Ministry of Finance, State Administration of Taxation and General Administration of Customs, effective since 1 January 2019) has adjusted the single transaction limit for cross-border e-commerce retail import from RMB2,000 to RMB5,000, and the annual transaction limit from RMB20,000 to RMB26,000. Where the dutiable price exceeds RMB5,000 in a single transaction but is less than the annual transaction limit of RMB26,000, and there is only one item in the order, the item may be imported via the cross-border e-commerce retail channel, and the Customs duties as well as import value-added tax and consumption tax will be levied fully. Such transaction amount shall be included in the calculation of total amount for annual transactions; however if the total amount for annual transactions exceeds the annual transaction limit, the transaction shall be deemed as general trade for administration purpose.

To sum up, goods imported to the PRC under the cross-border e-commerce platforms shall be, amongst other conditions, those specified in the Cross-border E-Commerce Retail Imports List and shall be regulated as per inbound goods for personal use and should not be subject to the licence approval, registration or filing requirements for the first-time imported goods. E-commerce business operators shall apply for business licence and shall display, prominently and continuously on their homepage, their business licence information, administrative licensing information relating to their business operation, or hyperlinks of the aforesaid information. Enterprises participating in cross-border e-commerce retail importation and exportation business such as cross-border e-commerce platform enterprises, logistics enterprises, payment enterprises etc. and overseas cross-border e-commerce enterprises shall register with the Customs.

Our PRC Legal Advisers have advised that our Group has complied with all of the requirements set out in the above law, notices and announcement.

## Conducting Distribution Business in the PRC

### *Conducting Food and Health Supplement Business in the PRC*

#### *Food Safety Law and Administrative Measures for Food Business Licensing*

In accordance with the Food Safety Law of the People's Republic of China ("**Food Safety Law**") (effective since 29 December 2018), the PRC government shall implement a licensing system for food business operations. Persons engaging in food manufacturing, sale of foodstuffs, food and beverage services shall obtain a food business permit pursuant to the law.

In accordance with the Administrative Measures for Food Business Licensing (effective since 17 November 2017), a food business permit shall be obtained to engage in food selling and catering services in the PRC. Food business permit applications shall be filed according to food business operators' types of operation and operation project classification. Food business projects are divided into the sale of prepackaged food, sale of unpackaged food, sale of special food (health supplements, food for special medical use, infant formula milk powder, other infant formula food), and sale of other food.

Health supplements are also under the supervision of the Food Safety Law. In accordance with the Food Safety Law, imported health supplements shall be products allowed by the authorities of the exporting country (region) to be sold. First-time imported health supplements shall be registered with the food and pharmaceutical supervision and administration department of the State Council. However, where first-time imported health supplements are deemed as vitamins, minerals and other nutrients, record shall be filed with the food and pharmaceutical supervision and administration department of the State Council.

Imported foods shall pass inspection conducted by inbound and outbound inspection and quarantine agencies. Overseas exporters or agents exporting foods to the PRC and importers importing foods into the PRC shall file record with the inbound and outbound inspection and quarantine authorities of the PRC. Overseas food manufacturing enterprises exporting foodstuffs to the PRC shall be registered with the inbound and outbound inspection and quarantine authorities of the PRC.

Our Group has obtained a food business permit on 22 July 2019 and such permit is valid until 21 July 2024. The licensed business scopes include sales of health supplements, sales of infant formula milk powder, and sales of other infant formula food.

#### *Administrative Measures for the Registration and Record of Health Supplements*

In accordance with the Administrative Measures for the Registration and Record of Health Supplements (effective since 1 July 2016), the overseas manufacturing enterprise shall be the applicant for the registration or record of the first-time imported health supplements.

*Conducting Pharmaceutical Business in the PRC**Pharmaceutical Administration Law*

In accordance with the Pharmaceutical Administration Law of the People's Republic of China ("**Pharmaceutical Administration Law**") (effective since 24 April 2015), no enterprise shall engage in the trade of pharmaceuticals without the pharmaceutical trade licence.

Pharmaceutical-trading enterprises shall comply with the standards for the quality control of pharmaceutical-trading stipulated by the medical products administrative department of the State Council. The medical products administrative department shall conduct assessment and shall issue GSP (good supply practice) certificates to those which pass the assessment. However, the newly amended Pharmaceutical Administration Law, which was issued on 26 August 2019 and will be effective since 1 December 2019, has cancelled the GSP certificate, but pharmaceutical-trading enterprises still have to comply with the standards for the quality control of pharmaceutical-trading.

The import of pharmaceuticals shall be examined by the pharmaceuticals control and administrative department of the State Council. Import approval shall be granted only after the examination confirms that the pharmaceuticals comply with quality standards and are safe for use. A registration certificate for imported pharmaceuticals shall then be issued. Pharmaceutical must be imported via the ports which are permitted to import pharmaceuticals. The customs office shall give clearance upon the production of the customs clearance sheet for imported pharmaceuticals issued by the pharmaceuticals control and administrative department.

**Foreign Investment***Regulations on Establishment, Operation and Management of Foreign-owned Enterprises*

Pursuant to the PRC Company Law promulgated by the Standing Committee of the National People's Congress on 29 December 1993, first becoming effective on 1 July 1994, and recently revised on October 26, 2018, the establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law. Unless otherwise stipulated in the related laws on foreign investment, foreign invested companies are also required to comply with the provisions of the PRC Company Law.

In accordance with Law of the People's Republic of China on Wholly Foreign-owned Enterprises, which became effective in 1986 and recently amended in 2016, and Implementation Regulations for the Law of the People's Republic of China on Wholly Foreign-owned Enterprises, which became effective in 1990 and recently amended in 2014, the procedures for the establishment of foreign-owned enterprises, the form of organisation and registered capital, the method and duration of investment, taxation, foreign exchange management, finance and accounting shall comply with the provisions of such laws and regulations.



The Provisional Measures on Record-filing Administration over the Establishment and Change of Foreign Invested Enterprises (“**Measures**”) was promulgated by the Ministry of Commerce and became effective in 2016, and was recently revised in 2018. The Measures shall apply to establishment and alteration of foreign investment enterprises and conversion of a non-foreign investment enterprise into a foreign investment enterprise due to merger and acquisition which are not subject to special administrative measures stipulated by the state.

### *Regulations on Foreign Investment Guidelines*

In accordance with Regulations (“**Regulations**”) on Foreign Investment Guidelines, which became effective on 1 April 2002, foreign investment projects shall be classified into four categories: encouraged projects, permitted projects, restricted projects and prohibited projects. Encouraged, restricted and prohibited foreign investment projects shall be listed in the Guideline Catalogue of Foreign Investment Industries (effective in 2017 and recently partly abolished by Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2018). The Regulations shall apply to projects of Sino-foreign equity joint venture enterprises, Sino-foreign cooperative enterprises, and wholly foreign-owned enterprises established within the territory of China (hereinafter referred to as foreign investment enterprises) and projects of any other forms of foreign investment (hereinafter referred to as foreign investment projects).

The Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2018) has listed the special administrative measures for foreign investment access in a unified manner including requirements on equity and executives. The areas other than the Negative List for Foreign Investment Access are administered under the consistency principle for domestic and foreign investment. The cultural, financial and other fields not listed in the Negative List for Foreign Investment Access and related measures for administrative approval, qualifications and national security shall be subject to the current regulations.

## **Tax**

### *Regulations on Value-added Tax*

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (“**Provisional Regulations on VAT**”) which was promulgated on 13 December 1993 and Detailed Rules for the Implementation of the Interim Regulation of the People’s Republic of China on Value Added Tax which was promulgated on 25 December 1993 and amended on 28 October 2011, all entities or individuals in the PRC engaging in the sale of goods, provision of processing services, repairs and replacement services and the importation of goods are required to pay value-added tax (“**VAT**”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is usually 17%, and in certain limited circumstances is 13%, subject to the products involved.

In accordance with Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates, which became effective on May 1, 2018, the deduction rates of 17% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16%.

According to Announcement on Policies for Deepening the VAT Reform (Announcement [2019] No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, effective on 1 April 2019), for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

### ***Regulations on Tax on Dividends***

The State Administration of Taxation ("SAT") and the Hong Kong government entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("**Arrangement**") on 21 August 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC resident to its shareholder, who is a Hong Kong resident and directly holds at least 25% of its equity, is 5%, and otherwise which is 10%, and vice versa.

The Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements was enacted by the SAT on 20 February 2009 and became effective on 20 February 2009. Pursuant to that, a taxpayer of the other party, who directly holds a certain percentage (normally 25% or 10%) of equity interests of a PRC company, shall be entitled to the tax treatment specified in the tax agreements if all of the following requirements are satisfied: (i) such taxpayer obtaining dividends shall be a company; (ii) the equity interests and voting shares of a PRC company directly hold by such taxpayer shall reach the stipulated percentage; and (iii) the equity interests of a PRC resident enterprise directly owned by such taxpayer shall satisfy the stipulated percentage at any time during the 12 months prior to the obtainment of the dividends. According to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers, which was promulgated by SAT on 27 August 2015 and became effective on 1 November 2015, the qualified non-resident taxpayers shall enjoy the convention treatment during tax declaration or during withholding declaration via withholding agents, and shall be subject to the subsequent management by tax authorities.

### **Labour Protection, Social Insurance and Housing Provident Fund**

#### ***Regulations on Labour Protection***

Pursuant to the PRC Labour Law effective in 1995, the PRC Labour Contract Law effective in 2008 and the Implementation Regulations for the Labour Contract Law of the People's Republic of China, an employer unit shall establish and improve its rules and regulations in accordance with the law in order to ensure that workers enjoy labour rights and perform labour obligations. A written labour contract is required when an employment relationship is established between an employer and an employee. A labour contract shall include the following clauses: term of labour contract; working hours and rest periods and off days; labour remuneration; social security; labour protection, working conditions and occupational hazard prevention and protection; and any other matters to be included in a labour contract as stipulated by the laws and regulations.

*Regulations on Social Insurance*

According to the Social Insurance Law effective in 2011, Provisional Regulations for the Collection and Payment of Social Insurance Premiums effective in 1999, Unemployment Insurance Regulations effective in 1999 and Regulations on Work-related Injury Insurance effective in 2004, the state shall establish social security systems such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, family planning insurance, etc., to protect the rights of citizens for obtaining material assistance from the state and the society pursuant to the law in the circumstances of old age, illness, work injury, unemployment, family planning, etc. Employers must pay a number of social security funds for their employees, including basic medical insurance, work injury insurance, unemployment insurance, family planning insurance. Employers which failed to complete social security registration shall be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel shall be subject to a fine ranging from RMB500 to RMB3,000.

*Regulations on Housing Provident Fund*

Pursuant to Regulations on Management of Housing Provident Fund effective in 1999, an employer shall go to the housing provident fund management centre to undertake registration of payment and deposit of the housing provident fund and, upon verification by the housing provident fund management centre, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees.

Where, in violation of the provisions of these Regulations, an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management centre shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

**MACAU****Import and export of pharmaceutical products and operation of a pharmacy**

19 September 1990 – Decree-Law No. 58/90/M (Regulating the Practice of Pharmaceutical Professions and Activities) (“**Decree-Law No. 58/90/M**”).

The regulatory authority responsible for regulating the pharmaceutical activities and all related matters is the Macau Health Bureau. The Macau Health Bureau regulates the types of establishments which may operate pharmaceutical activities such as importing and exporting pharmaceutical products. The formation of pharmaceutical establishments shall be subject to prior authorisation by the Macau Health Bureau. The Directorate for Health Bureau shall record the permits (alvará) issued, containing each record,

the name or denomination and residence or seat of the holder of the permit, the name of the establishment and location of the operation, the name of the technical director (in cases where it is required) and the permit number. Amendments to the initial registration, suspensions and cancellation of the licence shall be entered by registry to the register.

The exercise of a pharmaceutical operation in contravention of the provisions set forth in Decree-Law No. 58/90/M, regarding the preparation, trade, storage and supply of medicines, shall be punishable by a fine of MOP4,000 to MOP12,000. The same penalty shall be applied to breach of statutory regulations and non-compliance with sanitary determinations prohibiting the manufacture, import, export, wholesale or dispensing of medicinal products or other pharmaceutical products.

### *Import and export of pharmaceutical products*

The provisions as stated below, apply to both companies and individuals that wish to import and export pharmaceutical products to or from Macau.

Should a company wish to start the operation of import and export of pharmaceutical products, the following requirements shall be met: (i) the applicant should reside or have its headquarters in Macau and, in case of a company it shall be duly incorporated in Macau; (ii) the applicant should have facilities which meet the safety and quality requirements appropriate to the storage of medicinal products; (iii) the applicant and, if in case of a company, its managers, administrators or directors, should possess civil suitability for the exercise of the pharmaceutical activity; (iv) if the company involves handling storage or storage of medicines, the Health Services Department may require the collaboration of a pharmacist.

The import and export of pharmaceutical products are subject to prior authorisation from the Director of the Health Bureau, and the legislation that regulates foreign trade, that is, Law no. 7/2003, further amended by Law no. 3/2016 is applicable to such activity.

A list of the products to be imported or exported shall be delivered to Directorate of Health Bureau, at least three days prior to the date scheduled for the commencement of the operation, unless it is a case of duly proven urgency. Accordingly, the Directorate of Health Bureau shall issue a certificate of registration of medicinal products intended for exportation or importation, as requested. In case of a company who is not the holder of a licence to import/export pharmaceutical products, but wishes to sell such products at its pharmacy, the company can acquire the said pharmaceutical products from a third party (including an agent, acting as an intermediary) duly licensed to import/export pharmaceutical products in Macau.

Pursuant to the Law of External Trade, Law no. 7/2003, the tables of export (A) and import (B), are approved by order of the Chief Executive, and published in the Official Gazette of Macau. Such tables were published by means of the Dispatch of the Chief Executive no. 487/2016. Furthermore, in connection with the Law of External Trade, the Administrative Regulation no. 28/2003, further amended by Administrative Regulation no. 19/2016, regulates the operations of external trade. Such Administrative Regulation provides for the public entities which are competent to issue the licences to import and export of the products referred to in the tables of export (A) and import (B) under Dispatch of the Chief Executive no. 487/2016.

In relation to the list of products referred above, combined with the information provided in the charts of the Dispatch of the Chief Executive no. 487/2016 and the Administrative Regulation no. 19/2016, personal hygiene products, reagents, drugs, and all chemical products for medical and clinical purposes, require a prior authorisation from the Department to the Pharmaceutical Affairs, in order to be imported to Macau.

For the remaining products, and as per the advice from the Health Bureau, it is a common practice to contact such Bureau and enquire them whenever there is doubt on the composition of the product to be imported.

Tycoon Macau has obtained and is currently holding the Licence for Firm for Import, Export and Wholesale of Pharmaceutical Products issued by the Health Bureau on 27 September 2019 with validity of one year.

Our Macau Legal Advisers have advised that the selling of pharmaceutical products by Tycoon Macau was in compliance with the material aspect of the relevant laws and regulations during the Track Record Period.

#### *Operation of a pharmacy*

In order to operate a pharmacy, it is required to obtain a licence, pursuant to Decree-Law no. 58/90/M.

The operation of the pharmacy implies an effective and permanent technical direction, assured by a technical director. The technical director is responsible for the acts done by his employees, being considered as the moral author of any unlawful act committed by those, when the practice has been facilitated by the lack of fulfilment of the duties that fall on him. The name of the pharmacy must be appropriate to its nature, different from that of other pharmacies and must also comply with the legal provisions governing the establishment and registration of trade names and logos. Such name shall be approved by the Directorate of Health Bureau and must appear on the printed matter, letters, envelopes or stamps used by the pharmacy. It is prohibited to use the facilities of the pharmacy for other purposes than those for which they are intended, and it is prohibited, in particular, to operate in a doctor's or veterinarian's office, a nursing station or any other health care service.

Our Macau Legal Advisers have advised that the operation of the pharmacies in Macau by Tycoon Macau was in compliance with the material aspect of the relevant laws and regulation during the Track Record Period.

#### **Labour**

Legal issues in relation to labour matter are regulated by the following laws and regulations:

27 July 1998 – Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) (“**Law No. 4/98/M**”);

18 August 2008 – Law No. 7/2008 (Labour Relation Law) (“**Law No. 7/2008**”) which replaces the 3 April 1989 – Decree-Law No. 24/89/M;

14 August 1995 – Decree Law No. 40/95/M (Approval of the Legal Regime of Compensation for Damages arising from Accidents at Work and Occupational Diseases) (“**Decree Law No. 40/95/M**”)

17 August 2010 – Law No. 4/2010 (Social Security System) (“**Law No. 4/2010**”)

22 May 1989 – Decree Law No. 37/89/M (Approval of General Regulation of Working Safety and Hygiene of Office, Service and Commercial Establishment) (“**Decree Law No. 37/89/M**”);

18 February 1991 – Decree Law No. 13/91/M (Determination of Sanctions for the Non-compliance of General Regulation of Working Safety and Hygiene of Office, Service and Commercial Establishments) (“**Decree Law No. 13/91/M**”);

15 October 2009 – Law No. 21/2009 (Law of Hiring Non-resident Workers) (“**Law No. 21/2009**”);

14 June 2004 – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) (“**Administrative Regulation No. 17/2004**”); and

2 August 2004 – Law No. 6/2004 (Law of Illegal Immigration and Expulsion) (“**Law No. 6/2004**”).

The regulatory authorities in Macau are responsible for labour safety, social security regime and insurance matters are the Labour Department of Macau, Social Security Fund of Macau and Monetary Authority of Macau, respectively.

Law No. 4/98/M prescribes the general principles and directions of labour legislations. Law No. 7/2008 which became effective on 1 January 2009 provides the basic requirements and conditions for different types of labour relations and the available exceptions. In general, requirements and conditions stipulated in Law No. 7/2008 cannot be waived by mutual agreement of the employers and employees. No working conditions of whatever type of labour relations should be worse than or inferior to the basic conditions stipulated in the Law No. 7/2008.

According to Decree Law No. 37/89/M, employers shall comply with the requirements to provide safe and clean working environment and condition for the employees. Failure to comply with the requirements may render the employers subject to fine and cautious measures, i.e. sealing of equipment and/or the closure of establishments, being imposed under the Decree Law No. 13/91/M.

In accordance with the Decree Law No. 40/95/M, in the event that an industrial accident occurs, employer shall notify the Labour Affairs Bureau of Macau within 24 hours of the accident, or of the time that the employer has knowledge of the accident, and notify the insurer within the period as required under the insurance policy. Employer’s failure to provide notification to the Labour Affairs Bureau of Macau may result with administrative fine from MOP2,500 to MOP12,500.

Employers in Macau can only employ permanent or non-permanent Macau residents or holders of work permits in the case of foreign workers. Employment of non-resident workers shall be in compliance with the requirements under the Law No. 21/2009 and the employers are required to obtain the work permits in the case of foreign workers. According to Administrative Regulation No. 17/2004, save and except to certain limited situations, workers working in Macau but are not Macau residents or holders of work permits will be considered as illegal workers in Macau and their employers, according to Law No. 6/2004, will be criminally liable for hiring illegal workers and are punishable with imprisonment for up to 2 years and, in the event of a repeat offence, imprisonment of 2 to 8 years and subject to an administrative fine with MOP20,000.00 to MOP50,000.00 in accordance with the Administrative Regulation No. 17/2004.

Pursuant to the statutory requirements stipulated under the Law No. 4/2010, the employer is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with relevant applicable legislations, failing which an administrative fine will be imposed on the employer as legal sanction.

## **Tax**

Under the laws of Macau, a company registered in Macau should comply with the tax regime of Macau. According to the business nature of the company, the complementary income tax or profits tax, which shall be levied on the overall income defined in accordance with the Law No. 21/78/M, and the industrial tax which shall be levied to any commercial or industrial activity engaged in Macau are payable by the company and the company also has the responsibility for the declaration of the professional tax, which shall be levied on income from work of its staff generally under the Law No. 2/78/M.

## **SINGAPORE**

### **Import and Distribution**

#### *Import and Distribution of Processed Food Products*

The objectives of the Sale of Food Act, Chapter 283 of Singapore (“**Sale of Food Act**”) are: (i) regulating food to ensure that food for sale is safe and suitable for human consumption and to promote public health; (ii) ensuring the provision of information relating to food to enable consumers to make informed choices; and (iii) preventing misleading conduct in connection with the sale of food. The Singapore Food Agency (“**SFA**”) is responsible for the administration and enforcement of the Sale of Food Act. Under the Sale of Food Act, it is an offence to, among other things, sell any food which is unsound or unfit for human consumption.

Section 21 of the Sale of Food Act requires any person who carries on a non-retail food business to obtain a licence (“**Non-Retail Food Business Licence**”) from the Director-General of the SFA.

Under the Sale of Food Act, a “non-retail food business” means a business or an undertaking or activity that involves, in whole or in part, the handling of food intended for sale or the sale of food (on the Internet or otherwise), and that is not carried out as a retail food establishment where food is sold wholly

by retail or as a catering establishment providing a catering service, and includes a food business a component of which is a business, an undertaking or activity carried out as a retail food establishment or a catering establishment. Examples of non-retail food businesses under the Sale of Food Act include warehouses for the storage of food.

Regulation 3 of the Sale of Food (Exemption for Non-Retail Food Business) Order 2018 provides that a Non-Retail Food Business Licence is not required if the non-retail food business is (i) not a food processing establishment where food is manufactured, processed, prepared or packed for the purposes of distribution to wholesalers and retailers, (ii) not premises used for the cold storage of food intended for human consumption or prescribed as a cold storage for the purposes of the Sale of Food Act, or (iii) authorised and carried out in accordance with a valid licence under the Wholesome Meat and Fish Act, Chapter 349A of Singapore or is exempt from needing such a licence in the Wholesome Meat and Fish Act, Chapter 349A of Singapore. However, a person setting up any building, facility, structure, or premise, where food is stored for the sale or distribution to other processors, wholesalers or any other business selling or distributing to the ultimate consumer (“**Food Storage Warehouse**”) will be required to register the Food Storage Warehouse with the SFA. As at the Latest Practicable Date, Tycoon Singapore has duly registered the Food Storage Warehouse with the SFA.

Regulation 5 of the Food Regulations, enacted pursuant to Section 56 the Sale of Food Act, provides that no person may import, advertise, manufacture, sell, consign or deliver any prepacked food if the package of pre-packed food does not bear a label containing all the particulars required by the Food Regulations. Further, it is an offence to import, sell, consign or deliver any pre-packed food with an expired date mark.

Any person who fails to comply with the Sale of Food Act and/or the Food Regulations will be guilty of an offence and may be liable on conviction to monetary fines and/or custodial sentences.

#### *Regulation of Imports and Exports Act*

Section 3(2)(k) of the Regulation of Imports and Exports Act, Chapter 272A of Singapore (“**RIEA**”) states that the Minister for Trade and Industry Singapore may make regulations for the registration of importers, exporters, common carriers of goods or any person making a declaration under the RIEA or any regulations made thereunder. In addition, Regulation 35B of the Regulation of Imports and Exports Regulations states that the Director General of Singapore Customs may register any person who is an importer, exporter, shipping agent, air cargo agent, freight forwarder or common carrier who is not a declaring entity and whom the Director-General of Singapore Customs deems necessary or expedient to be registered.

In accordance with the above, importers of processed foods are required to first register with SFA. Processed food products refer to all food products and supplements of food nature except meat products and fish products, fresh fruits and fresh vegetables.

Once the importer has been registered with SFA to import processed foods (“**Registrant**”), the Registrant must then obtain a permit for the import of each consignment of processed food. Traders may apply for the import permits by declaring their food imports prior to importation into Singapore. Upon



approval by the Singapore Customs and SFA, the Registrant will be issued with a cargo clearance permit which also serves as an import permit. Importers must ensure that the food products imported for sale in Singapore comply with the food standards and labelling requirements stipulated in the Food Regulations.

As at the Latest Practicable Date, registration to import processed food products has been made by Tycoon Singapore with the SFA. As at the Latest Practicable Date, registration to make applications under the Regulation of Imports and Exports Regulations and Customs Regulations for licences, permits, certificates and/or any other documents or forms of approval in relation thereto, as may be required, has been made by Tycoon Singapore with the Singapore Customs.

## **Employment**

### *Employment Act*

The Employment Act, Chapter 91 of Singapore (“**Employment Act**”) is the main legislation governing employment in Singapore. Pursuant to amendments to the Employment Act introduced with effect from 1 April 2019, the Employment Act covers every employee who is under a contract of service with an employer including (a) persons employed in a managerial or executive position; (b) a workman (as defined under the Employment Act), but does not include, any public servant, seafarer, domestic worker, or such other person whom the Minister for Manpower may declare, from time to time by notification in the Gazette, not be an employee for the purposes of the Employment Act. Following the amendments to the Employment Act in effect from 1 April 2019, the salary threshold for the coverage of core employment provisions such as public holiday and sick leave entitlements, minimum days of annual leave, payment of salary and allowable deductions and redress for wrongful dismissal, has been removed to cover all employees under the Employment Act.

Part IV of the Employment Act contains provisions relating to, amongst others, working hours, overtime, rest days, payment of retrenchment benefits, priority of retirement benefits, annual wage supplement and other conditions of work or service, which apply to (i) workmen earning basic monthly salaries of not more than S\$4,500; and (ii) employees (excluding workmen) earning basic monthly salaries of not more than S\$2,600. Any employer who breaches any provision of Part IV of the Employment Act shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Paid public holidays, minimum days of annual leave, timely payment of salary, and sick leave apply to all employees covered by the Employment Act regardless of salary levels.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 June 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 23 March 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing

by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

***(iv) Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch

register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors***(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who

wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and

discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, the board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may



become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such

manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully

paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.



**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

#### (c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 June 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of directors and officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial ownership register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to

an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic substance requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 14 June 2017. Our Company has established its principal place of business in Hong Kong at Room 14, 8/F., Wah Wai Centre, 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 June 2019. Mr. Wong Ka Chun Michael was appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands and its constitution which comprises the memorandum of association of our Company and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company*****(a) Increase in share capital of our Company***

The authorised share capital of our Company as at the date of incorporation, being 14 June 2017, was HK\$380,000 divided into 38,000,000 Shares.

Immediately following the incorporation of our Company, on 14 June 2017, the one nil-paid subscriber Share was transferred to Tycoon Empire.

On 30 November 2018, the one nil-paid Share held by Tycoon Empire was credited as fully paid at par and 9,999,999 Shares were allotted and issued, credited as fully paid at par, to Tycoon Empire, further particulars of which are described in "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus. Upon completion of the aforementioned allotment and issue, the issued share capital of our Company comprised 10,000,000 Shares.

The authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each and the Capitalisation Issue was approved pursuant to the resolutions in writing of our Shareholders passed on 23 March 2020 referred to in paragraph 5 below and subject to the conditions contained therein.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 9,200,000,000 Shares will remain unissued.

In the event that the Over-allotment Option is exercised in full, immediately following the completion of the Global Offering and the Capitalisation Issue, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 828,863,000 Shares will be issued fully paid or credited as fully paid, and 9,171,137,000 Shares will remain unissued.

Save as disclosed in this paragraph and in paragraph 3 of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

**(b) Founder shares**

Our Company has no founder shares, management shares or deferred shares.

**3. Corporate reorganisation**

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. Please see "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus for further details.

**4. Changes in share capital or registered capital of the subsidiaries of our Group**

The subsidiaries of our Company are listed in the Accountants' Report.

Save as mentioned in "History, Reorganisation and Corporate Structure" in this prospectus, the following changes in the share capital of our subsidiaries have taken place within two years immediately preceding the issue of this prospectus:

- (a) Billion Crown was incorporated in Hong Kong with limited liability on 8 February 2018 with one issued share as the first member share, and on 26 April 2018, such first member share was transferred to Mr. Wong at a consideration of HK\$1.
- (b) Million Effort was incorporated in BVI with limited liability on 28 March 2018. One share as the first member share was allotted and issued to Key Zone on 17 April 2018 at a consideration of US\$1.
- (c) Million Effort Investment was incorporated in BVI with limited liability on 28 May 2018 and one share as the first member share was allotted and issued to Mr. Wong on 15 September 2018 at a consideration of US\$1.
- (d) Tycoon Shenzhen was established in the PRC on 28 August 2018 as a limited liability company by Billion Crown as its sole investor with a registered capital of HK\$1,000,000.
- (e) Tycoon Malaysia was incorporated in Malaysia on 27 May 2019 and one share as the first member share was allotted and issued to Key Zone on the same day at a consideration of RM1, and on 26 December 2019, 999,999 shares were allotted and issued to Key Zone at a consideration of RM999,999.

**5. Resolutions in writing of our Shareholders passed on 23 March 2020**

By resolutions in writing of our Shareholders passed on 23 March 2020:

- (a) our Company adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 new Shares;
- (c) conditional upon the listing of the Shares on the Main Board of the Stock Exchange, the 2,500,000 Investor Ordinary Shares (as defined in the then existing memorandum and articles of association of our Company), being all the Investor Ordinary Shares issued by our Company, be re-organised, re-designated and re-classified into 2,500,000 Shares and the Investor Ordinary Shares shall cease to exist thereafter;
- (d) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions thereof) and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the day falling 30 days after the date of this prospectus; and (iii) the market capitalisation of our Company (“**Final Market Capitalisation**”) (calculated based on the final Offer Price) immediately after the issue of the Offer Shares (excluding, for this purpose, the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue being not less than HK\$1,191,219,600 or, where the Final Market Capitalisation being less than HK\$1,191,219,600, no later than the date of the International Underwriting Agreement, parties to the Pre-IPO Shareholders Agreement having agreed to amend the Pre-IPO Shareholders Agreement to the effect that the Global Offering at the final Offer Price shall, for the purpose of the Pre-IPO Shareholders Agreement, be deemed as a Qualified IPO:
  - (i) each of the Global Offering and the grant of the Over-allotment Option was approved and our Directors were authorised to allot and issue (aa) the Offer Shares pursuant to the Global Offering and (bb) the Shares pursuant to the exercise of the Over-allotment Option;
  - (ii) the Capitalisation Issue – conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 597,580,000 Shares, credited as fully paid at par, to the holders of Shares whose names appear on the register of members of our Company at 4:00 p.m. on 23 March 2020 (or as they may direct) in proportion to their then existing respective shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,975,800 standing to the credit of the share premium account of our Company, and the Shares be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares;

- (iii) the Issuing Mandate – a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles or under the Global Offering or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate number of our Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue; and (bb) the nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (iv) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
  - (iv) the Repurchase Mandate – a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase Shares up to such number not exceeding 10% of the number of our Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue; until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
  - (v) the general unconditional mandate mentioned in sub-paragraph (iii) above was extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (iv) above; and
- (e) conditional on the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions thereof) and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the day falling 30 days after the date of this prospectus, the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “12. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme.

## 6. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Group of our own securities (*Note*).

### (a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to a resolution in writing passed by our Shareholders on 23 March 2020, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of options granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

### (b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the laws of the Cayman Islands, any repurchases by our Company may be made out of profits or the share premium account of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of profits or the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

### (c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

*(d) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands. On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

*(e) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or any of the subsidiaries of our Group.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY****7. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) (1) the Pre-IPO CN Subscription Agreement, being the subscription agreement dated 14 November 2017 made between Tycoon Hong Kong, Mr. Wong and the Pre-IPO CN Holder pursuant to which Tycoon Hong Kong issued the Pre-IPO Convertible Note to the Pre-IPO CN Holder on 21 November 2017 at a consideration of HK\$50,000,000; and (2) the supplemental deed to the instrument constituting the Pre-IPO Convertible Note dated 13 December 2018 made between our Company, Tycoon Hong Kong and the Pre-IPO CN Holder;
- (b) the Reorganisation Agreement, being the share purchase agreement dated 30 November 2018 made between Mr. Wong as vendor and our Company as purchaser for the acquisition of the entire issued share capital of Dynasty Garden by Tycoon Capital at a consideration which was satisfied by (i) the crediting of the one nil-paid Share held by Tycoon Empire as fully paid at par and (ii) the allotment and issue, credited as fully paid, 9,999,999 Shares to Tycoon Empire;
- (c) the Pre-IPO Shareholders Agreement;
- (d) the joint venture agreement dated 11 March 2020 entered into between Huayi Runsheng (HK) Trading Limited and Great Smart in relation to the formation of a joint venture in the PRC with a proposed registered capital of RMB10,000,000 whereby Great Smart will be required to contribute RMB3,000,000 to the joint venture as registered capital;
- (e) the cornerstone investment agreement dated 20 March 2020 entered into between our Company, Jacobson Group Treasury Limited and Shenwan Hongyuan Capital (H.K.) Limited, pursuant to which Jacobson Group Treasury Limited agreed to subscribe for the Shares (rounded down to the nearest whole board lot of 2,000 Shares) in the amount of HK\$80,000,000 (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the final Offer Price;
- (f) the Deed of Indemnity, as more particularly referred to in the paragraph headed “13. Tax and other indemnity” in this Appendix; and
- (g) the Hong Kong Underwriting Agreement.

## 8. Intellectual property rights





## (a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:


No.	Mark	Registered owner/applicant	Place of registration	Registration number	Class	Duration of validity (year/month/day)
1.		Profit Lead	Hong Kong	304075146	3, 5	2017/03/14- 2027/03/13
2.		Profit Lead	Hong Kong	304138597AA	3	2017/05/15- 2027/05/14
3.		Profit Lead	Hong Kong	304746754	3	2018/11/26- 2028/11/25
4.		Tycoon Hong Kong	Hong Kong	302298358	5, 10	2012/06/28- 2022/06/27
5.		Tycoon Hong Kong	Hong Kong	302408111	5	2012/10/17- 2022/10/16
6.		Tycoon Hong Kong	Hong Kong	302823877	3, 5	2013/12/03- 2023/12/02
7.		Tycoon Hong Kong	Hong Kong	303570156	5, 35	2015/10/20- 2025/10/19



No.	Mark	Registered owner/applicant	Place of registration	Registration number	Class	Duration of validity (year/month/day)
8.	<b>Babylife</b> 兒寶	Tycoon Hong Kong	Hong Kong	303665278	3	2016/01/21- 2026/01/20
9.		Tycoon Hong Kong	Hong Kong	303744856	3, 35	2016/04/15- 2026/04/14
10.		Tycoon Hong Kong	Hong Kong	303774060	3, 5	2016/05/13- 2026/05/12
11.		Tycoon Hong Kong	Hong Kong	303863809	3, 5	2016/08/09- 2026/08/08
12.	A  B 	Tycoon Hong Kong	Hong Kong	303863818	3	2016/08/09- 2026/08/08
13.		Tycoon Hong Kong	Hong Kong	304189069AA	3, 5	2017/06/29- 2027/06/28
14.		Tycoon Hong Kong	Hong Kong	304189069AB	3, 5	2017/06/29- 2027/06/28
15.		Tycoon Hong Kong	Hong Kong	304189069AC	3, 5	2017/06/29- 2027/06/28
16.	<b>智樂菌</b>	Tycoon Hong Kong	Hong Kong	304414158	3, 5	2018/01/29- 2028/01/28
17.	<b>水潤菌</b>	Tycoon Hong Kong	Hong Kong	304414167	3, 5	2018/01/29- 2028/01/28
18.		Tycoon Hong Kong	Hong Kong	304664881	3	2018/09/11- 2028/09/10

No.	Mark	Registered owner/applicant	Place of registration	Registration number	Class	Duration of validity (year/month/day)
19.		Tycoon Hong Kong	Hong Kong	304664890	3, 35, 44	2018/09/11- 2028/09/10
20.		Tycoon Hong Kong	Hong Kong	304664908	3, 35, 44	2018/09/11- 2028/09/10
21.		Tycoon Hong Kong	Hong Kong	304746961	3, 35, 44	2018/11/26- 2028/11/25
22.		Tycoon Hong Kong	Hong Kong	304759642	3, 5	2018/12/06- 2028/12/05
23.		Tycoon Hong Kong	Hong Kong	304759651	3, 5	2018/12/06- 2028/12/05
24.	天一藥房	Tycoon Macau	Macau	N/157476(359)	35	2019/12/19 - 2026/12/19
25.	天一藥房	Tycoon Macau	Macau	N/157477(354)	44	2019/12/19 - 2026/12/19
26.	FARMÁCIA TIAN YI	Tycoon Macau	Macau	N/157478(906)	35	2019/12/19 - 2026/12/19
27.	FARMÁCIA TIAN YI	Tycoon Macau	Macau	N/157479(533)	44	2019/12/19 - 2026/12/19

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which are material to our business:

No.	Mark	Applicant	Place of registration	Application number	Class	Application Date (year/month/day)
1.		Great Smart	Hong Kong	304810347	5	2019/01/23
2.		Great Smart	Hong Kong	304810365	5	2019/01/23
3.		Profit Lead	Hong Kong	304746745	3	2018/11/26
4.		Tycoon Hong Kong	Hong Kong	304414176	3, 5	2018/01/29
5.		Tycoon Hong Kong	Hong Kong	304414185	3, 5	2018/01/29
6.		Tycoon Hong Kong	Hong Kong	304810338	5	2019/01/23
7.		Tycoon Hong Kong	Hong Kong	304985056	3, 5	2019/07/08
8.		Tycoon Hong Kong	Hong Kong	305103828	5, 35	2019/11/05
9.		Tycoon Hong Kong	Hong Kong	305191281	3, 5	2020/02/14
10.		Tycoon Hong Kong	Hong Kong	305191290	1, 3, 5	Application submitted

(b) *Domain names*

As at the Latest Practicable Date, we had registered three domain names namely, [www.tycoonhealth.com](http://www.tycoonhealth.com), [www.boostnguard.com](http://www.boostnguard.com) and [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk), where [www.tycoongroup.com.hk](http://www.tycoongroup.com.hk) is our corporate website while the other two websites are for business operations.

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material in relation to our Group's business.

**C. FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**

**9. Directors**

(a) *Disclosure of interests of Directors*

- (i) Mr. Wong was interested in the Reorganisation in his capacity as the sole shareholder of Tycoon Empire and as a former shareholder of certain members of our Group. For details of the Reorganisation, please see "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus.
- (ii) Mr. Yao Qingqi, our non-executive Director, is (a) a director of Pre-IPO Investor A; and (b) a shareholder of Pre-IPO Investor B holding approximately 17.74% of its issued shares. For details of the Pre-IPO Investments, please see "Pre-IPO Investments" in this prospectus. Mr. Yao is also a director of CR Care, one of our major customers during the Track Record Period.
- (iii) Ms. Chong Yah Lien, our non-executive Director, is (a) a director of Pre-IPO Investor A; and (b) the sole director and a shareholder of Pre-IPO Investor B holding approximately 12.90% of its issued shares. For details of the Pre-IPO Investments, please see "Pre-IPO Investments" in this prospectus. Ms. Chong is also a director of CR Care, one of our major customers during the Track Record Period.
- (iv) Save as disclosed in this prospectus, none of our Directors or their respective associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors' service agreements*

(i) *Executive Directors*

Each of Mr. Wong and Mr. Chan, our executive Directors, has entered into a letter of appointment with our Company pursuant to which he/she agreed to act as executive Director for a fixed term of three years with effect from 19 July 2019.

Pursuant to the respective letters of appointment, in addition to his current remuneration or salary payable by his existing employment contract with our Group, each of our executive Directors is entitled to an annual director's fee of HK\$120,000 which is payable effective from 19 July 2019 and monthly in arrears. The current annual salaries of our executive Directors under their existing employment contracts (excluding any discretionary bonuses and performance-related payments) with our Group are as set out below:

<b>Name</b>	<b>Annual salary (HK\$)</b>
Mr. Wong	600,000
Mr. Chan	1,236,000

Each of our executive Directors is also entitled to a discretionary bonus under their respective letters of appointment.

*(ii) Non-executive Directors*

Each of Mr. Yao Qingqi, Ms. Chong Yah Lien, Mr. Ng Wang Yu Gary, and Ms. Li Ka Wa Helen, our non-executive Directors, has been appointed for a fixed term of three years commencing from 19 July 2019. Each of our non-executive Directors is entitled to an annual director's fee of HK\$120,000, which is payable effective from 19 July 2019 and monthly in arrears. Save for directors' fees, none of our non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

*(iii) Independent non-executive Directors*

Each of Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa, our independent non-executive Directors, has been appointed for a fixed term of three years commencing from 20 January 2020. Each of our independent non-executive Directors is entitled to an annual director's fee of HK\$120,000, which is payable effective from the Listing Date and monthly in arrears. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with our Company or any of the subsidiaries of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**(c) Remuneration of Directors**

- (i) The aggregate emoluments paid by our Group to our Directors in respect of the financial year ended 31 December 2019 were approximately HK\$2.4 million.

- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding the discretionary bonus) payable by our Group to our Directors (including our non-executive Directors and independent non-executive Directors (in their respective capacity as directors)) for the year ending 31 December 2020, are estimated to be approximately HK\$2.4 million.
- (iii) None of our Directors or any past directors of any members of our Group has been paid any sum of money for the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the Track Record Period.
- (d) *Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and associated corporations following the Global Offering and the Capitalisation Issue***

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue, the interests or short positions of our Directors in the shares, underlying shares or debentures of our Company and associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, will be as follows:

*Long positions*

<b>Name of Director</b>	<b>Name of Group member/associated corporation</b>	<b>Capacity/nature of Interest</b>	<b>Number and class of securities</b>	<b>Percentage of interest</b>
Mr. Wong	Our Company	Interest in controlled corporation	448,096,326 Shares ( <i>Note 1</i> )	56.01%
Mr. Wong	Tycoon Empire ( <i>Note 2</i> )	Beneficial owner	1 share of US\$1.00	100.00%

*Notes:*

- These Shares are registered in the name of Tycoon Empire, a company wholly owned by Mr. Wong. By virtue of the provisions of Part XV of the SFO, Mr. Wong is deemed to be interested in all the Shares held by Tycoon Empire. Mr. Wong is the sole director of Tycoon Empire.
- Tycoon Empire is an associated corporation of our Company by virtue of its being the holding company of our Company. Tycoon Empire is wholly owned by Mr. Wong.

*Short positions*

Name of Director	Name of Group member/associated corporation	Capacity/nature of Interest	Number and class of securities	Percentage of interest
Mr. Wong	Our Company	Beneficial owner	200,000,000 Shares ( <i>Note</i> )	25.00%

*Note:* On 19 February 2019, Tycoon Empire charged 2,500,000 Shares held by it, representing 25% of all the then issued Shares, in favour of Pre-IPO Investor A (“Share Charge”) as security for the performance by Tycoon Empire and Mr. Wong of their obligations to Pre-IPO Investor A under the First Pre-IPO SPA and the Pre-IPO Shareholders Agreement. The Share Charge shall be effective until 30 June 2021 and shall require Tycoon Empire to, for the duration of the Share Charge, in the event that the subject Shares under the Share Charge falling to less than 25% of all issued Shares, provide such additional number of Shares to be charged under the Share Charge so as to maintain that the Shares under the Share Charge to amount to 25% of all issued Shares. Please see “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement” for further details. As these short positions in the Shares are held by Tycoon Empire, a company wholly owned by Mr. Wong, by virtue of the provisions of Part XV of the SFO, Mr. Wong is deemed to be interested in all the Shares held by Tycoon Empire. Mr. Wong is the sole director of Tycoon Empire.

**10. Interest discloseable under the SFO and substantial shareholders**

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue, other than a Director or chief executive of our Company whose interests are disclosed under “9. Directors – (d) Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and associated corporations following the Global Offering and the Capitalisation Issue” in this Appendix above, the following persons will have an interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group will be as follows:

*Long positions*

Name of person	Name of Group member	Capacity/nature of Interest	Number and class of securities	Percentage of interest
Tycoon Empire ( <i>Note 1</i> )	Our Company	Beneficial owner	448,096,326 Shares	56.01%
Ngai Sze Kei ( <i>Note 2</i> )	Our Company	Interest of spouse	448,096,326 Shares	56.01%

Name of person	Name of Group member	Capacity/nature of Interest	Number and class of securities	Percentage of interest
Pre-IPO Investor A	Our Company	Beneficial owner	151,895,000 Shares	18.99%
		Person having a security interest in shares	200,000,000 Shares (Note 3)	25.00%
CR Pharmaceutical (Note 4)	Our Company	Interest in controlled corporation	351,895,000 Shares	43.99%
CRH (Pharmaceutical) Limited (Note 4)	Our Company	Interest in controlled corporation	351,895,000 Shares	43.99%
China Resources (Holdings) Company Limited (Note 4)	Our Company	Interest in controlled corporation	351,895,000 Shares	43.99%
CRC Bluesky Limited (Note 4)	Our Company	Interest in controlled corporation	351,895,000 Shares	43.99%
China Resources Co., Limited (Note 4)	Our Company	Interest in controlled corporation	351,895,000 Shares	43.99%
China Resources Company Limited (Note 4)	Our Company	Interest in controlled corporation	351,895,000 Shares	43.99%
Jacobson Group Treasury Limited (Note 5)	Our Company	Beneficial owner	53,332,000 Shares	6.67%
Jacobson Pharma Group (BVI) Limited (Note 5)	Our Company	Interest in controlled corporation	53,332,000 Shares	6.67%
Jacobson Pharma Corporation Limited (Note 5)	Our Company	Interest in controlled corporation	53,332,000 Shares	6.67%

## Notes:

- The entire issued share capital of Tycoon Empire is owned by Mr. Wong, our executive Director.
- These Shares are registered in the name of Tycoon Empire, a company wholly owned by Mr. Wong. Ms. Ngai Sze Kei is the spouse of Mr. Wong. By virtue of the provisions in Part XV of the SFO, Ms. Ngai Sze Kei is deemed to be interested in all the Shares Mr. Wong is interested or deemed to be interested.
- On 19 February 2019, Tycoon Empire charged 2,500,000 Shares held by it, representing 25% of all the then issued Shares, in favour of Pre-IPO Investor A (“Share Charge”) as security for the performance by Tycoon Empire and Mr. Wong of their obligations to Pre-IPO Investor A under the First Pre-IPO SPA and the Pre-IPO Shareholders Agreement. The Share Charge shall be effective until 30 June 2021 and shall require Tycoon Empire to, for the duration of the Share



Charge, in the event that the subject Shares under the Share Charge falling to less than 25% of all issued Shares, provide such additional number of Shares to be charged under the Share Charge so as to maintain that the Shares under the Share Charge to amount to 25% of all issued Shares. Please see “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement” for further details.

4. These interests in Shares comprise the 151,895,000 Shares held by Pre-IPO Investor A and the 200,000,000 Shares under the Share Charge in favour of Pre-IPO Investor A (see note 3 above). Pre-IPO Investor A is a company wholly owned by CR Pharmaceutical. 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 Co., Limited and China Resources Company Limited (formerly known as China Resources National Corporation) filed with the Stock Exchange in relation to CR Pharmaceutical, CR Pharmaceutical is owned as to approximately 53.04% by CRH (Pharmaceutical) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited, which is wholly owned by CRC Bluesky Limited, which in turn is wholly owned by China Resources Co., Limited, 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 Pharmaceutical, CRH (Pharmaceutical) Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited, China Resources Co., Limited and China Resources Company Limited is deemed to be interested in all the Shares held by Pre-IPO Investor A.
5. These interests in Shares are the Shares to be subscribed for by Jacobson Group Treasury Limited, our cornerstone investor. Our Company, together with the Sole Sponsor, has entered into a cornerstone investment agreement with Jacobson Group Treasury Limited, pursuant to which Jacobson Group Treasury Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) in the amount of HK\$80,000,000 at the final Offer Price, further particulars of which are set out in “Cornerstone Investor” in this prospectus. The number of Shares and percentage shareholding herein are calculated on the basis of the Offer Price of HK\$1.50, being the mid-point of the indicative Offer Price range set out in this prospectus. Please see “Cornerstone Investor” in this prospectus for further particulars in relation to such cornerstone placing. Jacobson Group Treasury Limited is wholly owned by Jacobson Pharma Group (BVI) Limited, which is a wholly-owned subsidiary of Jacobson Pharma Corporation Limited. By virtue of the provisions of Part XV of the SFO, each of Jacobson Pharma Group (BVI) Limited and Jacobson Pharma Corporation Limited is deemed to be interested in all the Shares held by Jacobson Group Treasury Limited.

### *Short positions*

Name	Name of Group member	Capacity/nature of Interest	Number and class of securities	Percentage of interest
Tycoon Empire ( <i>Note 1</i> )	Our Company	Beneficial owner	200,000,000 Shares	25.00%
Ngai Sze Kei ( <i>Note 2</i> )	Our Company	Interest of spouse	200,000,000 Shares	25.00%

#### *Notes:*

1. On 19 February 2019, Tycoon Empire charged 2,500,000 Shares held by it, representing 25% of all the then issued Shares, in favour of Pre-IPO Investor A (“Share Charge”) as security for the performance by Tycoon Empire and Mr. Wong of their obligations to Pre-IPO Investor A under the First Pre-IPO SPA and the Pre-IPO Shareholders Agreement. The Share Charge shall be effective until 30 June 2021 and required Tycoon Empire to, for the duration of the Share Charge, in the event that the subject Shares under the Share Charge falling to less than 25% of all issued Shares, provide such additional number of Shares to be charged under the Share Charge so as to maintain that the Shares under the Share Charge to amount to 25% of all issued Shares. Please see “Pre-IPO Investments – Pre-IPO Investment A and Pre-IPO Investment B – Special Rights under Share Charge and Pre-IPO Shareholders Agreement” for further details.
2. These short positions in the Shares are held by Tycoon Empire, a company wholly owned by Mr. Wong. Ms. Ngai Sze Kei is the spouse of Mr. Wong. By virtue of the provisions of Part XV of the SFO, Mr. Wong is deemed to be interested in all the Shares held by Tycoon Empire and Ms. Ngai Sze Kei is deemed to be interested in all the Shares in which Mr. Wong is interested or deemed to be interested.

**11. Disclaimers**

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the paragraph headed “19. Qualifications of experts” in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in the paragraph headed “19. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “19. Qualifications of experts” in this Appendix:
  - (i) is interested legally or beneficially in any securities of any member of our Group; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**D. OTHER INFORMATION****12. Share Option Scheme***(a) Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 23 March 2020. It does not form part of, nor was it intended to be part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

*(1) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

*(2) Who may join*

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion subject to the Listing Rules, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which our Group holds an equity interest;
- (b) any non-executive director (including independent non-executive director) of our Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;
- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (f) any adviser (professional or otherwise) or consultant to any area of business or business development of our 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 our Group,

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

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(3) *Maximum number of Shares*

- (a) 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 our Group must not in aggregate exceed 30% of the issued share capital of our Company from time to time.
- (b) 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 our Group) to be granted under the Share Option Scheme and any other share option schemes of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (excluding any Shares which may be allotted and issued as a result of the exercise of the Over-allotment Option) (“**General Scheme Limit**”). The initial General Scheme Limit is 80,000,000 Shares.
- (c) Subject to (a) above but without prejudice to (d) below, our Company may issue a circular to our Shareholders and seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted. The circular to be sent by our Company to our Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (d) Subject to (a) above and without prejudice to (c) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (c) above to participants specifically identified by our Company before such approval is sought. In

such event, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(4) *Maximum entitlement of each participant*

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 our 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 our 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 our Shareholders and our Shareholders’ approval in general meeting of our 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 note (1) to Rule 17.03(9) of the Listing Rules.

(5) *Grant of options to connected persons*

- (a) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the Listing Rules) must be approved by independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the grantee of the options).
- (b) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by our Shareholders in general meeting. Our Company must send a circular to our Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any such connected person may vote against the relevant resolution at the general

meeting provided that his/her/its intention to do so has been stated in the said circular to our Shareholders. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by our independent Shareholders in general meeting.

(6) *Time of acceptance and exercise of option*

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

(7) *Performance targets*

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(8) *Subscription price for Shares and consideration for the option*

The subscription price for Shares under the Share Option Scheme will be a price determined by our 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 is payable on acceptance of the grant of an option.

(9) *Ranking of Shares*

- (a) Shares allotted upon the exercise of an option will be subject to all the provisions of the articles of association of our Company and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members ("**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made

if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

- (b) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, reclassification or reduction of the share capital of our Company from time to time.

*(10) Restrictions on the time of grant of options*

For so long as the Shares are listed on the Stock Exchange, no offer for grant of options shall be made after inside information has come to the knowledge of our Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the meeting of our Directors for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the last date on which our Company must publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of option may be made.

Our Directors may not grant any option to a participant who is subject to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company during the periods or times in which such participants is prohibited from dealing in Shares pursuant to such code.

*(11) Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

*(12) Rights on ceasing employment*

If the grantee of an option is an Eligible Employee (as defined below) and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (14) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

“Eligible Employee” means any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries or any Invested Entity.

*(13) Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

*(14) Rights on dismissal*

If the grantee of an option is an Eligible Employee and later ceases to be an Eligible Employee by reason that he has been guilty of persistent or serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

*(15) Rights on breach of contract*

If our Directors shall at their absolute discretion determine that (a) (i) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (ii) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (iii) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (b) the option granted to the grantee under the Share Option Scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

*(16) Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis



mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

*(17) Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

*(18) Grantee being a company wholly owned by eligible participants*

If the grantee is a company wholly owned by one or more eligible participants:

- (a) sub-paragraphs (12), (13), (14) and (15) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (12), (13), (14) and (15) shall occur with respect to the relevant eligible participant; and
- (b) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

*(19) Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable or the Share Option Scheme remains in effect, such corresponding alterations (if any) certified by the auditors of our Company for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value and in each case, any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy and are in compliance with the requirements of the relevant provision of the Listing Rules.

*(20) Cancellation of options*

Save as to breach of paragraph (22) and subject to Chapter 17 of the Listing Rules, any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant sub-paragraphs (3) (c) and (d) above.

*(21) Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further option shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(22) Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

*(23) Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of (a) the expiry of the option period in respect of such option; (b) the expiry of the periods or dates referred to in paragraphs (12), (13), (14), (15), (16), (17) and (18) above; or (c) the date on which our Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (22) above by the grantee.

*(24) Others*

- (a) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number, representing the General Scheme Limit, of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (b) The Share Option Scheme may be altered in any respect by a resolution of our Directors except that the provisions of the Share Option Scheme as to (i) the definitions of "Eligible Participants", "Grantee", "Option Period" and "Termination Date" and (ii) the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules, shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of our Shareholders under the articles of association of our Company for a variation of the rights attached to the Shares.
- (c) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (d) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (e) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

*(b) Present status of the Share Option Scheme*

*(1) Application for approval*

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

*(2) Grant of option*

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

*(3) Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

### **13. Tax and other indemnity**

Tycoon Empire and Mr. Wong (collectively the “**Indemnifiers**”) have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the date on which the Global Offering becomes unconditional. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands and BVI.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to taxation (which includes estate duty) in whatever part of the world which might be payable by any member of our Group in respect of among other matters any income, profits or gains earned, accrued or received or property received as a result of a transfer by any person on or before the date on which the Global Offering becomes unconditional.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any of its subsidiaries up to 31 December 2019; or
- (b) to the taxation falling on any member of our Group in respect of their accounting period commencing on or after 1 January 2020 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 31 December 2019; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2019 or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority coming into force after the date on which the Global Offering becomes unconditional or to the extent such taxation claim arises or is increased by an increase in rates of taxation after such date of the deed of indemnity with retrospective effect; or
- (d) to the extent of any provisions or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2019 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

#### **14. Litigation**

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our Company's results of operations or financial condition of our Company.

**15. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately US\$5,500 (equivalent to approximately HK\$42,800) and have been paid by our Company.

**16. Promoter**

- (a) Our Company has no promoter for the purpose of the Listing Rules.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

**17. Agency fees or commissions received**

The Underwriters will receive a commission and may receive a discretionary incentive fee, the particulars of which are set out in “Underwriting” in this prospectus. The Underwriters will pay any sub-underwriting commissions out of their commission. Such commissions (exclusive of any discretionary incentive fee), together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Global Offering to be borne by our Company are estimated to amount, in aggregate, to approximately HK\$58.3 million (assuming (i) an Offer Price of HK\$1.50 per Offer Share, being the mid-point of the indicative Offer Price range; and (ii) the Over-allotment Option is not exercised at all). Such fees and expenses will be payable by our Company.

**18. Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor will be paid by our Company a total fee of HK\$5.0 million to act as the sole sponsor to our Company in connection with the Listing.

**19. Qualifications of experts**

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Shenwan Hongyuan Capital (H.K.) Limited	a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Beijing Dentons Law Offices, LLP	PRC attorneys-at-law
Lee & Lee	Legal adviser as to Singapore law
Leong Hon Man – Lawyers & Private Notary	Legal adviser as to Macau law
Piper Alderman	Legal adviser as to Australia law
Julius Leonie Chai	Legal adviser as to Malaysia law
Mr. Chung Kin Hong Kenneth	Barrister-at-law of Hong Kong
Ipsos Limited	Industry consultant

## **20. Consents of experts**

Each of the experts listed in the paragraph headed “19. Qualifications of experts” in this Appendix has given and has not withdrawn its/his written consent to the issue of this prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his name included herein in the form and context in which they respectively appear. None of the experts named in the paragraph headed “19. Qualifications of experts” in this Appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## **21. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## **22. Taxation of holders of Shares**

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty so long as our Company does not hold interests in land in the Cayman Islands.

### **23. No material adverse change**

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 December 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up) up to the date of this prospectus.

### **24. Miscellaneous**

Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or the subsidiaries of our Group; and
  - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of the subsidiaries of our Group;
- (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Company has no outstanding convertible debt securities;
- (d) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (e) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.



**25. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) written consents referred to in the paragraph headed “20. Consents of experts” in Appendix V to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “7. Summary of material contracts” in Appendix V to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the office of LCH Lawyers LLP at Room 702, 7/F., Admiralty Centre Tower One, 18 Harcourt Road, Admiralty, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the accountants’ report from Ernst & Young in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of the companies comprising our Group for the years ended 31 December 2018 and 2019;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman company law referred to in Appendix IV to this prospectus;
- (f) the legal opinion prepared by Beijing Dentons Law Offices, LLP, in respect of certain aspects of our Group in the PRC;
- (g) the legal opinion prepared by Lee & Lee, in respect of certain aspects of our Group in Singapore;
- (h) the legal opinion prepared by Leong Hon Man – Lawyers & Private Notary, in respect of certain aspects of our Group in Macau;

- (i) the legal opinion prepared by Piper Alderman, in respect of certain aspects of our Group in Australia;
- (j) the legal opinion prepared by Julius Leonie Chai in respect of certain aspects of our Group in Malaysia;
- (k) the legal opinion issued by Mr. Chung Kin Hong Kenneth in respect of certain aspects of Hong Kong laws relating to our Group;
- (l) the Ipsos Report;
- (m) the material contracts referred to in the paragraph headed “7. Summary of material contracts” in Appendix V to this prospectus;
- (n) the written consents referred to in the paragraph headed “20. Consents of experts” in Appendix V to this prospectus;
- (o) the letters of appointment referred to in the paragraph headed “9. Directors – (b) Particulars of Directors’ service agreements” in Appendix V to this prospectus;
- (p) the Companies Law; and
- (q) the Share Option Scheme.

# 滿貫集團控股有限公司

Tycoon Group Holdings Limited

