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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3390)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2020 was HK$506.0 million, representing a decrease of 27.8% compared to HK$700.8 million for the year ended 31 December 2019.
- Gross profit of the Group for the year ended 31 December 2020 was HK$83.8 million, representing a decrease of 56.1% compared to HK$191.1 million for the year ended 31 December 2019.
- Net loss of the Group for the year ended 31 December 2020 was HK$61.0 million compared to a profit of HK$54.5 million for the year ended 31 December 2019.
- The Board has resolved to declare the payment of a special dividend for the year ended 31 December 2020 of HK2 cents per share, amounting to a total sum of approximately HK$16 million.

The board ("**Board**") of directors ("**Directors**") of Tycoon Group Holdings Limited ("**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 ("**Year**") together with the comparative figures for the corresponding period in 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
REVENUE	*4*	**505,991**	700,755
Cost of sales		**(422,165)**	(509,614)
Gross profit		**83,826**	191,141
Other income and gains, net		**6,599**	397
Selling and distribution expenses		**(58,737)**	(62,295)
General and administrative expenses		**(93,501)**	(54,894)
Finance costs		**(4,852)**	(5,989)
Share of losses of associates		**(1,804)**	–
Share of losses of joint ventures		**–**	–
PROFIT/(LOSS) BEFORE TAX	*5*	**(68,469)**	68,360
Income tax	*6*	**7,504**	(13,844)
PROFIT/(LOSS) FOR THE YEAR		**(60,965)**	54,516
OTHER COMPREHENSIVE EXPENSES FOR THE YEAR			
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(112)**	(107)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		**(61,077)**	54,409

	Notes	**2020** *HK$'000*	2019 *HK$'000*
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the Company		**(61,134)**	54,516
Non-controlling interests		**169**	–
		(60,965)	54,516
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:			
Equity holders of the Company		**(61,246)**	54,409
Non-controlling interests		**169**	–
		(61,077)	54,409
EARNINGS/(LOSS) PER SHARE ATTIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*	**HK(8) cents**	HK9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**63,271**	57,292
Right-of-use assets		**15,266**	15,003
Goodwill		**26,139**	–
Intangible assets		**6,621**	1,449
Investments in associates		**39,846**	–
Investments in joint ventures		**–**	–
Financial assets at fair value through profit or loss		**22,590**	–
Derivative financial instrument		**840**	–
Prepayments and deposits		**3,542**	3,827
Deferred tax assets		**9,946**	3,318
Total non-current assets		**188,061**	80,889
CURRENT ASSETS			
Inventories		**125,336**	84,069
Amounts due from related parties		**1,911**	–
Trade receivables	*9*	**124,116**	117,161
Prepayments, deposits and other receivables		**61,142**	33,808
Cash and bank balances		**119,344**	50,437
Total current assets		**431,849**	285,475
CURRENT LIABILITIES			
Trade payables	*10*	**66,484**	34,635
Other payables and accruals		**50,045**	21,529
Interest-bearing bank borrowings		**131,865**	151,120
Loan from a related company		**50,000**	–
Amount due to the ultimate holding company		**996**	–
Lease liabilities		**9,042**	7,903
Tax payable		**12,848**	24,865
Total current liabilities		**321,280**	240,052
NET CURRENT ASSETS		**110,569**	45,423
TOTAL ASSETS LESS CURRENT LIABILITIES		**298,630**	126,312

	Notes	**2020**	2019
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**7,413**	7,592
Deferred tax liabilities		**778**	360
Total non-current liabilities		**8,191**	7,952
NET ASSETS		**290,439**	118,360
EQUITY			
Equity attributable to equity holder of the Company			
Issued capital	*12*	**8,000**	100
Reserves		**280,157**	118,260
		288,157	118,360
Non-controlling interests		**2,282**	–
TOTAL EQUITY		**290,439**	118,360

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 14, 8/F., Wah Wai Centre, 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong.

During the year, the Company made an offer to the public for subscription of its new shares (the "**Global Offering**") in connection with the listing of the Company's shares (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Dealings in the Company's shares on the Stock Exchange commenced on 15 April 2020.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the distribution and retail of health and well-being related products.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instrument which have been measured stated at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020. 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 Company 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 ("**COVID-19**") pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has elected to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020. The lease modification did not have significant impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. 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 e-commerce segment, which includes the operation of online stores and distribution to e-commerce customers; and

(c) the retail stores segment, which includes the operation of retail 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/loss before tax except that the gain/loss on disposal and write-off of items of property, plant and equipment and subsidiaries, fair value gain/loss on derivative financial instrument and financial assets at fair value through profit or loss, foreign exchange differences, net, interest income, finance costs (other than interest on lease liabilities), share of profits and losses of associates, share of profits and losses of joint ventures, and other unallocated head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures, cash and bank balances, deferred tax assets, financial assets at fair value through profit or loss, derivative financial instrument, certain amounts due from related parties and other unallocated corporate assets as these assets are managed on a group basis. Segment liabilities exclude interest-bearing bank borrowings, loan from a related company, amount due to the ultimate holding company, tax payables and deferred tax liabilities and other unallocated corporate liabilities as the 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.

During the year, the management changed its reporting segments to (a) distribution segment; (b) e-commerce segment as a result of the growing importance of the e-commerce segment to the operation of the Group; and (c) retail stores segment. The corresponding information for the year ended 31 December 2019 has been re-presented accordingly.

Segment revenue and results

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

	Distribution	**E-commerce**	**Retail stores**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
2020				
Segment revenue *(note 4)*				
Sales to external customers	**274,267**	**224,687**	**7,037**	**505,991**
Intersegment sales	**19,879**	**–**	**–**	**19,879**
				525,870
Reconciliation:				
Elimination of intersegment sales				**(19,879)**
Revenue				**505,991**
Segment results	**(35,657)**	**4,322**	**(6,700)**	**(38,035)**
Reconciliation:				
Gain on disposal of items of property, plant and equipment				**651**
Gain on disposal of subsidiaries				**109**
Fair value loss on derivative financial instrument				**(60)**
Fair value gain on financial assets at fair value through profit or loss				**640**
Interest income				**124**
Share of losses of associates	**(265)**	**–**	**(1,539)**	**(1,804)**
Share of losses of joint ventures				**–**
Foreign exchange differences, net				**(969)**
Corporate and other unallocated expenses				**(24,934)**
Finance costs				**(4,191)**
Loss before tax				**(68,469)**
Income tax				**7,504**
Loss for the year				**(60,965)**

	Distribution	E-commerce	Retail stores	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2019				
Segment revenue *(note 4)*				
Sales to external customers	646,859	35,362	18,534	700,755
Intersegment sales	11,214	–	–	11,214
				711,969
Reconciliation:				
Elimination of intersegment sales				(11,214)
Revenue				700,755
Segment results	86,949	(3,855)	(5,435)	77,659
Reconciliation:				
Gain on disposal of a subsidiary				18
Foreign exchange differences, net				64
Finance costs				(5,989)
Corporate and other unallocated expenses				(3,392)
Profit before tax				68,360
Income tax				(13,844)
Profit for the year				54,516

Segment assets and liabilities

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

	Distribution	E-commerce	Retail stores	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets				
31 December 2020	**345,534**	**36,247**	**1,980**	**383,761**
Investments in associates	**1,322**	**–**	**38,524**	**39,846**
Investments in joint ventures				**–**
Unallocated				**196,303**
Total				**619,910**
31 December 2019	273,061	17,578	18,900	309,539
Unallocated				56,825
Total				366,364
Segment liabilities				
31 December 2020	**(84,281)**	**(12,593)**	**(81)**	**(96,955)**
Unallocated				**(232,516)**
Total				**(329,471)**
31 December 2019	(61,004)	(186)	(9,063)	(70,253)
Unallocated				(177,751)
Total				(248,004)

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**234,636**	636,952
Mainland China	**224,053**	15,150
Macau	**46,675**	46,649
Singapore	**627**	2,004
Total revenue from contracts with customers	**505,991**	700,755

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

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**92,200**	46,560
Macau	**21,582**	24,032
Mainland China	**9,562**	1,932
Singapore	**273**	786
Australia	**310**	601
Malaysia	**1,077**	–
	125,004	73,911

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 the year is set out below:

	2020	2019
	HK$'000	*HK$'000*
Distribution		
Customer A	**115,211**	427,063
E-commerce		
Customer B*	**101,853**	N/A

For the year ended 31 December 2020, revenue from the major customers included sales to a group of entities which are known to be under common control with those customers.

* Sales to Customer B during the year ended 31 December 2019 amounted to less than 10% of the total revenue of the Group during the respective year. Accordingly, no disclosure is presented above.

4. REVENUE

An analysis of the Group's revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**505,991**	700,755

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	HK$'000	*HK$'000*
Geographical markets		
Hong Kong	**234,636**	636,952
Mainland China	**224,053**	15,150
Macau	**46,675**	46,649
Singapore	**627**	2,004
Total revenue from contracts with customers	**505,991**	700,755
Timing of revenue recognition		
Goods transferred at a point in time	**505,991**	700,755

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
External customers		
Distribution	**274,267**	646,859
E-commerce	**224,687**	35,362
Retail stores	**7,037**	18,534
Intersegment sales		
Distribution	**19,879**	11,214
	525,870	711,969
Intersegment adjustments and elimination	**(19,879)**	(11,214)
Total revenue from contracts with customers	**505,991**	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 2020 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.

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**422,165**	509,614
Depreciation of property, plant and equipment, including leasehold land	**4,366**	4,135
Depreciation of right-of-use assets – properties	**8,156**	6,882
Depreciation of right-of-use assets – motor vehicles	**–**	830
Amortisation of intangible assets	**242**	–
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**35,913**	40,319
Pension scheme contributions (defined contribution scheme)	**1,395**	1,905
	37,308	42,224
Expenses under short-term leases	**2,708**	1,268
Gain on disposal of items of property, plant and equipment	**(651)**	–
Gain on disposal of subsidiaries	**(109)**	(18)
Provision for inventories*	**20,111**	–
Write-off of inventories*	**10,407**	–
Impairment of property, plant and equipment*	**1,103**	–
Impairment of right-of-use assets*	**4,961**	–
Impairment of intangible assets*	**450**	–
Gain on termination of lease	**(4,423)**	–
Foreign exchange differences, net	**969**	(64)
Listing expenses	**11,447**	12,422

* The provision for inventories, write-off of inventories, impairment of property, plant and equipment, impairment of right-of-use assets, and impairment of intangible assets for the years, among others, are included in "General and administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. 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% (2019: 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. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	15,809
Overprovision in prior years	**(432)**	(381)
Current – elsewhere	**120**	–
Deferred tax	**(7,192)**	(1,584)
Total tax charge/(credit) for the year	**(7,504)**	13,844

7. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final dividend in respect of the year ended 31 December 2018 *(Note)*	**–**	30,000
Special dividend in respect of the year ended 31 December 2019 *(Note)*	**–**	20,000
Proposed special dividend:		
Special dividend in respect of the year ended 31 December 2020		
– HK2 cents per ordinary share	**16,000**	–

Note:

During the year ended 31 December 2019 and after the completion of the Reorganisation as defined in the Company's prospectus dated 30 March 2020, 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 then 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, was also declared to the then shareholders of the Company during the year ended 31 December 2019.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share attributable to ordinary equity holders of the Company is based on the loss for the year attributable to ordinary equity holders of the Company of HK$61,134,000 (2019: profit of HK$54,516,000) and the weighted average number of ordinary shares of 732,940,000 (2019: 607,580,000) in issue during the year, on the assumption that the capitalisation issue in connection with the listing of the Company had been completed on 1 January 2019 for calculating the basic earnings/(loss) per share amount.

No adjustment has been made to the basic earnings/(loss) per share presented for years ended 31 December 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during those years.

9. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**124,116**	117,161

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 2020 accounted for 57% (2019: 82%) of the total trade receivables, respectively, while 20% (2019: 51%) of the total trade receivables were due from the largest customer at 31 December 2020. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from related parties and an associate of the Group of HK$11,492,000 (2019: HK$8,782,000) and HK$6,987,000 (2019: Nil), respectively at 31 December 2020, 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:

	2020	2019
	HK$'000	*HK$'000*
Trade receivables:		
Within 90 days	**116,191**	106,942
91 to 180 days	**4,977**	10,147
Over 180 days	**2,948**	72
	124,116	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 of the Company, 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 2020 amounted to HK$210,000 (2019: HK$51,179,000), and that of the associated liabilities as at 31 December 2020 was HK$168,000 (2019: HK$24,281,000), respectively. These financial assets are carried at amortised cost in the financial statements.

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 majority of customers of the Group are mainly well-known chain 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) there was no significant change in credit terms and repayment patterns of these customers despite the temporarily worsened business environment caused by COVID-19, management considered that the expected credit loss rates of retailers were minimal for all ageing bands as at 31 December 2020 and 2019. As a result, no loss allowance for impairment of trade receivables was considered necessary for the years ended 31 December 2020 and 2019.

10. 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:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**23,026**	13,505
31 to 60 days	**19,715**	12,640
61 to 120 days	**22,974**	7,891
Over 120 days	**769**	599
	66,484	34,635

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 are amounts due to related parties and an associate of the Group of HK$21,857,000 (2019: HK$296,000) and HK$2,187,000 (2019: Nil), respectively at 31 December 2020, which is repayable on credit terms similar to those offered to the major suppliers of the Group.

11. BUSINESS COMBINATION

On 15 September 2020, a wholly-owned subsidiary of the Company entered into a sales and purchase agreement pursuant to which the Group agreed to acquire an 80% equity interest in Jefferine Macau Limited ("**Jefferine**"), a company incorporated in the Macau Special Administrative Region, from a Vendor (the "**Vendor**"), an independent third party. The acquisition was completed on 30 September 2020 (the "**Acquisition Date**"). Jefferine is engaged in the import and distribution of pharmaceuticals, proprietary Chinese medicine and healthcare products in Macau. The acquisition was made as part of the Group's strategy to expand its business and increase its market share, as a provider of a wide range of health and well-being related products, and to enhance the efficiency of market penetration of its products. The consideration was in the form of cash, with HK$6,000,000 paid at the Acquisition Date and the remaining HK$31,440,000 to be paid on or before 31 December 2021. Further details of the above were set out in the Company's announcement dated 15 September 2020.

The Group has elected to measure the non-controlling interest in Jefferine at the non-controlling interest's proportionate share of Jefferine's identifiable net assets.

The fair values of the identifiable assets and liabilities of Jefferine as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	334
Right-of-use assets	481
Intangible assets	5,864
Trade receivables	3,082
Prepayments, deposits and other receivables	1,851
Inventories	12,235
Cash and bank balances	3,142
Trade payables	(12,434)
Other payables and accruals	(23)
Tax payable	(671)
Lease liabilities	(481)
Interest-bearing bank borrowings	(1,834)
Deferred tax liabilities	(982)
Total identifiable net assets at fair value	10,564
Less: Non-controlling interests	(2,113)
Net assets attributable to equity owners of Jefferine	8,451
Goodwill on acquisition	26,139
	34,590

	HK$'000
Satisfied by:	
Cash	37,440
Less: contingent consideration receivable	(1,950)
Less: call option	(900)
	34,590

The acquisition consideration of HK$6,000,000 was paid by the Group in 2020, and the remaining consideration of HK$31,440,000 was recorded in "Other payables and accruals" in the consolidated statement of financial position as at 31 December 2020.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$3,082,000 and HK$1,851,000, respectively. The gross contractual amounts of the trade receivables and other receivables were HK$3,082,000 and HK$1,851,000, respectively, none of which is expected to be uncollectible.

The Group incurred transaction costs of HK$294,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(6,000)
Cash and bank balances acquired	3,142
Net outflow of cash and bank balances included in cash flows from investing activities	(2,858)
Transaction costs of the acquisition included in cash flows from operating activities	(294)
	(3,152)

Since the acquisition, Jefferine contributed HK$17.2 million to the Group's revenue and HK$0.8 million to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$523.2 million and HK$60.0 million, respectively.

12. ISSUED CAPITAL

Shares

The Company is a limited liability company incorporated in the Cayman Islands on 14 June 2017. The authorised share capital of the Company upon its incorporation was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. The authorised share capital of the Company was increased to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each on 23 March 2020.

	2020	2019
	HK$'000	*HK$'000*
Issued and fully paid:		
800,000,000 (2019: 10,000,000) ordinary shares of HK$0.01 each	**8,000**	100

The movements in share capital were as follows:

	Number of ordinary shares of HK$0.01 each	**Nominal value of ordinary shares HK$'000**
Authorised:		
At 31 December 2019 and 1 January 2020 *(note (i))*	38,000,000	380
Increase in authorised share capital on 23 March 2020 *(note (iii))*	9,962,000,000	99,620
At 31 December 2020	10,000,000,000	100,000
Issued and fully paid:		
At 31 December 2019 and 1 January 2020 *(notes (i) and (ii))*	10,000,000	100
Capitalisation issue of shares *(note (iv))*	597,580,000	5,976
Issue of new shares pursuant to the Global Offering *(note (v))*	192,420,000	1,924
At 31 December 2020	800,000,000	8,000

Notes:

(i) On 14 June 2017, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, 1 nil-paid ordinary share of HK$0.01 was issued and allotted by the Company to its then shareholder.

(ii) 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 then sole shareholder and the one nil-paid share held by such sole shareholder was also credited as fully paid.

(iii) Pursuant to the written resolutions of the shareholders of the Company passed on 23 March 2020, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of a par value of HK$0.01 each, by the creation of an additional 9,962,000,000 shares with a par value of HK$0.01 each.

(iv) Pursuant to the authority given by the resolutions in writing of the then shareholders of the Company passed on 23 March 2020, an aggregate amount of approximately HK$5,976,000 standing to the credit of the share premium of the Company was approved to be capitalised and applied in paying in full at par of 597,580,000 ordinary shares of HK$0.01 each for allotment and issue to the then shareholders of the Company on 15 April 2020.

(v) In connection with the Global Offering, 192,420,000 ordinary shares of par value of HK$0.01 each were issued at a price of HK$1.49 per share for a total cash consideration, before share issue expenses of HK$31,839,000, of approximately HK$286,706,000. Dealings in the shares of the Company on the Stock Exchange commenced on 15 April 2020.

13. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

From the financial perspective, the Group operates three business segments, namely the distribution business, the e-commerce business and the retail stores business. The Group distributes and sells PCM (i.e. proprietary Chinese medicines as defined by the Chinese Medicine Ordinance of Hong Kong), health supplements, skin care, personal care and other healthcare products of third-party brands and the Group's own brand (i.e. products developed and marketed under the brands of the Group and produced by external manufacturers engaged by the Group on an ODM basis) ("**Private Label Products**"). Both the e-commerce business and the distribution business are the Group's major operating segments. The e-commerce business includes the operation of online stores and wholesale to e-commerce customers. The distribution business includes the distribution of consumer products to large chain retailers, non-chain retailers (mainly pharmacies) and traders in Hong Kong. The retail stores business includes sales of products through its brick-and-mortar retail stores.

For the year ended 31 December 2020 (the "**Financial Year**" or "**FY2020**"), the Group recorded a revenue of around HK$506.0 million, representing a decrease of 27.8% from HK$700.8 million for the year ended 31 December 2019 ("**Last Financial Year**" or "**FY2019**") and a loss of HK$61.0 million (FY2019: a profit of HK$54.5 million). Such decrease in revenue for FY2020 was principally attributable to the worse-than-expected performance of the Group particularly, for the first half of 2020 as a result of the outbreak of coronavirus pandemic ("**COVID-19**") since early 2020, which is still subsisting at the date of this announcement. As a result of the pandemic, the government of Hong Kong and the PRC have implemented various anti-pandemic measures such as gathering restrictions and travel bans, which has led to a drastic drop in the number of Mainland Chinese visitors and weak consumer sentiments. There has also been substantial reduction of economic activities. According to data from the Census and Statistics Department, for medicines and cosmetics retailers, the total sales value in FY2020 is provisionally estimated at HK$21.5 billion, decreased by 50.0% from FY2019. In this regard, the Group's sales performance in terms of total sales was better than the overall sales performance of medicine and cosmetics products in Hong Kong.

Although the offline sales of the Group recorded a decrease for the Financial Year due to COVID-19, the decrease was narrowed in the second half of the Financial Year. Meanwhile, the e-commerce sales of the Group recorded a significant increase as compared to the Last Financial Year. For the Financial Year, the Group's e-commerce sales recorded a 6-fold increase to HK$224.7 million from HK$35.4 million for the Last Financial Year, reflecting the success of the Group's online and offline dual-channel business model. With the combined effect of reducing infection risk by staying home and the travel restrictions in Mainland China, consumers turned to e-commerce platforms, which help the growth of the Group's e-commerce business. The Group's e-commerce revenue mainly derives from Mainland China, possibly because Mainland Chinese consumers turned to e-commerce platforms to purchase reputable anti-pandemic and healthcare products as visiting to Hong Kong through Individual Visit Scheme was restricted. The Group expects that the trend of consumers switching from offline to online shopping will continue. In the Financial Year, the Group has recruited more employees and expanded the office in Mainland China to cope with the Group's expansion in the e-commerce business.

In addition, the Group has implemented strategic plans in Macau to seize the opportunities brought by the economic recovery in Macau where, COVID-19 is under control. In the first half of 2020, the Group's exclusive distributorship business for Po Chai Pills (保濟丸) in Macau has officially commenced. Po Chai Pills is a well-known PCM brand in China and Hong Kong, one of the bestselling PCM products and a top souvenir choice of Mainland Chinese tourists. It is expected that Po Chai Pills will bring stable revenue to the Group. In the future, the Group will continue to explore and obtain the distributorship rights of more new healthcare, skin care and personal care products to provide consumers with a diversified selection of products.

In 2020, the Group also acquired 80% interest in Jefferine Macau Limited ("**Jefferine**"). Jefferine is a holder of the licence for import, export and wholesale of pharmaceutical products in Macau and an authorised sole or exclusive distributor of certain brands of PCM and pharmaceutical products, which the Directors believe are popular products amongst the Mainland Chinese tourists, in Macau. Through the acquisition, it is expected that the Group can, by utilising Jefferine's existing and well established distribution channels and customer base in Macau, expand the Group's operations in Macau.

FUTURE OUTLOOK

Although COVID-19 has severely impacted the retail and distribution industry, the Group remains optimistic about the future outlook for the healthcare industry. In response to the current situation of the outbreak of COVID-19 in Hong Kong, the Hong Kong SAR Government has, in addition to the other preventive measures adopted, launched a territory-wide COVID-19 vaccination programme free of charge for Hong Kong residents to combat COVID-19. As a matter of fact, governments all over the world are also collaborating to keep COVID-19 under control. A number of countries have already made significant progress in COVID-19 vaccination programmes. It is hoped that, with the joint efforts from all around the world, COVID-19 will eventually be eased, and China and Hong Kong will re-connect again and drive the recovery of the market. Furthermore, the Group expects that after the pandemic, people around the world will have greater awareness of healthcare and epidemic prevention. Therefore, it is a great opportunity for the anti-epidemic and health supplement industry to flourish.

COVID-19 has changed consumers' habits, driving them from shopping offline to shopping online. This phenomenon is reflected in the growth of the Group's e-commerce business despite the pandemic. As a result, the Group will seize the opportunity and allocate more resources for the development of the Group's e-commerce business, including but not limited to cooperating with more reputable brands for the distribution of their best-selling products. As China will be the Group's main focus for the development of e-commerce market given the enormous business opportunity therein, the future development plan of the Group will be to continue to wholesale products to the Group's e-commerce customers such as JD.com, Inc. and Alibaba Health (Hong Kong) Technology Company Limited for sales on the e-commerce portals such as JD.hk (海囤全球 京東旗下全球直購平台) and Tmall.com (天貓國際) as well as to explore global OTC and healthcare products. Meanwhile, also to build a closer partnership with, and to set up more online stores operated by the Group on the popular e-commerce portals in China (such as JD.hk, Tmall.com, Kaola.com (網易考拉) and Youzan.com (有贊), etc.) which mainly target on Mainland Chinese consumers.

On the other hand, the aging of global population is one of the factors that drives the healthcare industry prosperous. According to the United Nations' statistics, the number and proportion of the elderly population in almost all countries in the world are increasing. The statistics in "World Population Prospects 2019: Revised Edition" published by the United Nations show that, 1 out of every 6 persons in the world will be 65 years old or above in 2050. By then, the population of elderly who are 80 years old or above is expected to double, from 143 million in 2019 to 426 million in 2050. The aging population may become one of the most important social issues in the 21st century. The constant growth of the aging population will greatly motivate the development of the health supplement product distribution industry.

In November 2020, the central government of the PRC promulgated the Work Plan ("**Work Plan**") for Regulatory Innovation and Development of Pharmaceutical and Medical Device in the Guangdong-Hong Kong-Macao Greater Bay Area ("**GBA**"), which specifically allows, among others, designated healthcare institutions operating in the nine cities of the GBA to use Hong Kong-registered drugs with urgent clinical use upon approval and simplification of the registration process for importing proprietary Chinese medicines for external use registered in Hong Kong. The Directors expect that there will be great business opportunities for the Group to source products for the hospitals in the GBA upon the implementation of the Work Plan.

Given the large population in China and the strong demand for reputable PCM and health supplement products, together with the favorable policies, the Group expects that the future business growth will mainly come from Mainland China and therefore will continue to actively develop the Mainland China market. The Group entered into an agreement with a wholly-owned subsidiary of China Resources Pharmaceutical Group Limited ("**China Resources Pharmaceutical**"; (stock code: 3320.hk), together with its subsidiaries, the "**CR Pharma Group**"), one of the substantial shareholders of the Company, on 11 March 2020 to set up a joint venture in China. The initial capital contribution from the Group was RMB1.5 million. The joint venture is expected to commence operation in the second quarter of 2021. It was expected that the joint venture will make good use of the China Resources Pharmaceutical's sales network of more than 100,000 downstream customers and over 850 self-owned retail pharmacies across Mainland China, to distribute high-quality anti-pandemic and healthcare related products selected by the Group from overseas for Chinese consumers.

The Group's future marketing and promotion plan will focus on digital marketing, mainly using social media as the main channel to promote and publicise the Group's Private Label Brands. In future, the Group will actively expand its O2O business and further develop the supply chain and retail management by adopting the online and offline dual-channel commerce strategy and establishing a KOL (key opinion leaders) team in Mainland China for products promotion. In addition, the Group has established a new subsidiary in Japan to liaise for the sole operation and distributorship rights of more high-quality health and beauty related product brands, in order to further expand the diversity of its product collections.

Having said all of the above, as the business of the Group is still adversely affected by the pandemic currently, it is not possible to accurately estimate the full impact of the outbreak of the pandemic to the Group's operations up to the date of this announcement. The current goal of the Group is therefore to restore the business the Group back to the pre-COVID-19 level as soon as reasonably practicable. The Group will continue to monitor the development of the pandemic and respond proactively to mitigate the impact of the outbreak on the Group's performance. The Group will also take a prudent attitude and continue to explore opportunities for mergers and acquisitions.

FINANCIAL REVIEW

Revenue

During the Financial Year, revenue derived from the Group's distribution business decreased by 57.6% to HK$274.3 million (FY2019: HK$646.9 million). Revenue generated from the Group's retail stores business decreased by 62.2% to HK$7.0 million (FY2019: HK$18.5 million).

The business of the Group's major customers, being the leading and reputable chain retailers in Hong Kong, suffered from the social unrest resulted from the large-scale protest in various districts in Hong Kong in the second half of 2019 followed by COVID-19 pandemic in 2020. Inevitably, the Group's business was, in turn, adversely affected by the weakened demand for its products in the same periods, as a result of the various stringent policies promulgated by the Hong Kong Government to combat COVID-19, such as the social distancing measures and stricter travel bans for inbound travelers which resulted in a drastic decrease in the number of cross-border travelers coming to Hong Kong and weak consumer sentiments.

Furthermore and by reason of the foregoing, the Group received requests from its chain retailer customers to return certain products with short-shelf life and/or less popular products to the Group in 2020. In order to maintain the good business relationship with these customers, the Group has accommodated these requests even though the transactions with them were on a buy-and-sell basis.

During the Financial Year, revenue derived from the Group's e-commerce business increased substantially by 6 times to HK$224.7 million (FY2019: HK$35.4 million) which mainly derived from Mainland China. Such increase was mainly attributable to the tighter travel restrictions from Mainland China to Hong Kong, driving customers in Mainland China to resort to online platforms for anti-pandemic and healthcare products of good reputation and quality. As COVID-19 is rapidly changing people's shopping behavior toward online channels and the shifts are likely to stick post-pandemic, the Group will continue to adapt online and offline dual-channel commerce strategy and expand its cross-border e-commerce network to distribute and sell more products to customers in Mainland China.

Cost of Sales

The cost of sales decreased by 17.2% to HK$422.2 million for the Financial Year as compared to that of HK$509.6 million for the Last Financial Year. The decrease was mainly attributable to the diminution in revenue for the Financial Year.

Gross Profit and Gross Profit Margin

The gross profit decreased to HK$83.8 million for the Financial Year as compared to that of HK$191.1 million for the Last Financial Year, and the gross profit margin decreased by 10.7 percentage points to 16.6%. The decrease in gross profit margin is primarily attributable to (a) the change in the mix of sales channel i.e. more sales by way of cross-border e-commerce instead of offline sales, which generated a lower gross profit margin due to the fierce competition in the e-commerce market; and (b) the change in the mix of products sold i.e. more anti-pandemic products were sourced and sold by the Group and due to the keen competition of these products on the market, these products were sold at a relatively competitive price which also resulted in a lower gross profit margin.

Other Income and Gains

Other income and gains increased to HK$6.6 million for the Financial Year as compared to that of HK$0.4 million for the Last Financial Year, which was mainly due to (a) the subsidy from Hong Kong Government's Employment Support Scheme; and (b) the gain on disposal of property, plant and equipment.

Selling and Distribution Expenses

The selling and distribution expenses of the Group for the Financial Year were HK$58.7 million, as compared to that of HK$62.3 million for the Last Financial Year. Despite the decrease in revenue during the Financial Year, the selling and distribution expenses were at a similar level to the Last Financial Year primarily attributable to the combined effect of the reduced expenses on advertisements as consumer sentiment was weak as a result of the widespread of COVID-19 and an increase in website service fee due to the increase in e-commerce sales.

General and Administrative Expenses

The Group's general and administrative expenses increased by 70.3% to HK$93.5 million for the Financial Year as compared to that of HK$54.9 million for the Last Financial Year, such increase was primarily due to the combination of the following factors:

(a) a write-off of inventories of HK$10.4 million (FY2019: Nil) for products which are not merchantable or products with short-shelf life returned from chain retailer customers of the Group;

(b) a provision for inventories of HK$20.1 million (FY2019: Nil) for certain health and well-being related products with relatively shorter shelf life as the Group has taken into account the decline of consumer sentiment during the ongoing coronavirus crisis and the Group has implemented stringent policy on remaining shelf life of health and well-being products in order to safeguard the customers' health;

(c) a one-off impairment on assets of HK$6.5 million (FY2019: Nil), including the leased assets as right-of-use assets associated with the store's remaining lease, and some property, plant and equipment, in relation to the closure of one of the two brick-and-mortar retail stores in Macau in mid-July 2020. Such closure was mainly due to its unfavourable location in Macau, and the weak local tourism and retail industry in 2020;

(d) a gain on termination of lease of HK$4.4 million (FY2019: Nil) upon the closure of one of the two brick-and-mortar retail stores in Macau in mid-July 2020; and

(e) an increase in the legal and compliance costs by 4.4 times to HK$7.1 million (FY2019: HK$1.6 million) after listing of the shares of the Company on the Stock Exchange in April 2020.

Finance Costs

Finance costs for the Financial Year decreased by 18.3% to HK$4.9 million as compared to HK$6.0 million for the Last Financial Year due to the change in the Group's loan structure. The Group maintains a conservative approach in financial resource management.

Loss Attributable to Shareholders

The loss attributable to the shareholders of the Company for the Financial Year was HK$61.1 million as compared to a profit of HK$54.5 million for the Last Financial Year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Acquisition of 49% Interest in Hong Ning Hong from Jacobson Pharma

On 1 June 2020, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a wholly-owned subsidiary of Jacobson Pharma Corporation Limited ("**Jacobson Pharma**") (stock code: 2633.hk), pursuant to which the Group conditionally agreed to purchase 49% of the issued shares of Hong Ning Hong Group (including Hong Ning Hong Limited and its subsidiary in Hong Kong) from Jacobson Pharma at the consideration of HK$41.7 million. The investment is accounted for as an investment in an associate by the Group. The Hong Ning Hong Group is principally engaged in the retail and wholesale of proprietary medicines and pharmaceutical products in Hong Kong. Such acquisition fills the gaps that the Group lacks offline retail outlets in Hong Kong other than through its chain retailer customers' outlets and such acquisition can drive online and O2O business of the Group. The acquisition allows the Group to increase the accessibility and availability of the Group's products, also expand the Group's offline sales to non-chain retailers and increase the market penetration of the Group's products to consumers. Completion of such acquisition took place on 15 June 2020.

The Hong Ning Hong Group has a complete business structure and customer network, and mainly operates two retail outlets in Hong Kong. The Group expects to gain access to the existing customer base of the Hong Ning Hong Group and increase the market's availability of the Group's products. In addition, through the retail and wholesale activities of the Hong Ning Hong Group, it is expected that the Group will obtain first-hand market information which will enable the Group to capitalise on further market opportunities and new product development with a view to providing growth potential of the Group.

For further details, please refer to the announcement of the Company dated 1 June 2020.

Subscription of Shares in JBM (Healthcare) Limited

On 27 July 2020, an indirect wholly-owned subsidiary of the Company and JBM Group (BVI) Limited and JBM (Healthcare) Limited ("**JBM Healthcare**", together with its subsidiaries, "**JBM Group**") entered into a sale and purchase agreement, pursuant to which the Group agreed to subscribe for, and JBM Healthcare agreed to allot and issue the subscription shares at the aggregate subscription price of HK$20.0 million in cash ("**Subscription**"). Subsequently, JBM Healthcare was listed on the Main Board of the Stock Exchange on 5 February 2021. As at the date of this announcement, the shares acquired under the Subscription represent approximately 2.2% of JBM Healthcare's issued shares.

JBM Healthcare (stock code: 2161.hk) is principally engaged in branded healthcare business comprising branded medicines, PCM and branded health and wellness products such as health supplements, personal care products and diagnostic kits. The Directors believe that the Subscription will strengthen its strategic relationship with the JBM Group, which could allow the Group to access to a broader product portfolio, further strengthen the Group's capability and competitiveness as a provider of health and well-being related products and enhance the confidence of the Group's suppliers and chain retailer customers as their distributor and supply chain partner respectively. In addition, the Directors believe that the Subscription can provide the Group with an opportunity to generate potential investment returns by investing in the JBM Group.

For further details, please refer to the announcement of the Company dated 27 July 2020.

Acquisition of 80% Interest in Jefferine

On 15 September 2020, an indirect wholly-owned subsidiary of the Company and the vendor entered into a sale and purchase agreement ("**SPA**"), pursuant to which the Group has conditionally agreed to purchase 80% of the registered share capital of Jefferine at the consideration of HK$37.4 million ("**Consideration**"). The acquisition was completed on 30 September 2020.

Jefferine is a holder of the licence for import, export and wholesale of pharmaceutical products in Macau, is principally engaged in the import and distribution of pharmaceuticals, PCM and healthcare products in Macau. It is also an authorised sole or exclusive distributor of certain brands of PCM and pharmaceutical products, which the Directors believe are popular products amongst the Mainland Chinese tourists, in Macau. Through the acquisition, it is expected that the Group can, by utilising Jefferine's existing and well established distribution channels and customer base in Macau, expand the Group's operations in Macau.

Given the proximity of Hong Kong and Macau and building on the Group's well-established and effective distribution channels in Hong Kong, the Group can increase the accessibility and availability of its products to consumers in Macau. The Group believes that the acquisition represents an opportunity for the Group to align the distribution business of the Group in Hong Kong and Macau so as to better consolidate and utilise the brand advantages of the Group and enhance the influence of its product portfolio across the regions in the GBA.

Pursuant to the SPA, the Consideration would be subject to downward adjustments upon the occurrence of each of the following events: (i) Jefferine records an unaudited loss for the three months ending 31 December 2020 ("**2020Q4**"); and (ii) the aggregate of the audited net profit of Jefferine for FY2021 and FY2022 is less than HK$14.0 million. Based on the information available, the Directors confirm that Jefferine did not record any unaudited loss for 2020Q4.

For further details, please refer to the announcement of the Company dated 15 September 2020.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during FY2020.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

200,000,000 shares are charged by Tycoon Empire Investment Limited ("**Tycoon Empire**"), the controlling shareholder of the Company, in favour of China Resources Pharmaceutical Retail Group Limited as security for the performance by Tycoon Empire and Mr. Wong Ka Chun Michael of their obligations under the shareholders' agreement dated 19 February 2019 entered into among Tycoon Empire, Mr. Wong Ka Chun Michael, China Resources Pharmaceutical Retail Group Limited and the Company. For details of such charge, please refer to "Pre-IPO Investments" in the Prospectus. Please also refer to the paragraph headed "Update on the Pre-IPO Shareholders Agreement" below for an update of the related matters.

UPDATE ON THE PRE-IPO SHAREHOLDERS AGREEMENT

Reference is made to the Prospectus.

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

Under the Pre-IPO Shareholders Agreement, China Resources Pharmaceutical Retail Group Limited ("**CR Pharma**"), being one of the pre-IPO investors, was granted certain special rights by the Controlling Shareholders, which have survived after Listing. Such rights include, without limitation, the right to receive compensation from the Controlling Shareholders in the event that the aggregated sum of the audited consolidated net profit of the Company for FY2019 and FY2020 (excluding certain expenses) is less than HK$274.0 million ("**Target Profit**").

Given that the Target Profit is not met, the Controlling Shareholders have approached CR Pharma to liaise for amendment of certain terms of the Pre-IPO Shareholders Agreement. As at the date of this announcement, the parties are still under negotiations on the possible amendment of terms of the Pre-IPO Shareholders Agreement. A voluntary announcement will be published by the Company once the details of such amendment have been confirmed by the parties.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 172 employees in Hong Kong, Mainland China, Macau, Singapore, Malaysia and Australia (FY2019: 164). For the Financial Year, the total staff costs incurred was approximately HK$37.3 million (FY2019: HK$42.2 million). The Group's remuneration policy is based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and subsidies. The performance appraisal cycle varies according to the positions of employees.

USE OF PROCEEDS FROM LISTING

The Company's shares ("**Shares**") were successfully listed on the Stock Exchange on 15 April 2020 ("**Listing Date**"), where a total of 192,420,000 Shares were issued by the Company by way of the Global Offering at the offer price of HK$1.49 per Share and the net IPO proceeds (after deducting listing expenses) ("**Net IPO Proceeds**") amounted to approximately HK$224.5 million.

The Group has utilised and will continue to utilise the Net IPO Proceeds in accordance with the purposes set out in "Future Plans and Use of Proceeds" in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2020:

Use of proceeds	Adjusted on a pro rata basis based on the actual net proceeds (HK$ million)	Percentage of total net proceeds	Actual use of proceeds from the Listing Date up to 31 December 2020 (HK$ million)	Unutilised net proceeds as at 31 December 2020 (HK$ million)	Expected timeline of utilising the unutilised proceeds
Further developing supply chain and retail management	66.6	30%	42.6	24.0	On or before 31 December 2022
Further investing in brand management to increase mass awareness of the Group and its products	33.8	15%	6.4	27.4	On or before 31 December 2022
Repaying loans	101.6	45%	101.6	–	
General working capital	22.5	10%	22.5	–	
Total	224.5	100%	173.1	51.4	

As at the date of this announcement, the unutilised Net IPO Proceeds were deposited into interest-bearing bank accounts at licensed banks in Hong Kong.

ANNUAL GENERAL MEETING

An annual general meeting ("**AGM**") of the Company will be held on Tuesday, 25 May 2021 and the notice of the AGM will be published and dispatched to the shareholders of the Company ("**Shareholders**") in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") in due course.

DIVIDEND

The Board has resolved to declare the payment of a special dividend ("**Special Dividend**") of HK2 cents per Share for FY2020 to the Shareholders. It is expected that the Special Dividend will be paid on Wednesday, 14 July 2021 to the Shareholders whose names appear in the register of members of the Company on Wednesday, 30 June 2021.

Save for the Special Dividend, the Board did not recommend payment of any other dividends for FY2020.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend and vote at the AGM and their entitlements to the Special Dividend, the register of members of the Company will be closed as set out below:

(i) For determining the entitlement to attend and vote at the AGM:

The register of members of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 pm on Tuesday, 18 May 2021.

(ii) For determining the entitlement to the Special Dividend:

The register of members of the Company will be closed from Tuesday, 29 June 2021 to Wednesday, 30 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the entitlement to the Special Dividend, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 pm on Monday, 28 June 2021.

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

Since the Listing Date and up to 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company, except that pursuant to the share award scheme ("**Share Award Scheme**") adopted by the Board on 25 May 2020, the trustee of the Share Award Scheme purchased a total of 20,000,000 Shares at an aggregate consideration of approximately HK$23.8 million during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions of the Company by the Directors ("**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with the Directors, all the Directors confirmed that they had complied with the Securities Dealing Code during the period from the Listing Date and up to 31 December 2020.

CORPORATE GOVERNANCE CODE

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

To the best of the knowledge of the Board, the Company has fully complied with the requirements under the CG Code, which are applicable to the Company, during the period from the Listing Date and up to 31 December 2020, except for the deviation from code provision A.2.1 of the CG Code.

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Board ("**Audit Committee**") has reviewed together with the Company's management, the accounting principles and practices adopted by the Group, has discussed internal control and financial reporting matters and has reviewed the audited consolidated financial statements of the Group for FY2020.

EVENT AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT OF RESULTS BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Company's auditor, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF THE 2020 ANNUAL RESULTS ANNOUNCEMENT AND 2020 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tycoongroup.com.hk). The annual report of the Company for FY2020 containing all the information required under the Listing Rules will be published on the aforesaid websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due course.

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

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Wong Ka Chun Michael; 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.