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Lung Fung Group Holdings Limited

龍豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2290)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2026

FINANCIAL HIGHLIGHTS

Revenue increased by 33.2% to HK\$3,277.2 million, being record high for the Group.

Same-store sales growth in the first quarter of 2026 at 14.8% (*Note 1*).

Profit for the year increased by 57.9% to HK\$269.1 million, being record high for the Group.

Non-HKFRS Measures:

- Core net profit at HK\$300.9 million (*Note 2*), being record high for the Group;
- Pro-forma earnings per share at HK\$0.54 (*Note 3*); and
- Pro-forma core earnings per share at HK\$0.60 (*Note 3*).

Return on total assets at 10.8%, 13.2% and 21.5% for FY2024, FY2025 and FY2026, respectively.

Bank borrowings and bank overdrafts further decreased by HK\$200.3 million to HK\$556.2 million.

Notes:

1. Same-store sales growth in the first quarter of 2026 (“**Q12026**”) is based on the revenue from the 22 retail stores that were in operation throughout the entirety of the Q12026 and the first quarter of 2025 (“**Q12025**”).
2. Core net profit is a non-HKFRS measure and is calculated as the profit for the year adjusted to exclude (i) decrease in fair value of investment properties; and (ii) listing expenses. For details, please refer to the section headed “Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures” on page 15 of this announcement.
3. Pro-forma earnings per share and pro-forma core earnings per share are non-HKFRS measures. Pro-forma earnings per share and pro-forma core earnings per share are calculated based on the profit for the year and the core net profit, respectively, divided by the total number of shares in issue upon the initial public offering of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited on 5 June 2026 (the “**Global Offering**”), as if the Global Offering had been completed at the beginning of the year ended 31 March 2026. For details, please refer to the section headed “Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures” on page 15 of this announcement.

The board (the “**Board**”) of directors (the “**Directors**”) of Lung Fung Group Holdings Limited (the “**Company**”) presents the consolidated results of the Company and its subsidiaries (together as the “**Group**”) for the year ended 31 March 2026 (the “**FY2026**”), together with the comparative figures for the year ended 31 March 2025 (the “**FY2025**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2026

	<i>Notes</i>	2026 <i>HK\$’000</i>	2025 <i>HK\$’000</i>
Revenue	4	3,277,151	2,460,478
Cost of sales		<u>(2,261,738)</u>	<u>(1,682,861)</u>
Gross profit		1,015,413	777,617
Other income		33,801	30,326
Other gains and losses, net		(381)	(700)
Decrease in fair value of investment properties		(16,720)	(53,482)
Selling and distribution expenses		(584,123)	(431,606)
Administrative expenses		(64,281)	(52,584)
Finance costs		(41,809)	(51,550)
Listing expenses		<u>(15,113)</u>	–
Profit before tax		326,787	218,021
Income tax expense	5	<u>(57,687)</u>	<u>(47,589)</u>
Profit for the year		<u>269,100</u>	<u>170,432</u>
Other comprehensive expense for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit plan		<u>(280)</u>	<u>(557)</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(84)</u>	<u>(13)</u>
Other comprehensive expense for the year		<u>(364)</u>	<u>(570)</u>
Total comprehensive income for the year		<u>268,736</u>	<u>169,862</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share			
Basic	6	<u>0.72</u>	<u>0.45</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2026

	Notes	2026 HK\$'000	2025 HK\$'000
Non-current assets			
Property, plant and equipment		111,465	73,084
Investment properties		145,270	189,470
Right-of-use assets		362,931	261,366
Deposits	8	64,092	52,960
Amounts due from related parties		–	273,696
Deferred tax assets		6,090	1,798
		<u>689,848</u>	<u>852,374</u>
Current assets			
Inventories		421,907	336,038
Trade and other receivables	8	31,598	23,996
Amounts due from related parties		37,487	15,381
Cash and cash equivalents		73,641	61,182
		<u>564,633</u>	<u>436,597</u>
Current liabilities			
Trade and other payables	9	184,150	154,992
Amounts due to related parties		15,789	12,836
Tax payable		36,664	20,699
Bank borrowings		543,444	651,523
Lease liabilities		183,734	135,034
Contract liabilities		1,280	126
Bank overdrafts		12,793	105,049
		<u>977,854</u>	<u>1,080,259</u>
Net current liabilities		<u>(413,221)</u>	<u>(643,662)</u>
Total assets less current liabilities		<u>276,627</u>	<u>208,712</u>

	2026	2025
	HK\$'000	HK\$'000
Non-current liabilities		
Lease liabilities	189,013	130,233
Provisions	37,236	31,038
Retirement benefit obligations	4,260	3,059
	<u>230,509</u>	<u>164,330</u>
Net assets	<u>46,118</u>	<u>44,382</u>
Capital and reserves		
Capital	–*	137,023
Reserves	46,118	(92,641)
	<u>46,118</u>	<u>44,382</u>
Total equity	<u>46,118</u>	<u>44,382</u>

* *Less than HK\$1,000*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated on 3 October 2025 as an exempted company with limited liability under the laws of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 5 June 2026 (“**Listing**” and “**Listing Date**”, respectively).

The Company is an investment holding company. The Group is principally engaged in the sales of beauty products, health products, pharmaceutical products and other consumer products.

The consolidated financial statements are presented in HK\$, which is the same as the Company’s functional currency.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards and the principle of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 622, Laws of Hong Kong).

Going concern assessment

The consolidated financial statements have been prepared on the going concern basis.

As at 31 March 2026, the Group had net current liabilities of HK\$413,221,000. The consolidated financial statements have been prepared on a going concern basis because the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and to sustain its operations for the next twelve months from the date of these consolidated financial statements taking into account of the available banking facilities and the net proceeds of approximately HK\$620.9 million from the Global Offering.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements for the years ended 31 March 2026 and 2025, the Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the accounting period beginning on 1 April 2025 throughout the years ended 31 March 2026 and 2025.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	2026 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Sales channels		
Retail sales through retail stores	3,202,518	2,391,643
Retail sales through online platforms	36,942	42,682
Wholesale sales	37,691	26,153
	<u>3,277,151</u>	<u>2,460,478</u>
Product categories		
Beauty products	1,120,837	818,044
Health products	588,076	433,752
Pharmaceutical products	533,992	473,105
Other consumer products	1,034,246	735,577
	<u>3,277,151</u>	<u>2,460,478</u>
Geographical markets		
Hong Kong	3,239,160	2,412,855
Chinese Mainland	37,991	47,623
	<u>3,277,151</u>	<u>2,460,478</u>
Timing of revenue recognition		
A point in time	<u>3,277,151</u>	<u>2,460,478</u>

Performance obligations for contracts with customers and revenue recognition policies

The Group is engaged in the sales of beauty products, health products, pharmaceutical products and other consumer products through its own retail stores, online platforms and wholesale channels.

For sales of products to customers through the Group's retail stores, revenue is recognized at a point in time when control of the goods has been transferred, being at the point the customer purchases the goods at the retail store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For sales of products through online platforms, revenue is recognized at a point in time when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer's specific location. When the customer initially purchases the goods online, the payment for transaction is due immediately.

For sales of products to wholesale customers, revenue is recognized at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. The credit term is generally 60 days upon delivery.

Segment information

Information reported to Mr. Tse Siu Hoi (“Mr. Tse”), being the chief operating decision maker, for the purposes of resources allocation and performance assessment focuses on revenue analysis as disclosed above. No other discrete financial information is provided other than the Group's overall results and financial as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Geographical information

The geographical information of the Group's revenue based on the location of the goods delivered is disclosed above. The Group's non-current assets are all located in Hong Kong.

Information about major customers

None of the Group's customers contributed over 10% of the Group's total revenue during the years ended 31 March 2026 and 2025.

5. INCOME TAX EXPENSE

	2026 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	61,979	39,308
Deferred tax (credit) charge	<u>(4,292)</u>	<u>8,281</u>
	<u><u>57,687</u></u>	<u><u>47,589</u></u>

6. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2026 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u><u>269,100</u></u>	<u><u>170,432</u></u>
	Number of shares	
	2026	2025
	<i>'000</i>	<i>'000</i>
Weighted average number of shares for the purpose of basic earnings per share	<u><u>375,000</u></u>	<u><u>375,000</u></u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 March 2026 and 2025 has been adjusted retrospectively for the effects in connection with (i) the group reorganization in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the “**Reorganization**”); and (ii) the effect of the Capitalization Issue (as defined on page 17) subsequent to the end of the reporting period, as if the Reorganization and Capitalization Issue had been effective since 1 April 2024.

No diluted earnings per share for the years ended 31 March 2026 and 2025 is presented as there were no potential ordinary shares in issue during the years ended 31 March 2026 and 2025.

The Global Offering completed subsequent to the end of the reporting period does not affect the calculation of earnings per share for the years ended 31 March 2026 and 2025 since it does not contain a bonus element that requires retrospective adjustment under HKAS 33 “Earnings Per Share”.

7. DIVIDENDS

During the year ended 31 March 2026, the Company declared dividends of HK\$130 per share totaling HK\$130,000,000, which were settled by way of an offsetting with the Group's amounts due from related parties.

During the year ended 31 March 2025, Lung Fung Pharmaceutical (Group) Limited, Top Harvest Pharmaceuticals Company Limited and Pearl Lake Global Limited (which are entities now comprising the Group) declared dividends of HK\$200,000,000, HK\$33,000,000 and HK\$22,000,000 respectively to their respective then shareholders. The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of these consolidated financial statements.

On 21 May 2026, the Company declared dividends of HK\$23 per share totaling HK\$23,000,000, which were settled by way of an offsetting with the Group's amounts due from related parties.

Other than disclosed above, no dividends were paid or proposed for shareholders of the Company for the years ended 31 March 2026 and 2025, nor has any dividend been proposed since the end of the reporting period.

8. DEPOSITS/TRADE AND OTHER RECEIVABLES

	2026 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Trade receivables from contracts with customers	10,470	8,193
Rental, utilities and other deposits	64,092	52,960
Other receivables	123	954
Prepayments to suppliers	7,600	3,498
Prepaid expenses	8,910	11,351
Prepaid listing expenses	112	–
Prepaid issue costs	22	–
Deferred issue costs	4,361	–
	<u>95,690</u>	<u>76,956</u>
Analyzed for reporting purposes as:		
Deposits under non-current assets	64,092	52,960
Trade and other receivables under current assets	31,598	23,996
	<u>95,690</u>	<u>76,956</u>

Retail sales made through retail stores are settled by cash or electronic payments. Retail sales made through online platforms are settled by electronic payments. Trade receivables arising from retail sales represent amounts receivable from electronic payment service providers and online platform providers who generally settle the amounts with the Group within 2 days and 1 month respectively after the sales.

For trade receivables arising from wholesale sales, the Group generally grants credit terms of 60 days to its wholesale customers after the month of the relevant sale.

The following is an ageing analysis of trade receivables presented based on the invoice dates at the end of the reporting period is as follows:

	2026 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Within 30 days	10,030	7,379
31 to 60 days	154	552
61 to 90 days	–	82
Over 90 days	286	180
	10,470	8,193

9. TRADE AND OTHER PAYABLES

	2026 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Trade payables	127,871	108,598
Other payables	5,017	16,895
Accrued expenses	14,659	5,767
Accrued staff costs	33,279	23,732
Accrued listing expenses	2,422	–
Accrued issue costs	902	–
	184,150	154,992

The credit period granted by major suppliers ranged from 0 to 30 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2026 <i>HK\$'000</i>	2025 <i>HK\$'000</i>
Within 30 days	91,840	79,740
31 to 60 days	18,111	11,731
61 to 90 days	6,490	6,426
Over 90 days	11,430	10,701
	127,871	108,598

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a Hong Kong-based retail chain specialising in beauty, health, pharmaceutical and other consumer products. We are currently operating 31 retail stores in Hong Kong under the “Lung Fung” (龍豐) brand, complemented by various online sales platforms, offering customers a broad range of value-for-money products. Our flagship store at Gala Place in Mong Kok provides a spacious shopping environment with a gross floor area of approximately 17,500 sq. ft. Our product portfolio covers 11 categories: proprietary Chinese medicines, western medicines, health supplements, skincare products, cosmetics, perfume, personal care, household sundries, maternal and infant care products, food and pet supplies. We also sell through multiple online channels, including our official online store and major Chinese e-commerce platforms such as Tmall, WeChat Mini Program and JD.com. Our products are sourced from a wide network of suppliers worldwide, including brand manufacturers, authorised agents, brand distributors in Hong Kong, wholesalers, and original equipment manufacturers (“OEM”) and original design manufacturers (“ODM”).

BUSINESS REVIEW

During 2025, the global business environment remained challenging and complex. Global economic growth remained subdued compared with historical averages. Businesses continued to face uncertainties arising from geopolitical tensions, trade policy adjustments, regional conflicts, supply chain realignments and currency fluctuations. Heightened strategic competition among major economies, together with evolving tariff and trade measures, continued to affect international trade flows and business sentiment. Against this backdrop, consumer spending patterns remained cautious in many major markets despite gradual improvements in employment conditions and economic activity.

In Hong Kong, the economy demonstrated resilience during 2025, supported by a recovery in tourism, improving visitor arrivals and stable labour market conditions. However, the retail sector continued to experience structural changes in consumer behaviour. Local consumers remained value-conscious amid economic uncertainties and increasingly shifted discretionary spending towards online channels and cross-border consumption. At the same time, retailers faced ongoing challenges from intense market competition and changing customer preferences.

Despite these headwinds, Hong Kong’s retail market showed signs of stabilization and recovery during 2025 with the positive momentum continued into Q12026. According to official statistics published by the Census and Statistics Department, total retail sales value for 2025 increased by approximately 1.0% compared with the previous year, reversing the decline recorded in 2024, while Q12026 increased by 12.1% compared with Q12025. The improvement was supported by continued recovery in inbound tourism and improving consumer sentiment.

Revenue

During FY2026, the Group's revenue increased to HK\$3,277.2 million from HK\$2,460.5 million for FY2025, representing an increase of 33.2% (FY2025: 21.8%), maintaining double-digit growth and reflecting continued strength in its core operations.

Physical retail operations remained as the primary growth engine, contributing HK\$3,202.5 million for FY2026, representing a 33.9% year-on-year increase from HK\$2,391.6 million for FY2025. The Group's retail footprint, strategically distributed around Hong Kong, continued to support broad market coverage and customer reach.

The strong performance was underpinned by both network expansion, with the number of retail stores increasing from 25 as at 31 March 2025 to 31 as at 31 March 2026, and solid same-store sales growth of 3.9%, demonstrating the Group's ability to drive organic growth alongside disciplined expansion.

Over the past four years, the Group's revenue growth has consistently outperformed the overall Hong Kong retail market.

Calendar year	2022	2023	2024	2025
Total retail sales value in Hong Kong (<i>HK\$ million</i>) (<i>Note 1</i>)	349,964	406,649	376,847	380,445
Annual change	N/A	16.2%	-7.3%	1.0%
Financial year ended 31 March	2023	2024	2025	2026
Retail sales of the Group (<i>HK\$ million</i>) (<i>Note 2</i>)	1,043	1,978	2,412	3,205
Annual change	N/A	89.6%	21.9%	32.9%

Notes:

1. Total retail sales value in Hong Kong included retail sales through retail store and online platform, sources from Census and Statistics Department
2. Retail sales of the Group represents retail sales through retail stores and online platforms in Hong Kong

The Group has maintained a consistent growth trajectory over the period, notwithstanding that the overall retail market remained in a recovery phase in 2025. The outperformance relative to the market was primarily attributable to its continued expansion of its retail network and enhancement of product and brand offerings which together strengthened its market position and broadened its customer base.

Revenue from retail sales through online platforms and wholesale sales amounted to HK\$74.6 million in aggregate for FY2026, representing a slight year-on-year increase from HK\$68.8 million for FY2025.

Same-store sales

Same-store sales represents the revenue from the retail stores (“**Comparable Stores**”) that were in operation throughout the entirety of the relevant financial year or period and the preceding financial year or period being compared.

Same-store sales growth strengthened to 3.9% for FY2026, compared with 0.01% for the eight months ended 30 November 2025 (“**8MFY2026**”) as disclosed in the prospectus of the Company dated 28 May 2026 (the “**Prospectus**”), based on a comparison of the revenue from the 15 Comparable Stores which were in operation throughout the entirety of FY2026 or 8MFY2026, and the preceding financial year (i.e. FY2025) or period (i.e. for the eight months ended 30 November 2024 (“**8MFY2025**”)) being compared, respectively. In Q12026, the same-store sales of these 15 Comparable Stores increased by 10.3% compared to Q12025. The improvement reflected an acceleration in sales momentum towards the end of 2025 and into the Q12026.

	8M	8M				
	FY2026	FY2025	FY2026	FY2025	Q12026	Q12025
Number of Comparable Stores	15		15		15	
Sales of Comparable Stores (<i>HK\$ million</i>)	1,352.7	1,352.5	2,134.9	2,054.5	585.8	530.9
Same-store sales growth	0.01%		3.9%		10.3%	

For Q12026 alone, based on a comparison of the revenue from the 22 Comparable Stores that were in operation throughout the entirety of Q12026 and the preceding period being compared (i.e. Q12025), the same-store sales growth was 14.8%.

	Q12026	Q12025
Number of Comparable Stores		22
Sales of Comparable Stores (<i>HK\$ million</i>)	770.5	671.1
Same-store sales growth		14.8%

The improvement in performance was primarily attributable to the increase in tourist arrivals and the gradual recovery in consumer sentiment, which has been particularly significant since the last quarter of 2025. In addition, the retail stores opened during the year ended 31 March 2024 (“**FY2024**”) and FY2025 have progressively passed their ramp-up phase, thereby contributing to the expansion of the Group’s customer base and its increased in market penetration.

Product categories

Among the Group's major product categories, beauty products and other consumer products recorded comparatively stronger sales growth than other categories, mainly attributable to an increase in the sourcing of new stock keeping units (“SKUs”) and brands including our private label products. The contribution of revenue from private label products increased from 13.6% for FY2025 to 14.3% for FY2026.

Product categories	FY2026 <i>HK\$ million</i>	FY2025 <i>HK\$ million</i>	Change <i>(%)</i>
Beauty products	1,120.8	818.0	37.0%
Health products	588.1	433.8	35.6%
Pharmaceutical products	534.0	473.1	12.9%
Other consumer products	1,034.3	735.6	40.6%
Total	<u>3,277.2</u>	<u>2,460.5</u>	33.2%

FINANCIAL REVIEW

The financial results for FY2026 reflect the Group's performance prior to the Company's Listing.

Gross profit and gross profit margin

Gross profit for FY2026 was HK\$1,015.4 million, representing an increase by 30.6% compared to HK\$777.6 million for FY2025. The gross profit margin of 31.0% for FY2026 was slightly lower than that of 31.6% for FY2025 by 0.6% due to the increase in sales of other consumer products which were generally lower in gross profit margin. More resources will be deployed on product development of private label products in this category to enhance the product margin.

Operating expenses

Operating expenses, including selling and distribution expenses, administrative expenses and finance costs, amounted to HK\$690.2 million, or 21.1% of revenue for FY2026. For FY2025, operating expenses were HK\$535.7 million, or 21.8% of revenue.

Selling and distribution expenses increased by 35.3% to HK\$584.1 million for FY2026, mainly due to capacity realignment of warehousing space to support continued business expansion. Further increases in warehouse space are expected for the year ending 31 March 2027 (“FY2027”). Branding expenses for the Group and its private label products, together with recruitment-related costs, were also higher than in FY2025. The second series of advertising programs for the Group’s private label, Tse Tai Kung, was produced and launched in the second quarter of 2026. The Group continued to engage Mr. Vincent Kok Tak Chiu, a well-known celebrity across film, television and other media, for the new product, Tse Tai Kung CleanStream, a healthy supplement suitable for individuals concerned about blood pressure, blood lipids, and blood sugar levels.

Administrative expenses increased by 22.2% to HK\$64.3 million for FY2026 due to increase in resources for product development, product sourcing, corporate compliance and reporting. Finance costs decreased by 18.9% to HK\$41.8 million for FY2026, mainly due to reduced bank borrowings and bank overdrafts.

Profit for the year

Profit for the year for FY2026 was HK\$269.1 million, being the record high for the Group.

Profit for the year for FY2026 increased by 57.9% compared to FY2025 due to the increase in the number of retail stores to 31 retail stores with the addition of 6 retail stores opened during FY2026 and same-store sales growth at 3.9%.

Return on total assets

Return on total assets, calculated as the profit for the year divided by the total assets and multiplied by 100%, continued to improve, rising from 10.8% for FY2024 to 13.2% for FY2025, and further improved to 21.5% for FY2026, reflecting the strength of the Group’s business model and its effective management of working capital in the prevailing retail environment.

Bank borrowings and bank overdrafts

Since the year ended 31 March 2023 (“FY2023”), the Group has been maintaining a downward trend in bank borrowings and bank overdrafts. Bank borrowings and bank overdrafts decreased by HK\$200.3 million from HK\$756.6 million as at 31 March 2025 to HK\$556.2 million as at 31 March 2026. The decrease was mainly attributable to strong internally generated cash flows.

Accordingly, the expansion of the retail network by the addition of 19 retail stores from FY2023 to FY2026, which is disclosed in the Prospectus was financed by robust profit growth, strong cash generation and efficient working capital management.

Net current liabilities

As at 31 March 2026, the Group's net current liabilities amounted to HK\$413.2 million, which was HK\$230.4 million lower than the amount as at 31 March 2025, mainly due to a reduction in bank borrowings and an increase in cash and cash equivalents. After the Listing, the Group expects its financial position to be significantly strengthened.

Net gearing ratio

As at 31 March 2026, the Group's net gearing ratio, being bank borrowings and bank overdraft less cash and cash equivalents divided by total equity, was 1,046.4% (31 March 2025: 1,566.8%). The decrease in net gearing ratio was mainly due to the decrease in bank borrowings and bank overdrafts as at 31 March 2026 compared to 31 March 2025. Following the Listing, the net gearing ratio is expected to decrease to close to zero as a result of the increase in capital raised.

Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures

To supplement the Group's consolidated financial statements prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants, the Group also presents core net profit, pro-forma earnings per share and pro-forma core earnings per share as non-HKFRS measures. These non-HKFRS measures are not required by, nor presented in accordance with, HKFRS Accounting Standards. The Group believes that these measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's results of operations by facilitating comparisons of operating performance from period to period, after excluding items that management considers not indicative of the Group's underlying operating performance and/or after adjusting for the number of new shares issued upon the Global Offering. The Group also believes that these measures enhance the overall understanding of its past performance and future prospects, and provide greater visibility over these Accounting Standards, and may not be comparable to similarly titled measures used by other companies.

Core net profit

Core net profit represents profit for the year adjusted to exclude (i) decrease in fair value of investment properties; and (ii) listing expenses.

The following table sets forth the calculation of core net profit as a non-HKFRS measure:

	FY2026	FY2025
	HK\$000	HK\$000
Profit for the year	269,100	170,432
Adjusted for:		
— Decrease in fair value of investment properties	16,720	53,482
— Listing expenses	15,113	—
	<u>300,933</u>	<u>223,914</u>
Core net profit as a non-HKFRS measure	<u>300,933</u>	<u>223,914</u>

Pro-forma earnings per share

The calculation of pro-forma earnings per share of HK\$0.54 is based on the profit for the year attributable to owners of the Company for FY2026 amounting to HK\$269.1 million, divided by the total number of shares in issue upon the Global Offering of 500,000,000 shares, assuming that the Global Offering had been completed at the beginning of the year ended 31 March 2026.

Pro-forma core earnings per share

The calculation of pro-forma core earnings per share of HK\$0.60 is based on the core net profit amounting to HK\$300.9 million, divided by the total number of shares in issue upon the Global Offering of 500,000,000 shares, assuming that the Global Offering had been completed at the beginning of the year ended 31 March 2026.

FUTURE OUTLOOK AND PROSPECTS

Looking ahead, management believes that the global operating environment will continue to be influenced by geopolitical developments, international trade policies and macroeconomic conditions. In Hong Kong, ongoing government initiatives to promote tourism, major events and consumption, together with continued visitor growth, are expected to provide support to the retail sector. Nevertheless, evolving consumer behaviour and cross-border consumption trends will continue to reshape the competitive retail landscape.

The Group will continue to closely monitor market developments and invest in product sourcing and purchasing. We remain committed to sourcing a broader and more innovative product range for customers while enriching our existing 11 product categories. The Group will also explore new category in line with its goal of offering “more choices and more fun”. We will continue to allocate resources to developing our private-label products to further enhance the proportion of them in terms of revenue of the Group. In line with the Group’s future strategies as disclosed in the Prospectus, the Group will also invest in upgrading its warehouse management system and point of sale systems to improve operational efficiency.

For FY2027, the Group plans to open approximately 6 to 7 new retail stores, primarily in major shopping districts, with selected locations in residential areas that offer strong market potential. The Group also has plans for expanding retail space of existing stores to better capture demand and further drive same-store sales growth. The Group expects the expansion would be financed by proceeds from the Global Offering and/or internal resources, as the case may be.

Our customer-focused approach and market-responsive strategies will remain in place to capture emerging opportunities while managing external risks.

SUBSEQUENT EVENT(S)

Subsequent to the end of the reporting period, the following significant events took place:

- On 18 May 2026, the Company’s ultimate and immediate holding company, TTK Holding Limited (“**TTK Holding**”), has resolved that, conditional upon the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the Global Offering, the Directors were authorized to capitalize HK\$37,400 standing to the credit of the share premium account of the Company by applying such sums of towards the paying up in full at par a total of 374,000,000 shares for allotment and issue to the holders of shares whose names appear on the register of members of the Company at the close of business on 11 May 2026 in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in the Company (the “**Capitalization Issue**”).
- On 21 May 2026, the Company declared dividends of HK\$23 per share totaling HK\$23,000,000, which were settled by way of offsetting with the Group’s amounts due from related parties.
- Upon the Listing, the Company issued and allotted 374,000,000 new shares to TTK Holding of HK\$0.0001 each as a result of the Capitalization Issue, and issued and allotted 125,000,000 new shares at an offer price of HK\$5.18 per share as a result of the Global Offering.

Save for the disclosure herein, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2026 and up to the date of this announcement.

CAPITAL EXPENDITURE

For FY2026, the Group incurred capital expenditures in respect of expenditures on additions of property, plant and equipment of HK\$36.2 million (FY2025: HK\$54.9 million).

CAPITAL COMMITMENTS

As at 31 March 2026 and 31 March 2025, the Group did not have material capital commitments.

CONTINGENT LIABILITIES OR GUARANTEES

As at 31 March 2026, the Group provided a corporate guarantee to an unlimited extent to a bank for banking facilities granted to a related party. As at 31 March 2026, bank facilities utilized by the related party amount to HK\$75.1 million (31 March 2025: HK\$92.4 million). The aforesaid corporate guarantee has been released. Apart from this, the Group did not have other material contingent liabilities.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no material investment, acquisitions or disposals of subsidiaries, associates or joint ventures during FY2026.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the section headed “Use of Net Proceeds from the Global Offering” in this announcement, the Group has no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Listing were approximately HK\$620.9 million (after deducting the underwriting commissions, fees and estimated expenses payable by the Company in connection with the Global Offering). The net proceeds received from the Global Offering will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Since the Listing Date and up to the date of this announcement, the proceeds have not been utilized and is deposited into short-term interest-bearing accounts with licensed commercial banks and/or authorized financial institutions (as defined under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) or applicable laws and regulations in other jurisdictions).

EMPLOYEES INFORMATION

As at 31 March 2026, the Group had 786 (31 March 2025: 694) employees, including part-time staff. The remuneration package of both full-time and part-time employees generally includes basic salary and discretionary bonus. The basic salary is generally based on the particular employee's work experience, academic and professional qualifications (where applicable) and the prevailing market salary levels. The discretionary bonus is generally based on, among other things, the operational performance of the relevant retail store which the employee serves (or the financial performance at group-level if he/she assumes a group-level position) and the employee's work performance and assessment results.

FINAL DIVIDEND

Our Board's recommendation on dividends takes into consideration various factors, including our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, interests of all shareholders of the Company ("**Shareholder**"), and other factors which it may deem relevant. Having taken into account such considerations, the Board has resolved not to recommend the payment of a final dividend for FY2026.

Looking forward, the Company plans to distribute not less than 60% of distributable profits for FY2027, being the first financial year after Listing and thereafter, for Shareholder, subject to consideration of various factors, including our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at the material time.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

From the Listing Date to the date of this announcement, the Company has applied the principles and complied with all the mandatory disclosure requirements and the applicable code provisions as set out in the section headed "Part 2 — Principles of good corporate governance, code provisions and recommended best practices" of the Corporate Governance Code contained in Appendix C1 (the "**CG Code**") to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") with the exception for the deviations as explained below:

Under code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Tse currently serves as chairman of the Board ("**Chairman**") and chief executive officer of the Company ("**Chief Executive Officer**"). Mr. Tse is responsible for overall corporate strategies, management and business development of the Group. In view of the present composition of the Board, the in-depth knowledge of the Chairman of the operations of the Group and the pharmacy industry in general, his extensive business network and connections, and the scope of operations of the Group, the Board believes that it is in the best interest of the Group for Mr. Tse to assume the roles of

both the Chairman and the Chief Executive Officer. As all major decisions are made in consultation with all the members of the Board, with the three independent non-executive Directors offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. Having been made specific enquiries by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code since the Listing Date and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Shares were listed on the Stock Exchange on the Listing Date, no listed securities of the Company were available for purchase, sold or redeemed by the Company or any of its subsidiaries for the year ended 31 March 2026.

From the Listing Date and up to the date of this announcement, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares as defined in the Listing Rules (if any)).

As at the date of this announcement, the Company did not hold any treasury shares.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established an audit committee (“**Audit Committee**”) with terms of reference in compliance with Rule 3.21 of the Listing Rules, code provision C.4 and code provision D.3 of Part 2 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Woo Pui Yan Joyce, Mr. Chu Woon Ming and Mr. Yau Sheung Yu. The chairlady of the Audit Committee is Ms. Woo Pui Yan Joyce. The Audit Committee has reviewed the annual financial results of the Group for the year ended 31 March 2026.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 ended 31 March 2026 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 March 2026 as approved by the Board of Directors on 29 June 2026. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently, no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.lungfung.hk>). The Company's annual report for the year ended 31 March 2026 will be disseminated to the shareholders of the Company and will be available on the aforesaid websites in due course in the manner as required by the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to express my gratitude with the upmost sincerity to all the shareholders of the Company, business partners and customers for their continuing support, and extend my heartfelt appreciation to all the management and staff for their ongoing contributions.

By Order of the Board
Lung Fung Group Holdings Limited
Tse Siu Hoi

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 29 June 2026

As at the date of this announcement, the Board comprises Mr. Tse Siu Hoi and Ms. Tse Chui Ying as executive Directors; and Mr. Chu Woon Ming, Mr. Yau Sheung Yu and Ms. Woo Pui Yan Joyce as independent non-executive Directors.