

SUMMARY

This summary aims to give you an overview of the information contained in this document, which does not contain all the information that may be important to you. You should read this document in its entirety before you decide whether to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

We are a leading Hong Kong-based chain retail pharmaceutical, health and beauty products department store operator under our “Lung Fung” (龍豐) brand. According to Frost & Sullivan, in 2024, we were the largest pharmaceutical product retailer by retail sales value in Hong Kong, with a market share of 5.2%; and also the largest pharmaceutical, health and beauty product retailer by average SKU available per store in Hong Kong, with an average of approximately 6,500 SKUs available per store. We focus on offering a wide variety of value-for-money products to our customers through our 29 retail stores in Hong Kong as at the Latest Practicable Date and our various online sale platforms. Our flagship store at Gala Place in Mong Kok, with a GFA of approximately 17,500 sq.ft., was the largest pharmaceutical, health and beauty products retail store in Hong Kong in 2024 in terms of GFA, according to Frost & Sullivan. Our business objective is to offer “多一點選擇，多一點快樂” (“More Choices, More Fun”) through our wide range of products offered at competitive prices to our customers in a comfortable shopping environment.

We offer a wide variety of pharmaceutical products, health products, beauty products and other consumer goods such as household and daily essentials and food products, covering 11 categories, namely proprietary Chinese medicines, western medicines, health supplements, skincare, cosmetics, fragrances, personal care, maternal and infant products, food, pet food and household daily necessities. We have sold over 46,000 SKUs of products over the Track Record Period.

We procure products from a large number of suppliers from around the world. As at 30 June 2025, we had over 600 suppliers including local distributors in Hong Kong, and overseas suppliers mainly located in Japan, South Korea, Southeast Asia, Europe and the U.S.. We strive to source quality products that cater to the popular demands of our target customers in a timely manner and we have set up a supply chain office in Fukuoka, Japan to source local products that we believe appeal to our target customers. We strive to foster sustainable and collaborative partnerships with our suppliers to ensure product quality and stability of supply. Our Directors believe that our diversified network of suppliers gives us an edge in maintaining a quality, trendy and broad product mix at competitive prices which in turn strengthens our leverage in the market. We ensure the quality and authenticity of such products through our well-established suppliers network and stringent quality control procedure. We have maintained amicable direct business relationship with well-known brands. For instance, we were the top purchaser of Friso’s infant formula products in 2022 to 2024 in Hong Kong in terms of Friso’s annual total sales value to traditional sales channels such as pharmacies, and we were the top purchaser of Fortune Pharmacal’s Coltalín 36S, Coltalín-GP Extra 36S, Extra Fast Coltalín-GP 36S and Coltalín-GP Extra 24S products in 2022 to 2024 in terms of Fortune Pharmacal’s annual total sales value to pharmacies in Hong Kong.

For FY2023, FY2024 and FY2025, our total revenue was HK\$1,094.0 million, HK\$2,020.7 million and HK\$2,460.5 million, respectively, representing a CAGR of 50.0% over the three financial years. We recorded a growth of 21.1% in terms of the revenue generated from the pharmaceutical, health and beauty product sector between 2023 and 2024, significantly outpacing the industry growth rates for the sector of 19.0% and 6.2% in 2023 and 2024, respectively.

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BUSINESS MODEL

We operate a chain of retail stores focusing on pharmaceutical, health and beauty products and other consumer goods such as household and daily essentials and food products under our “Lung Fung” (龍豐) brand. As at the Latest Practicable Date, we operated 29 retail stores in Hong Kong and various online sale channels including our official online store (<https://eshop.lungfung.hk/>) and stores on major Chinese e-commerce platforms such as TMall, WeChat Mini-Program and JD.com. We procure products from a large number of suppliers from around the world, including brand manufacturers, authorised agents and the brands’ distributors in Hong Kong, wholesalers and OEM and ODM manufacturers.

Our retail stores

Our retail business is supported by our well-established network of strategically located retail stores in Hong Kong. As at the Latest Practicable Date, we operated 29 physical retail stores in Hong Kong with an aggregate UFA exceeding 123,000 sq.ft., covering major tourism and shopping areas, residential areas and office commercial areas. Of our 29 retail stores as at the Latest Practicable Date, 5 retail stores were located on Hong Kong Island, 10 retail stores were located in Kowloon and 14 retail stores were located in the New Territories. The majority of our retail stores are street-level shops which offer the benefit of high pedestrian flow and provide convenience to customers. We typically opt for physical stores with larger floor area. Our largest retail store, located in Mong Kok, has a GFA of approximately 17,500 sq.ft. and a UFA of approximately 12,900 sq.ft.. As at the Latest Practicable Date, the UFA of our retail stores ranges from approximately 570 sq.ft. to 12,900 sq.ft., with an average of 4,254 sq.ft. per store. Please refer to the section headed “Business — Our Retail Network” in this document for further information about our retail stores.

Our online sales platforms

Apart from our network of physical retail stores in Hong Kong, we have established online sales channels to facilitate our customers’ purchases without the constraints of opening hours and location. We operate our official online store, which primarily serves local Hong Kong customers, and online stores on three major e-commerce platforms in the PRC under an e-commerce trader business model on TMall, WeChat Mini-Program and JD.com. Please refer to the section headed “Business — Online Sales Platforms” in this document for further information about our online sales platforms.

Our products

We strive to offer a wide variety of products to our customers beyond the scope of a typical pharmacy and we constantly evaluate market trends to satisfy customers’ needs. Originated as a pharmacy focusing on pharmaceutical products, health products and beauty products, we have gradually expanded to provide other consumer products such as snacks and pet food to attract a wider range of customers, such as the younger generation. We sold over 46,000 SKUs over the Track Record Period. We sold approximately 28,800 SKUs in FY2025, of which over 3,000 SKUs were pharmaceutical products, over 4,200 SKUs were health products, over 6,800 SKUs were beauty products and over 14,000 SKUs were other consumer products, demonstrating the breadth and depth of our product offerings. We typically stock over 8,000 SKUs per store, with some larger stores carrying up to around 13,000 SKUs. Leveraging on our established retail store network and our experience in sales of consumer products, we have been developing and offering our private label products. As at 30 June 2025, we had established over 40 private label brands. For 1QFY2026, we had over 700 SKUs available for sale under our private label brands. Please refer to the section headed “Business — Our products” in this document for further information about our products.

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Our customers

The vast majority of our customers are walk-in retail customers at our retail stores and we also sell to retail customers through our online sales platforms. During the Track Record Period, our retail store network contributed the majority of our revenue. For FY2023, FY2024, FY2025 and 1QFY2026, we recorded revenue of HK\$1,027.2 million, HK\$1,959.0 million, HK\$2,391.6 million and HK\$684.2 million, respectively, from sales through our physical retail stores, representing 93.9%, 96.9%, 97.2% and 98.2% of our total revenue; meanwhile, we recorded HK\$44.6 million, HK\$38.2 million, HK\$42.7 million and HK\$11.5 million of sales through our online sales platforms, representing 4.1%, 1.9%, 1.7% and 1.6% of our total revenue for the respective periods. We also supply, on wholesale basis, pharmaceutical, health and beauty products and other consumer products to corporate customers, mainly trading companies and local pharmacies in Hong Kong. For FY2023, FY2024, FY2025 and 1QFY2026, we recorded HK\$22.2 million, HK\$23.6 million, HK\$26.2 million and HK\$1.7 million of wholesale sales, representing 2.0%, 1.2%, 1.1% and 0.2% of our total revenue for the respective periods. As our customers base was highly diversified, sales to our top five customers represented less than 5% of our revenue during the Track Record Period and the total amount of sales generated from wholesale customers and individual bulk-purchase customers represented an insignificant amount of our total revenue. Please refer to the section headed “Business — Customers” in this document for details.

Our pricing policy

One of our key business strategies is to offer our wide range of products to our customers at competitive prices. We believe that our strategy to offer our products at competitive prices has been instrumental to the growth of our business and our reputation. Our pricing strategy takes into account various factors including product categories, uniqueness, supply quantity, current market demand and the strategic goals of our Group. When determining the prices of our products, we adopt a rigorous approach that utilises both objective data and judgment. As our products are primarily fast-consumer goods with a number of substitutes available on the market, our customers are generally price-sensitive. We regularly conduct market surveys to stay informed of pricing trends and competitors’ activities to ensure that our prices remain competitive. Please refer to the section headed “Business — Procurement and Suppliers — Pricing Policy” in this document for further details.

Our suppliers

We centrally procure products from a large number of suppliers from around the world, including brand manufacturers, authorised agents and the brands’ distributors in Hong Kong, other suppliers in Hong Kong and overseas, and OEM and ODM manufacturers. Our overseas suppliers are mainly located in Japan, South Korea, Hong Kong, Southeast Asia, Europe and the U.S. For FY2023, FY2024, FY2025 and 1QFY2026, total purchases from our five largest suppliers in aggregate accounted for approximately 22.8%, 21.6%, 21.7% and 24.7%, respectively, of our total purchase, and our largest supplier accounted for approximately 5.3%, 4.9%, 5.4% and 6.3%, respectively, of our total purchases.

To maintain flexibility, which our Directors believe is our key competitive edge, and to better adapt to the constantly changing trends and demand from customers, we generally do not enter into any fixed or long-term distributorship agreement or procurement agreement with our suppliers. Instead, we purchase from our suppliers mainly by way of purchase orders on an as-needed basis. Our purchase orders set out, among other things, the products specifications and quantity to be ordered, unit price of each product, place of delivery, credit terms (if applicable) and may include warranties and representations provided by the suppliers for assuring, among other things, the legality, the quality and the ingredients of the products supplied. We have established strong and stable relationship with many of our major suppliers. During the Track Record Period, three of the five largest suppliers for each of FY2023, FY2024 and FY2025 were suppliers which we have collaborated for over 15 years. On the other hand, we have also been among the top and key purchasers of some of our suppliers of popular items. Please refer to the section headed “Business — Procurement and Suppliers — Suppliers” in this document for further details.

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We procure products from official channel suppliers, such as brand owners, manufacturers or their authorised or licensed distributors, dealers or agents, as well as other suppliers. For FY2023, FY2024, FY2025 and 1QFY2026, approximately 40.5%, 42.4%, 44.7% and 45.0% of our total purchases, respectively, were from Official Channel Suppliers. Please refer to the section headed “Business — Procurement and Suppliers — Supply Channels” for details.

Apart from suppliers of pharmaceutical, health and beauty products and other consumer goods, we also engage Independent Third Party logistics services providers to provide warehousing facilities in Japan and South Korea as well as forwarding and logistics services primarily for the fulfillment of orders to our customers located in Chinese Mainland placed through our e-commerce platforms. Please refer to the section headed “Business — Inventory Management, Warehousing and Logistics” in this document for further information.

OUR COMPETITIVE STRENGTHS

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

- our brand is well trusted and accepted by the Hong Kong retail market
- we have established market leadership through a well-selected wide portfolio of product categories
- we offer one-stop shopping experience with comprehensive product offering to maximise consumer engagement
- we have established a strong and efficient supply chain with stable relationship with our key suppliers and well-developed modern warehousing and logistics systems
- our founder and management team have extensive experience in retail pharmaceutical, health and beauty products industry and long-term commitment to social and charitable initiatives contributing to significant brand value for Lung Fung in local community

OUR BUSINESS STRATEGIES

Our objective is to maintain our leading position in Hong Kong’s retail pharmaceutical, health and beauty products industry. We plan to further enhance our influence and market share through the implementation of the following strategies, thereby continuously expanding our business:

- expand our local physical retail network to increase market share
- expand product variety and optimise product mix and continue to strengthen our private labels
- strengthen our supply chain procurement and warehousing and logistics capabilities
- further enhance our online sales capabilities and optimise our online-offline omni-channel sales network
- implement employee recruitment and training strategy to promote sustainable business development

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SHAREHOLDERS INFORMATION

Immediately following the completion of the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised), TTK Holding will hold [REDACTED] of the Company. TTK Holding is an [REDACTED] holding company owned by Mr. Tse, Mrs. Tse and Ms. Tse as to 97.29%, 2.70% and 0.01%, respectively. Therefore, TTK Holding, Mr. Tse, Mrs. Tse and Ms. Tse will be the Controlling Shareholders of our Company and will continue to hold a controlling interest in our Company upon completion of the [REDACTED] and the [REDACTED]. Details of the background of our Mr. Tse and Ms. Tse are set out in the section headed “Directors and Senior Management” in this document.

Our Controlling Shareholders confirmed that, as at the Latest Practicable Date, apart from the business operated by us, they and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

OUR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Our management team comprises our two executive Directors and other members of senior management who are each responsible for different material aspects of our operation and management. Please refer to section headed “Directors, Senior Management and Employees” in this document for details of our Directors and senior management team.

KEY FINANCIAL INFORMATION

The following is a summary of our key financial information during the Track Record Period. We have derived the summary from our audited combined financial information as set out in the Accountants’ Report included as Appendix I to this document. The following summary should be read together with the audited combined financial information in the Accountants’ Report, including the accompanying notes, and the information as set forth in the section headed “Financial Information” in this document.

Selected data from our combined statements of profit or loss and other comprehensive income

	FY2023		FY2024		FY2025		1QFY2025		1QFY2026	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Revenue	1,094,011	100.0	2,020,731	100.0	2,460,478	100.0	489,482	100.0	697,394	100.0
Cost of sales	(821,802)	(75.1)	(1,427,915)	(70.7)	(1,682,861)	(68.4)	(334,293)	(68.3)	(474,859)	(68.1)
Gross profit	272,209	24.9	592,816	29.3	777,617	31.6	155,189	31.7	222,535	31.9
Other income	26,345	2.4	26,629	1.3	30,326	1.2	7,043	1.4	5,837	0.8
Other gains and losses	7	0.0	(471)	(0.0)	(700)	(0.0)	(133)	(0.0)	(827)	(0.1)
Decrease in fair value of investment properties	(17,690)	(1.6)	(16,596)	(0.8)	(53,482)	(2.2)	(17,482)	(3.6)	(9,630)	(1.4)
Selling and distribution expenses	(232,462)	(21.2)	(321,738)	(15.9)	(431,606)	(17.5)	(90,448)	(18.5)	(133,221)	(19.1)
Administrative expenses	(41,110)	(3.8)	(47,067)	(2.3)	(52,584)	(2.1)	(12,821)	(2.6)	(13,825)	(2.0)
Finance costs	(32,506)	(3.0)	(52,716)	(2.6)	(51,550)	(2.1)	(13,292)	(2.7)	(10,937)	(1.6)
(Loss) profit before tax	(25,207)	(2.3)	180,857	9.0	218,021	8.9	28,056	5.7	59,932	8.6
Income tax expense	(1,933)	(0.2)	(36,321)	(1.8)	(47,589)	(1.9)	(7,350)	(1.5)	(12,168)	(1.7)
(Loss) profit for the year/period	<u>(27,140)</u>	<u>(2.5)</u>	<u>144,536</u>	<u>7.2</u>	<u>170,432</u>	<u>6.9</u>	<u>20,706</u>	<u>4.2</u>	<u>47,764</u>	<u>6.8</u>

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Selected data from our combined statements of financial position

	As at 31 March			As at
	2023	2024	2025	30 June
	HK\$'000	HK\$'000	HK\$'000	2025 HK\$'000
Current assets	288,203	393,025	436,597	734,781
Current liabilities	1,082,054	1,066,621	1,080,259	1,066,419
Net current liabilities	(793,851)	(673,596)	(643,662)	(331,638)
Non-current assets	891,471	941,936	852,374	576,707
Non-current liabilities	<u>112,672</u>	<u>138,820</u>	<u>164,330</u>	<u>152,885</u>
Total equity	<u>(15,052)</u>	<u>129,520</u>	<u>44,382</u>	<u>92,184</u>

Selected data from our combined statements of cash flows

	FY2023	FY2024	FY2025	1QFY2024	1QFY2025
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash from operating activities	716,180	1,233,920	1,462,415	292,799	344,633
Net cash used in investing activities	(17,854)	(89,785)	(93,548)	(27,941)	(7,792)
Net cash used in financing activities	(631,732)	(1,105,870)	(1,350,431)	(306,722)	(380,286)
Net increase/(decrease) in cash and cash equivalents	66,594	38,265	18,436	(41,864)	(43,445)
Total cash and cash equivalents at beginning of year/period	(167,062)	(100,548)	(62,291)	(62,291)	(43,867)
Total cash and cash equivalents at end of year/period	(100,548)	(62,291)	(43,867)	(104,165)	(87,314)
REPRESENTED BY:					
Cash and cash equivalents	43,137	61,408	61,182	16,510	33,608
Bank overdrafts	<u>(143,685)</u>	<u>(123,699)</u>	<u>(105,049)</u>	<u>(120,675)</u>	<u>(120,922)</u>

Gross profit margin and loss/profit margin

	For the financial year ended/ as at 31 March			For the three months ended/as at
	2023	2024	2025	30 June 2025
Gross Profit Margin (%)	24.9	29.3	31.6	31.9
Net (Loss)/Profit Margin (%)	(2.5)	7.2	6.9	6.8

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During the Track Record Period, our revenue represented the sale of goods through our retail stores, online sales platforms and wholesale. During the Track Record Period, our revenue recorded significant growth, increasing from HK\$1,094.0 million for FY2023 to HK\$2,460.5 million for FY2025, representing a CAGR of 50.0% over the three financial years. Our revenue increased by 42.5% from HK\$489.5 million for 1QFY2025, to HK\$697.4 million for 1QFY2026. Our revenue increased by HK\$926.7 million or 84.7% from HK\$1,094.0 million in FY2023 to HK\$2,020.7 million in FY2024, primarily due to the increase in same store growth and revenue contributed from our new stores. Our revenue further increased by HK\$439.7 million or 21.8% from HK\$2,020.7 million in FY2024 to HK\$2,460.5 million in FY2025, primarily due to the revenue contributed from our new stores and partially offset by the slight decrease in same-store growth rate. Our revenue increased by HK\$207.9 million or 42.5% from HK\$489.5 million for 1QFY2025 to HK\$697.4 million for 1QFY2026, primarily due to the increase in same store growth and revenue contributed from our new stores. During the Track Record Period, our major cost component, being our cost of sales, represents the cost of inventories sold which was the cost of products charged by our suppliers as determined with reference to a number of factors including the prevailing market conditions, the volume of orders and the type of products. We recorded cost of sales of HK\$821.8 million, HK\$1,427.9 million, HK\$1,682.9 million and HK\$474.9 million for FY2023, FY2024, FY2025 and 1QFY2026, respectively.

Our gross profit represented revenue less cost of sales. Our gross profit amounted to HK\$272.2 million, HK\$592.8 million, HK\$777.6 million, HK\$155.2 million and HK\$222.5 million for FY2023, FY2024, FY2025, 1QFY2025 and 1QFY2026, respectively, while the gross profit margin was 24.9%, 29.3%, 31.6%, 31.7% and 31.9% in the respective year/period. We recorded loss for the year of HK\$27.1 million for FY2023 which was improved to profit for the year of HK\$144.5 million for FY2024. Our net profit margin was 7.2% for FY2024. Our profit for the year increased by HK\$25.9 million or 17.9% from HK\$144.5 million for FY2024 to HK\$170.4 million for FY2025. The net profit margin remained relatively stable at 7.2% for FY2024 and 6.9% for FY2025. Our profit for the period 1QFY2026 increased by HK\$27.1 million or 130.7% from HK\$20.7 million for 1QFY2025 to HK\$47.8 million for 1QFY2026. The net profit margin increased from 4.2% for 1QFY2025 to 6.8% for 1QFY2026 primarily due to the decrease in fair value of investment properties.

We recorded net current liabilities during the Track Record Period, which was primarily due to the current portion of bank borrowings, which was mainly for our cost of operations as well as the additions of plant and equipment for our expansion of retail networks which were non-current. Our net current liabilities decreased from HK\$793.9 million as at 31 March 2023 to HK\$673.6 million as at 31 March 2024 and further decreased to HK\$643.7 million as at 31 March 2025. Our net current liabilities further decreased to HK\$331.6 million as at 30 June 2025. We recorded net liabilities of HK\$15.1 million as at 31 March 2023, which was subsequently improved to net asset position as at 31 March 2024 and 31 March 2025 due to accumulation of profits. Please refer to the section “Financial Information — Net Current Liabilities” for further information.

We recorded net cash from operating activities of HK\$716.2 million, HK\$1,233.9 million, HK\$1,462.4 million and HK\$344.6 million for FY2023, FY2024, FY2025 and 1QFY2026, respectively. The generation of net cash and the year-to-year increase in net cash outflow from operating activities was contributed by the increase in sale revenue. We recorded net cash outflow from investment activities of approximately HK\$17.9 million, HK\$89.8 million, HK\$93.5 million and HK\$7.8 million for FY2023, FY2024, FY2025 and 1QFY2026, respectively. The generation of net cash outflow from operating activities was primarily contributed by purchase of property, plant and equipment and net advances to related parties. We recorded net cash outflow from financing activities of approximately HK\$631.7 million, HK\$1,105.9 million, HK\$1,350.4 million and HK\$380.3 million for FY2023, FY2024, FY2025 and 1QFY2026, respectively. The generation of net cash outflow from financing activities was primarily contributed by repayment of lease liabilities, repayments of bank borrowings and to related parties and payment of interest.

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RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date. There was no material change to our general business model and the economic environment remained generally stable up to the Latest Practicable Date. Our Directors consider that, save for the expenses in connection with the [REDACTED], which are non-recurring in nature, there had been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2025 and up to the Latest Practicable Date.

Since 30 June 2025, we have opened two new retail stores in Kornhill and Shatin which have already commenced operation as at the Latest Practicable Date.

WORKING CAPITAL

After taking into consideration of the financial resources presently available to us, including our cash and bank balances, the available banking facilities to our Group, the operating cash flow and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least 12 months from the date of this document.

DIVIDENDS

Our Company did not declare or pay any dividend during the Track Record Period and up to the Latest Practicable Date. During FY2023, Dragon Mind Creation Limited declared dividends of HK\$13.0 million to its shareholder. During FY2025, LFP, Top Harvest Pharmaceuticals Company Limited and Pearl Lake Global Limited declared dividends of HK\$200.0 million, HK\$33.0 million and HK\$22.0 million, respectively, to their respective shareholders. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account 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 such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]
[REDACTED] (Note 1) Unaudited [REDACTED] adjusted net tangible assets of the Group as at 30 June 2025 per Share (Note 2)	HK\$[REDACTED] million	HK\$[REDACTED] million
	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] and the [REDACTED].

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- (2) The number of shares used for the calculation of unaudited [REDACTED] adjusted combined net tangible assets of the Group per Share is based on [REDACTED] Shares, being Shares in issue immediately following the Reorganization and after the completion of the [REDACTED] and the [REDACTED], assuming the Reorganization, the Capitalization and the [REDACTED] had been completed on 30 June 2025. It does not take into account (i) any Shares which may be allotted and issued upon the exercise of the [REDACTED], or (ii) any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million, after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED]. We currently intend to apply these [REDACTED] for the following intended purposes in the amounts set forth below:

- (i) Approximately HK\$[REDACTED] million, representing [REDACTED] of the [REDACTED], is expected to be used for expanding, enhancing and optimising our physical and online sales network, among which approximately HK\$[REDACTED] million is expected to be used for expanding our physical retail store network by opening up to 11 new retail stores in Hong Kong during the period from the [REDACTED] to 31 March 2029; approximately HK\$[REDACTED] million is expected to be used for inventory procurement for the opening of additional retail stores; approximately HK\$[REDACTED] million is expected to be used for recruitment and training of store staff, beauty consultants and registered pharmacists to be stationed at the new retail stores; and approximately HK\$[REDACTED] million is expected to be used for expanding our online sales channels;
- (ii) Approximately HK\$[REDACTED] million, representing [REDACTED] of the [REDACTED], is expected to be used for brand management and marketing to increase mass awareness of our Group and the effectiveness of our marketing activities, among which approximately HK\$[REDACTED] million is expected to be used for engaging entertainers and KOLs as ambassadors for our Group and placing commercial advertisement on major television channels; and approximately HK\$[REDACTED] million is expected to be used for implementing our online marketing and promotion activities;
- (iii) Approximately HK\$[REDACTED] million, representing [REDACTED] of the [REDACTED], is expected to be used for strengthening our supply chain capability through expanding and upgrading our existing overseas procurement branch offices in Japan and Korea;
- (iv) Approximately HK\$[REDACTED] million, representing [REDACTED] of the [REDACTED], is expected to be used for upgrading and enhancing our information technology systems, mainly for implementing a new warehouse management system and upgrading our point-of-sales system;
- (v) Approximately HK\$[REDACTED] million, representing [REDACTED] of the [REDACTED], is expected to be used to repay our outstanding loans;
- (vi) Approximately HK\$[REDACTED] million, representing [REDACTED] of the [REDACTED], is expected to be used to pursue selective strategic investment and acquisition opportunities and further develop strategic partnerships to expand our business scale and our geographic coverage; and
- (vii) Approximately HK\$[REDACTED] million, representing [REDACTED] of the [REDACTED], is expected to be used as general working capital of our Group.

SUMMARY

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] will be approximately HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the indicative [REDACTED]) and no exercise of the [REDACTED]), of which approximately HK\$[REDACTED] million is directly attributable to the issue of our [REDACTED] and will be deducted from equity, no [REDACTED] has been expensed in our consolidated statements of profit or loss during the Track Record Period and approximately HK\$[REDACTED] million is expected to be expensed after the Track Record Period. Our estimated [REDACTED] include: [REDACTED]-related expenses, representing [REDACTED] and fees of approximately HK\$[REDACTED] million; non-[REDACTED]-related professional fees of approximately HK\$[REDACTED], and other fees and expenses of approximately HK\$[REDACTED] million. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

SUMMARY OF RISK FACTORS

There are certain risks involved in our operations which may be beyond our control. These risks are further described in the section headed “Risk Factors” in this document. You should read that entire section carefully before deciding whether to [REDACTED] in the [REDACTED]. The following are some of the principal risk factors that we face:

- our business and operational results could be materially and adversely affected if we are unable to offer the products at prices that are attractive to consumers or maintain competitive pricing
- any negative publicity, allegations, complaints or claims made against us may adversely affect our reputation, business, financial position, results of operations and price of our Shares as our success hinges on the strong recognition of our brand, “Lung Fung,” within Hong Kong’s retail market
- our financial results rely on the performance of both our existing and new retail stores, which can be impacted by various factors, many of which may be beyond our control
- our historical financial and operational results may not reliably predict future performance, and we may not be able to maintain the levels of revenue and profitability we have previously achieved
- we recorded net current liabilities and net liabilities during the Track Record Period, and we cannot assure you that we will not have net current liabilities and net liabilities in the future