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OVERVIEW

Mission & Vision — Creating a shopping experience of “More Choices, More Fun” for every customer

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 sales 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. Leveraging over 30 years of experience, we have cultivated a strong capability to effectively identify and capture consumer demand in the local retail market and established ourselves as a one-stop pharmaceutical, health and beauty products provider. We have developed expertise in product selection, strategically offering a diversified product portfolio with over 46,000 SKUs of products sold over the Track Record Period and approximately 28,800 SKUs of products sold in FY2025, covering 11 core categories including pharmaceutical, healthcare and supplement, beauty and skincare, maternal and infant, personal care, food and household daily products. According to Frost & Sullivan, in 2024, we were also the second largest pharmaceutical, health and beauty product retailer in terms of retail sales value in Hong Kong, with a market share of approximately 5.8%; and the second largest pharmaceutical and health product retailer by revenue in Hong Kong, with a market share of approximately 4.2%.

As at the Latest Practicable Date, we had 29 physical retail stores in Hong Kong covering major prime locations and communities, including Central, Tsim Sha Tsui, Mong Kok and Causeway Bay. 13 out of these 29 retail stores are stationed with registered pharmacists to manage the dispensaries section supplying prescribed drug products. The aggregate UFA of our retail store exceeds 123,000 sq.ft.. Furthermore, our online sales channel complements our physical retail store network, enabling us to accommodate the diverse shopping preferences and habits of our customers. Our online sales channels include our “Lung Fung Mall” webpage, Lung Fung Group app and other third-party e-commerce platforms such as Tmall and JD.com.

We possess strong supply chain procurement capability and sourced from over 600 suppliers around the world as at 30 June 2025, including international brand owners and authorised agents, ensuring a stable supply of a wide variety of products in a timely manner. We have maintained business relationship with three of our top five suppliers for each of FY2023, FY2024 and FY2025 for over 15 years. Given the dynamic nature of consumer preferences in our market, it is crucial that we respond promptly by adapting our product portfolio accordingly. To enhance our procurement efficiency and better address these evolving demands, we have established a procurement office in Japan. This office enhances our direct engagement with suppliers in Japan and provides us with closer access to emerging products that may align with our customers’ demand. Apart from sourcing a majority of our products from different suppliers, we also offer some products under our own private labels such as “Tse Tai

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Kung” (謝太公). As at 30 June 2025, we had established over 40 private label brands, covering proprietary Chinese medicines and health products. We engage OEM and ODM manufacturers for the production of our private label products while we remain responsible for the quality control over these products.

By offering a diversified product portfolio through our physical retail network, supported by our registered pharmacists, we aim to provide customers with a pleasant, enjoyable and one-stop shopping experience. Our objective is to provide customers with the convenience of accessing a wide selection of daily lifestyle products in a single visit, aligned with their individual preferences and needs. We have been well accepted by the Hong Kong market as we are the largest pharmaceutical, health and beauty product retailer in Hong Kong in terms of average revenue per store in 2024, reaching an average single-store revenue of HK\$60.6 million, according to Frost & Sullivan.

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. We recorded gross profit of HK\$272.2 million, HK\$592.8 million and HK\$777.6 million, respectively, over the past three financial years, with a CAGR of 69.0%; with our gross profit margin increased from 24.9% for FY2023 to 31.6% for FY2025, and further increased to 31.9% for 1QFY2026. We achieved robust growth in net profit, turning around from a loss of HK\$27.1 million for FY2023 caused by the COVID-19 pandemic to a profit of HK\$144.5 million for FY2024 and further increased by 17.9% to HK\$170.4 million for FY2025. 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 of the sector of 19.0% and 6.2% in 2023 and 2024, respectively.

OUR STRENGTHS

1. Our brand is well trusted and accepted by the Hong Kong retail market

Throughout our operational history, we believe our brand “Lung Fung” has established itself as a trusted brand, recognised for delivering value-for-money offerings and guaranteed authenticity. We have established internal control verification procedure to ensure product authenticity, and we have obtained the “Rx” certification for licensed pharmacies from the Hong Kong Department of Health and the “No Fakes Pledge” Scheme certification from the Intellectual Property Department. These authoritative certifications guarantee our commitment to authentic products and integrity in business operations.

Since the opening of our first store in Sheung Shui in 1992, we have maintained a steadfast commitment to a Hong Kong-centric business model. In our formative years, due to cost considerations and limited market penetration, we strategically concentrated our store locations in the New Territories, where operational costs were more manageable. As our customer base and brand reputation grew over time, we took a significant step forward by establishing our first Kowloon store in 2018, marking a transition from a community-based retail approach to a strategic presence in prime urban locations.

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Nonetheless, our deep-rooted presence in the local market, combined with agile strategies and the ability to closely monitor market and consumer trends, enabled us to endure and proactively capitalise on emerging opportunities during this challenging period. Leveraging our extensive business experience and wide range of product offering, we opened our Central store in 2022, followed by our flagship store at Gala Place, Mong Kok in 2023. Our newly opened stores during Track Record Period were well-received by our customers.

In the pharmaceutical products sector, we successfully reinforced our industry-leading position, maintaining second place in 2022 and 2023 and became the largest retailer in overall Hong Kong market in terms of retail sales value in 2024. Our market share in this sector increased from 3.4% in 2022 to 5.2% in 2024.

According to Frost & Sullivan, in 2024, the overall pharmaceutical, health and beauty product retailer market in Hong Kong was relatively competitive, with the top five retailers accounting for an aggregate market share of 20.2% in terms of retail sales value. In the pharmaceutical, health and beauty products sector, our industry ranking and market share rose steadily, moving from third place in 2021 to become the second largest retailer in terms of retail sales value in Hong Kong in 2024 with a market share of 5.8%. While the Hong Kong’s annual household consumption expenditure dropped from HK\$387,000 in 2021 to HK\$377,835 in 2022 and only recorded a CAGR of 4.2% from 2020 to 2024, Hong Kong’s total retail sales of consumer goods grew moderately from HK\$326.5 billion in 2020 to HK\$376.8 billion in 2024, achieving only a CAGR of 3.6%. In terms of the year-on-year growth, 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 of 19.0% and 6.2% in 2023 and 2024, respectively.

This performance underscores the effectiveness of our locally focused and adaptive business strategy, which enabled us to capture increased market share during a time of broad industry contraction.

2. Establishing market leadership through a well-selected wide portfolio of product categories

We have secured a leading position in the Hong Kong pharmaceutical, health and beauty products retail industry through our outstanding product capabilities and category advantages. Firstly, we sold over 46,000 SKUs of products during the Track Record Period and approximately 28,800 SKUs of products in FY2025. We had an average of approximately 6,500 SKUs of pharmaceutical, health and beauty products available per retail store in 2024, which was the most among retailers that offered pharmaceutical, health and beauty products in terms of average SKU available per store in Hong Kong in 2024 according to Frost & Sullivan. Our vast and diverse product range not only offers consumers the convenience of “one-stop shopping” experience but also forms the foundation of our robust supply chain advantage. With such large-scale procurement volume, we are able to secure more favorable purchase prices and more stable supply chains, while also offering consumers broader opportunities for price comparison and selection. Secondly, our products cover 11 main categories, including proprietary Chinese medicines, western medicines, health supplements, skincare products, cosmetics, perfume, personal care, household sundries, maternal and infant care products, food and pet supplies. Our large product portfolio enables us to meet the diversified needs of different customer groups, from the elderly who purchase pharmaceuticals, health supplements and young office ladies who purchase cosmetics, to housewives who purchase maternal and infant care products, and pet lovers who purchase pet supplies.

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We have also maintained amicable direct business relationship with well-known brands. We have direct relationship with brands including Fortune Pharmacal, GlaxoSmithKline, Advance Pharmaceutical, Tiger Balm, Ma Pak Leung, Nin Jiom Medicine, Hisamitsu Pharmaceutical, Mediheal, Dariya, Torriden, Colgate, Garden, Friso, Vitasoy, Walch and Kjeldsens. We were the top purchaser of products under some well-known brands — for instance we were the top purchaser of Friso’s infant formula products in 2022, 2023 and 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 Coltalin 36S, Coltalin-GP Extra 36S, Extra Fast Coltalin-GP 36S and Coltalin-GP Extra 24S products in 2022, 2023 and 2024 in terms of Fortune Pharmacal’s annual total sales value to pharmacies in Hong Kong. We hold a requisite license issued by the Hong Kong Department of Health, which allows us to employ registered pharmacists to provide professional consulting services. This signifies that we are not only qualified to offer general medicine, but also to provide dispensing services for prescription medicines (with a doctor’s prescription), which distinguish us from most of the other pharmaceutical, health and beauty products shops. We believe that with our robust product portfolio, we have established Lung Fung as the premier one-stop shopping destination for Hong Kong consumers.

Leveraging over 30 years of extensive experience in the pharmaceutical, health and beauty products retail industry, we have successfully developed our private label business and is growing steadily. As at 30 June 2025, we had established over 40 private label brands, covering a total of over 700 SKUs available for sale for 1QFY2025, in product categories such as proprietary Chinese medicines, skincare products and health supplements. We analyse and monitor local consumer trends through a variety of channels, including membership data, sales hotspots, and social media insights. When we identify unmet consumer needs or market demand that are not fully fulfilled by products sourced from our third-party suppliers, we will proactively seek to meet these demands through the development and introduction of our own private label products. Finally, our private label embraces localised marketing strategies to achieve effective brand penetration. For example, our own Chinese medicine brand, “Tse Tai Kung (謝太公)”, established in 2002, engages local artists and KOLs who are well-known to the Hong Kong general public to endorse the brand, effectively enhancing its brand image and sales.

3. One-stop shopping experience with comprehensive product offering to maximise consumer engagement

Our 29 stores in Hong Kong have an average size of over 4,250 sq.ft., and 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. We are committed to providing consumers with a comprehensive, one-stop shopping experience. According to Frost & Sullivan, in 2024, we were also the second largest retailer in the pharmaceutical, health and beauty products sector in terms of retail sales value.

With our extensive product portfolio featuring over 46,000 SKUs of products sold over the Track Record Period, we have successfully created an immersive “one-stop shopping” experience for customers, where consumers can embark on a shopping journey that simultaneously fulfills their diverse needs for pharmaceuticals, health products, beauty products, maternal and infant care products and even pet food in each visit. As at the Latest Practicable Date, we had 15 registered pharmacists, and also had over 38 beauty consultants stationed across our 29 retail stores in Hong Kong to provide guidance on product selection, ensuring every customer receives attentive service.

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As a customer-centric retailer, we place strong emphasis on delivering a pleasant, convenient, and efficient shopping experience. While we prioritize storage efficiency by optimizing our product racks to accommodate a broad range of products, thereby offering our customers an extensive selection of products, we are also committed to ensuring that the overall in-store environment remains comfortable. Our store layouts are carefully designed to avoid overcrowding, with well-organised product displays and clearly defined aisles that allow for easy navigation. This enables customers to locate their desired products quickly and effortlessly, enhancing both shopping satisfaction and operational flow. We continually review and fine-tune our store configuration based on customer feedback and shopping patterns to ensure an optimal balance between inventory presentation and customer experience.

We regularly update the layout of our products in response to evolving promotional and marketing strategies. These changes may be driven by various factors, such as the launch of new products, seasonal campaigns, or the need to highlight specific promotional items to increase their visibility and drive sales. By adjusting the product arrangement, we aim to create a dynamic and engaging in-store experience that captures our customers’ attention. These periodic layout revisions also help ensure that our store remains visually appealing and feels fresh with every visit.

We believe that a well-curated and frequently refreshed product display not only enhances the shopping experience but also encourages product discovery by the customers and increases their satisfaction. Ultimately, our goal is to strike a balance between effective product presentation and a seamless, enjoyable customer journey.

We believe that this three-dimensional strategy of “brand uniqueness + product diversity + immersive experience” has successfully enabled us to transcend the traditional pharmaceutical, health and beauty products retail model.

4. We have established a strong and efficient supply chain with stable relationship with our key suppliers and well-developed modern warehousing and logistics systems

With over three decades of experience in retail business, we have successfully built a highly efficient and stable supply chain, with modernised warehousing, logistics and quality control systems, which is the key foundation for us to provide a comprehensive product offering with competitive pricing. We maintain stable relationship with our existing suppliers and we have established long-term cooperative relationships with our key suppliers, among which three of our five largest suppliers for each of FY2023, FY2024 and FY2025 have over 15 years of business relationship with us. We believe our stable relationship with suppliers allows us to maintain advantages in both products and prices. To enhance procurement efficiency and better address these evolving demands, we have established a procurement office in Japan and the PRC, respectively. These offices enable more direct engagement with suppliers and provide us with better access to new products that meet our customers’ needs.

Moreover, our modern warehousing and logistics system supports the efficient operation of our retail network and enables omni-channel coordination. Our warehouse and logistics center in Fanling spans over 110,000 square feet across six floors. This integrated headquarters facility combines warehousing, operation, and distribution. Equipped with advanced temperature control and ventilation systems, it meets international warehouse certifications including ISO9000. The temperature and humidity monitoring systems ensure optimal storage conditions for drugs, cosmetics and other specialised products. We also utilise an integrated warehouse management system to monitor inventory status in real time and automatically generate replenishment requests for our physical retail stores. In

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terms of logistics network, we have established a delivery system from our central warehouse to retail stores, enabling high-frequency replenishment for physical retail stores at least once per day generally. We operate our own logistics vehicle fleet equipped with GPS tracking and temperature control systems to ensure the safety and timeliness of product transportation. In terms of quality control, we have established a rigorous quality management system covering all our operation processes. For supplier access management, we implement a rigorous vetting process that requires all suppliers to provide quality management system certifications (ISO9001/GMP) and established a professional quality inspection team to evaluate suppliers based on their experience, production capacity, agency certification, supply chain transparency, pricing and compliance to ensure product quality.

5. Founder and management team with 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 founder, Chairman, executive Director and Controlling Shareholder, Mr. Tse, is a seasoned participant in Hong Kong’s retail pharmaceutical, health and beauty products industry with over 35 years of experience. Mr. Tse joined the pharmacy retail sector in the 1980s, personally witnessing the industry’s evolution and transformation. He possesses insight of consumer demands and local market trends in Hong Kong. Particularly during the COVID-pandemic, when Hong Kong’s overall retail market was underperforming, Mr. Tse seized the opportunity and led Lung Fung to achieve counter-cyclical expansion through flexible operational strategies. Mr. Tse has integrated entrepreneurial spirit, business acumen and risk management capabilities into Lung Fung’s corporate development, forming Lung Fung’s unique business philosophy. Mr. Tse possesses comprehensive expertise across critical areas including procurement strategy, store operations and supply chain management, enabling him to swiftly make strategic decisions that align closely with actual market conditions.

We have established a strong and experienced management team. The core management has deep retail industry experience, with some members having previously worked for internationally renowned retail groups, bringing advanced management concepts and a global perspective to Lung Fung. Among them, Ms. Tse serves as Executive Director and Assistant to the Managing Director of Lung Fung, overseeing Lung Fung’s own-brand products and operations, including skincare products and personal care products. Ms. Tse possesses extensive experience in local and international retail sectors, along with expertise in commercial management and operations. She has consistently driven the expansion of our private label business while introducing innovative operational concepts to Lung Fung. We have a stable management team, with a number of senior management members having been with our Group for many years, ensuring the effective continuity of our corporate culture and business philosophy.

Moreover, we consistently uphold the principle of “Taking from society and giving back to society,” actively fulfilling our corporate social responsibilities. Mr. Tse has been actively engaged in local public service, holding multiple public offices including serving as an advisor to the Sheung Shui District Rural Committee, where he provides advice and assistance on local affairs and development. Mr. Tse also serves as Honorary President of the New Territories Chiu Chow Federation, fostering camaraderie among fellow Chiu Chow compatriots while giving back to and serving the local community. Under Mr. Tse’s leadership, we established the “Lung Fung Charitable Foundation (龍豐慈善基金)”. To date, it has contributed and supported local charitable causes in Hong Kong, through initiatives such as the “Rice Distribution for Charity (派發平安米)” and child sponsorship programs with Plan International to serve the community. Among these initiatives, we have conducted the “Rice

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Distribution for Charity” campaign for years. This activity, fully sponsored by the Lung Fung Charitable Foundation, provides free rice to the elderly and those in need. During the COVID-pandemic, we also demonstrated the responsibility and commitment of a local enterprise. Not only did we distribute masks and hand sanitizers to residents for free, we also actively sourced frozen meat and other frozen foods to assist those impacted by quarantine measures. These initiatives not only helped residents navigate these challenging times but also further cemented Lung Fung’s reputation as a guardian of community health. We continue to give back to the local Hong Kong community, earning numerous honors and social recognition, including being recognised as an annual partner at the Plan International Hong Kong Partner Awards for three consecutive years.

We believe that Mr. Tse’s leadership and our social welfare and charitable efforts have contributed to the significant competitive advantages of Lung Fung, integrating commercial success with social value. Sustained charitable investments have cultivated a strong corporate image and sense of social responsibility, expanding customer bases and driving consumer spending. In the competitive retail market, our deep-rooted local connection has become a key differentiator and irreplaceable soft power, effectively boosting brand affinity and loyalty. Strong community relationships also provide additional support for store expansion and business development, laying a solid foundation for our long-term growth.

OUR 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.

1. Continuously expanding the local physical retail network to increase market share

During the Track Record Period, over 90% of our total revenue was derived from our physical retail network. We have successfully established and expanded our local physical retail network in Hong Kong. As at the Latest Practicable Date, we operated a total of 29 retail stores in Hong Kong, covering multiple prime locations across Hong Kong Island, Kowloon and the New Territories. Based on our deep understanding of customer preferences, market trends and the retail landscape, we believe that by leveraging the flexible offline store operation model we have cultivated in Hong Kong over the past 30 years, we can gradually expand the geographic coverage of our local retail stores in Hong Kong and continue to optimise and consolidate our store layout to enhance our core competitiveness among Hong Kong’s retail pharmaceutical, health and beauty products sector peers.

We strongly believe that the pharmaceutical, health and beauty products retail market in Hong Kong holds immense potential. In recent years, the Hong Kong retail industry has shown a steady recovery trend, with overall development prospects looking positive. Following the COVID-19 pandemic, market consumption has gradually rebounded. According to Frost & Sullivan, retail sales value of consumer goods retail in Hong Kong reached HK\$175.7 billion in 2024 and is projected to achieve a CAGR of 5.2% over the next five years, with the retail sales value expected to reach HK\$226.58 billion by 2029. Concurrently, Hong Kong’s tourism sector maintains robust momentum, with inbound visitors reaching 44.5 million in 2024, representing a CAGR of 87.5% compared to the COVID-pandemic period in 2020. The number of inbound visitors are expected to reach 67.5 million by 2029. Among them, Mainland tourists remain the primary tourist group, while the number of overseas tourists also continues to grow. Mainland and overseas tourists are expected to exceed 51.3 million and

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16.2 million, respectively, by 2029, with CAGRs from 2025 to 2029 of 8.7% and 7.1%, respectively. The booming tourism industry has generated substantial demand across retail segments such as cosmetics, daily necessities and food. Coupled with stable purchasing power, local residents, this has collectively propelled the sector towards a new wave of growth. According to Frost & Sullivan, the retail sales value of the pharmaceutical, health and beauty products in 2024 was HK\$12.11 billion, HK\$8.51 billion, and HK\$8.86 billion respectively, with CAGRs from 2025 to 2029 of 5.2%, 6.4%, and 8.1% respectively (all exceeding the CAGR of Hong Kong's overall retail sector for the next five years). By 2029, these sectors are projected to reach HK\$15.64 billion, HK\$11.31 billion and HK\$13.08 billion, respectively. With this favorable market landscape, Hong Kong retail enterprises like Lung Fung, with our precise positioning and deeply rooted brand presence, stand to benefit significantly. According to the F&S Report, the total retail market size in Hong Kong is projected to exceed HK\$457.5 billion by 2029, among which, the total retail sales of pharmaceutical, health and beauty products in Hong Kong alone is expected to surpass HK\$40 billion. Additionally, the current rental levels for local retail spaces are favorable for the expansion of our physical retail store network. According to the F&S Report, the average rental rates for premium retail properties in prime Hong Kong locations in 2024 remain approximately 25% below their pre-pandemic peak. Rents for retail properties are projected to remain stable in the future. Therefore, considering the above positive market factors, we are confident and committed to expanding our local offline retail network.

We plan to open up to 11 new retail stores in Hong Kong during the period from the [REDACTED] to 31 March 2029, including opening retail stores in high pedestrian-traffic areas, such as Causeway Bay, Tsim Sha Tsui, Central. When identifying suitable locations for new stores, we carefully evaluate the anticipated foot traffic and sales potential of the area and compare it with the geographic coverage of our existing stores to ensure the healthy expansion of our offline sales network and prevent cannibalization between stores. We are committed to continuously delivering premium shopping experiences for our customers. Therefore, we plan to focus on expanding new, high-quality stores ranging from 4,000 to 15,000 square feet. This will further leverage Lung Fung's category strengths by offering more spacious and comfortable shopping environments alongside wider and more diverse product selection, consistently attracting customers and broadening our customer base. Moreover, economies of scale will enable us to provide customers with more competitive pricing and a wider variety of product categories. At the same time, we will continue to conduct product promotions from time to time with and launch themed marketing campaigns. This will enhance customers' one-stop shopping experience, solidifying our recognition and market position among our target customer base.

2. Expand product variety and optimise product mix and continue to strengthen our private labels

Our business success and growth are attributable to the diversity of our product offering. We are committed to capturing market trends and consumer preferences through a robust product mix, thereby securing a greater market share. Leveraging our well-established overseas procurement network over the years, we will continue to closely monitor consumption trends and changes in customer preferences, actively introducing new product categories with strong market potential to further expand our market share. In terms of SKU, with more than 46,000 SKUs of products sold over the Track Record Period, we plan to continue increasing our SKU particularly in fast-growing sub-segments. In addition to maintaining coverage of leading brands, we intend to increase the offering of second- and third-tier brands in key product categories based on customer feedback and preferences, ensuring that we remain a market leader in terms of product comprehensiveness. With respect to product categories, we will

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continue to expand beyond our existing 11 major categories, exploring emerging categories to cover a wider range of household consumption products and meet increasingly diversified consumer needs. This will allow us to provide customers with a more comprehensive, one-stop shopping experience. At the same time, while broadening our product range, we will continuously adjust and optimise the product mix across all Hong Kong stores based on our understanding and analysis of customer attributes and preferences in different districts. This will allow us to better respond to local demand. For example, we plan to introduce more premium and newly launched products at large stores located in high-spending areas (such as our Central branch), and subsequently refine the product mix based on the sales performance of these products.

We also intend to further develop our private label business. We will continue to invest to drive the sustained growth of our private label portfolio, thereby enhancing our overall profitability. Given the strong growth potential of the pharmaceutical, health and beauty products market, we will allocate sufficient resources to this segment. From a product development perspective, we will continue to pursue private label innovation driven by consumer insights, reinforcing our development foundation. By analysing offline store data, member consumption patterns, and community interactions, we have an accurate understanding of local consumer concerns and trends, and are able to translate these insights directly into product design and functional specifications. This market-oriented early-stage development model ensures precision in product development and provides a solid foundation for the success of our private label products. Furthermore, in quality control and production, we will continue to strengthen strategic cooperation with existing OEM/ODM manufacturers while developing new strategic relationship with suitable manufacturers based on product development needs. We will oversee the entire production process, including packaging and quality inspection, and ensure all products meet our stringent quality standards through the establishment of quality control protocols, full-process production management and raw material traceability. This enables us to maintain our product safety and optimise cost structures through economies of scale, enhances production efficiency, and accelerates product promotion and sales to meet market demand. Finally, we will continue to develop distinctive localised marketing strategies to deepen brand penetration. During brand promotion and marketing, we will actively collaborate with popular Hong Kong artists and KOLs to promote our brands or co-create contents based on product characteristics, thereby strengthening brand affinity and emotional connection with local consumers. In summary, we are committed to achieving growth in both scale and reputation for our private labels through a combined strategy of precise consumer-driven development, supply chain collaboration and tailored marketing strategy. This system will not only enhance the competitiveness and customer loyalty of our private labels but also reinforce our diversified capabilities as a leading retail enterprise in Hong Kong.

3. Strengthen supply chain procurement and warehousing and logistics capabilities

Enhancing supply chain procurement capabilities

To support our continued business expansion, we have established a detailed strategy to strengthen our supply chain and procurement capabilities, aiming to build a more resilient, efficient, and differentiated global supply network.

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Firstly, we will focus on deepening strategic business relationship with existing suppliers and brand owners. Capitalising on our long-term strategic cooperation relationship with suppliers and sharing with them our sales forecasts and inventory data, we aim to achieve more efficient joint demand planning and accelerate product responsiveness. At the same time, we will continue to expand our cooperation with partner brands by introducing their sub-brands and other product lines, as well as co-developing Hong Kong-exclusive or co-branded products where appropriate. This approach will create unique marketing effect and enhance product diversification while leveraging economies of scale to reduce costs. We had over 600 suppliers as at 30 June 2025, and we plan to deepen these relationships and gradually increase the number of SKUs.

Accordingly, we will also further optimise and enhance our centralised procurement and overseas direct sourcing model. Building on our successful procurement experience in Japan, we plan to enhance local procurement offices in key strategic markets such as South Korea, staffed with professional procurement teams who possess deep knowledge of local markets. These teams will not only source supply resources but also gain deeper insights into domestic consumption habits and identify innovative products to ensure that procured items meet the needs of both Hong Kong residents and inbound visitors, thereby enhancing the competitiveness of our products in terms of quality, novelty and speed. Meanwhile, in an effort to further optimise our centralised procurement model, we will continue to formulate global procurement strategies, negotiate core terms and standardise quality control across the organisation, while granting appropriate flexibility to regional offices to build an efficient “central coordination + regional cultivation” structure.

In addition, to enrich our product portfolio procurement, we will proactively expand direct cooperation with new suppliers, manufacturers, and brand owners. By introducing distinctive products and brands that are popular but have yet to enter the Hong Kong market, we aim to further enhance product differentiation and appeal to an expanded target customer base.

Through the implementation of the above measures, we expect to achieve improvements in supply chain efficiency, cost competitiveness, and product uniqueness, thereby reinforcing our competitive edge as a leading retail enterprise in Hong Kong.

Enhancement of automated warehousing and logistics systems

We believe that an efficient logistics and distribution system is crucial to maintaining competitiveness, optimising inventory management, and ensuring timely stock replenishment for our retail stores. As our retail network expands, the importance of our warehousing and logistics systems will continue to grow. Accordingly, we plan to allocate additional resources to further strengthen this infrastructure.

Our logistics centre in Fanling occupies a GFA of over 110,000 sq.ft. and serves as a regional distribution hub for local and cross-border goods distribution. To better support future business development, we plan to expand our warehousing capacity and invest in the development of an automated warehouse management system to optimise the utilisation of both existing and new warehouse space. The system will have functionalities including automated search, sorting, collection, and transfer processes, as well as a logistics visualisation platform. These features will enable precise inventory control and efficient order management, effectively reducing inter-regional transfer times and operating costs, accelerating inventory turnover, and supporting sales network expansion and market responsiveness. In terms of logistics, we will enhance digital and automation integration by upgrading our transportation management system to achieve intelligent

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route planning and real-time tracking, thereby improving delivery efficiency and customer satisfaction. In addition, we plan to design and implement an automatic loading and unloading system and optimise the layout of a multi-tier warehousing network to enhance responsiveness and service flexibility for stores and customers. These measures will help us establish an efficient, flexible, and sustainable supply chain infrastructure.

4. Further enhance online sales capabilities and optimise online-offline omni-channel sales network

We will systematically enhance our online sales capabilities to advance our strategic objective of integrated online-offline omni-channel development. In terms of channel expansion, we will deepen our strategic cooperation with major e-commerce platforms currently in partnership with us, such as Tmall and JD.com, while proactively expanding into emerging social e-commerce channels such as Douyin, leveraging content-driven marketing to reach a broader consumer base in Chinese Mainland. In parallel, we will continue to optimise our online flagship store and mobile application, with enhanced user interface convenience and payment efficiency to ensure a seamless online shopping experience.

For membership management, we will develop an intelligent membership system powered by big data analytics to deliver precise product recommendations and personalised marketing based on consumer behaviour. By introducing a tiered membership programme, differentiated member benefits and exclusive offers, as well as a member referral reward scheme, we aim to strengthen customer loyalty and encourage repeat purchases. Meanwhile, we will focus on optimising our cross-border logistics system by collaborating with quality logistics service providers to offer multiple real-time, trackable delivery options. We will also enhance data security through encryption technologies and regular security audits to safeguard customer information.

Through this three-pronged approach — expansion of e-commerce channels, upgrading of membership systems, and optimisation of supporting services, we aim to build a more integrated and competitive digital sales ecosystem, laying a solid foundation for future business growth. These initiatives will significantly enhance our online market penetration and further strengthen our digital sales channels and capabilities.

5. Implement employee recruitment and training strategy to promote sustainable business development

Talent is key to driving innovation and sustaining long-term business growth. To support our ongoing business expansion and strategic execution, we attach great importance to building a strong and capable talent pool. We will continue to improve our internal training and recruitment systems, selecting and retaining outstanding employees through a structured performance incentive and talent development mechanism. As at 30 June 2025, we had 700 employees. The following is our specific talent management strategic plan:

- To support the expansion of our new retail stores, we plan to continue recruiting sales associates, sales consultants and registered pharmacists to provide professional sales services and enhance the in-store customer experience;

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- To strengthen our online sales operations, we intend to recruit information technology talents with expertise in digital marketing and technical development, expand our marketing and promotion teams, and further enhance our technical capabilities, so as to optimise our e-commerce platforms and online sale channels;
- We will continue to enhance and expand our warehousing and logistics to cater for our business expansion and growth strategies.

BUSINESS MODEL

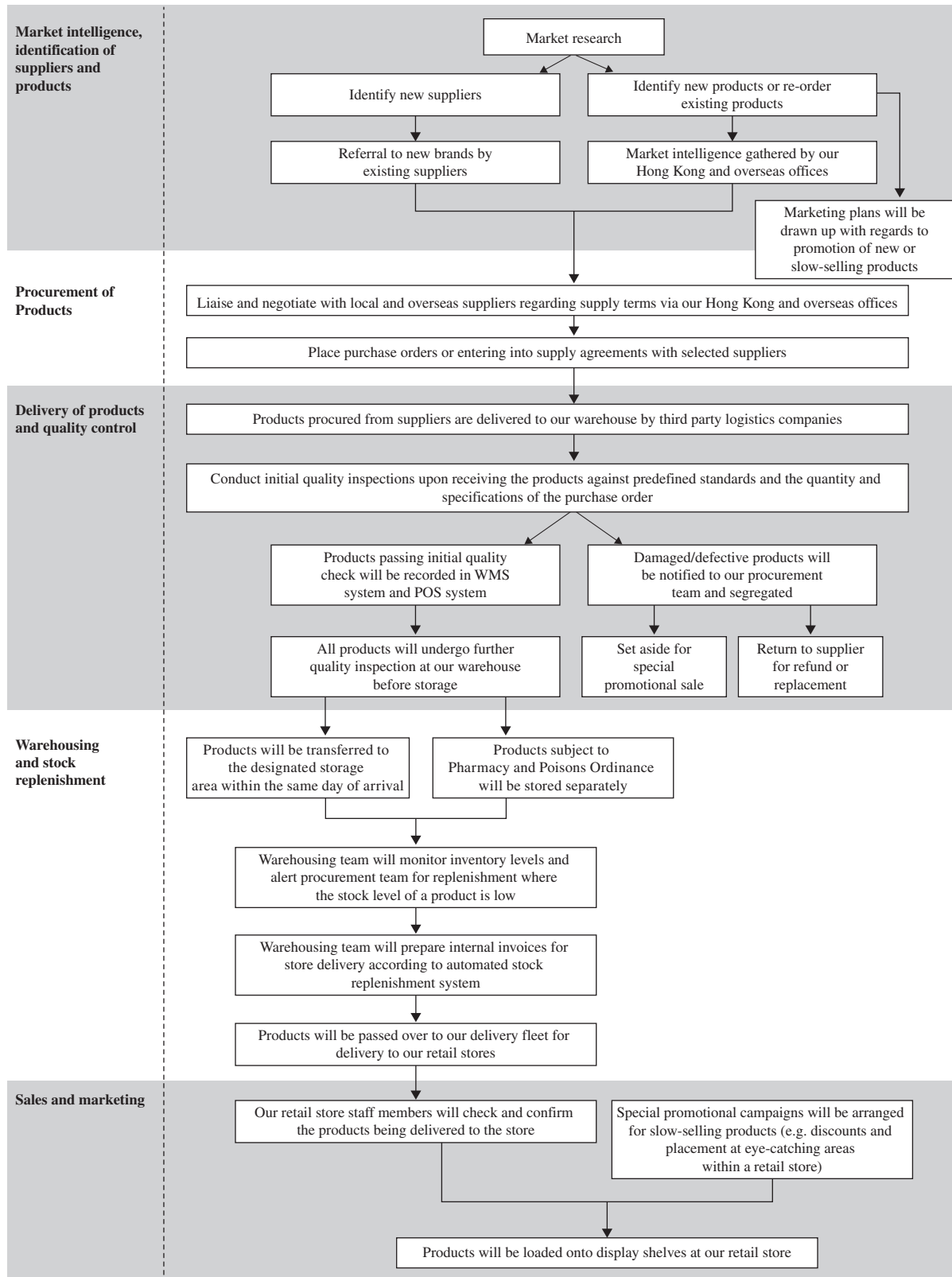
We generate our revenue principally through the sale of a wide variety of pharmaceutical, health and beauty products and other consumer goods such as household and daily essentials and food products at our 29 retail stores under our “Lung Fung” (龍豐) brand in Hong Kong as at the Latest Practicable Date and through our various online sales platforms. Our product range covers 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 offer a wide range of products as demonstrated by the number of SKUs we have sold — we have sold over 46,000 SKUs of products over the Track Record Period and approximately 28,800 SKUs of products during the financial year ended 31 March 2025. Our products are principally sourced from brand owner manufacturers, authorised distributors or agents and other distributors, and a small part of our products are manufactured by OEM and ODM manufacturers for our private labels.

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 retail stores, representing 93.9%, 96.9%, 97.2% and 98.1% 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 financial years and financial period.

We also sell health and pharmaceutical products to pharmacies and corporate customers such as importers and exporters 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 financial years and financial period.

BUSINESS

The following diagram illustrates our key business operation processes:



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OUR RETAIL NETWORK

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. In line with our business strategy which focuses on our physical retail network as the main sales channel, sales from our retail network contributed the vast majority of our total revenue during the Track Record Period. 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 from sales through our retail stores, respectively, representing 93.9%, 96.9%, 97.2% and 98.2% of our total revenue for the respective periods. Please refer to section “Financial Information — Description of Selected Items in Combined Statements of Profit or Loss — Revenue” of this document for details. According to Frost & Sullivan, in 2024, we were (i) the largest pharmaceutical products retailer by revenue in Hong Kong, with a market share of 5.2%; (ii) the second largest pharmaceutical, health and beauty product retailer in terms of retail sales value in Hong Kong, with a market share of approximately 5.8%; (iii) the second largest pharmaceuticals and health products retailer by revenue in Hong Kong, with a market share of approximately 4.2%; and (iv) the largest pharmaceutical, health and beauty product retailer by average SKU available per store in Hong Kong, with an average of over 6,500 SKUs per store.

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. Among our 29 retail stores:

- 19 of them were branded as “Lung Fung Mall”, which are generally larger in size with GFA over 3,000 sq.ft. and offer a greater number of products covering pharmaceutical products, health products, beauty products and other consumable products;
- Four were branded as “Lung Fung”, generally with GFA under 3,000 sq.ft.¹ and offer a wide variety of products covering pharmaceutical products, health products, beauty products and other consumable products;
- Two were branded as “Lung Fung Cosmetic”, which are smaller in shop size and primarily offer pharmaceutical products other than prescribed drugs items, health products, beauty products and a selected range of other consumable products;
- Two were branded as “Lung Fung Dispensary”, which are attended by a registered pharmacist and primarily offer pharmaceutical products including prescribed drugs items, health products as well as a selected range of other consumable products

¹ Except for the Lung Fung store located at Gala Place, Dundas Street, Mong Kok with a GFA of approximately 17,500 sq.ft. and UFA of approximately 12,900 sq.ft..

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- Two are branded as “Lung Fung Pop Up”, which are temporary in nature in terms of renovation and continuity. Both “Lung Fung Pop Up” stores offer a variety of products covering pharmaceutical products other than prescribed drugs items, health products, beauty products and other consumable products.



Our flagship Lung Fung Mall store in Central



Our flagship and largest store by GFA in Hong Kong located at Dundas Street, Mong Kok



Our Lung Fung store in Tsim Sha Tsui



Our Lung Fung Dispensary store in Fanling



Our Lung Fung Cosmetic store in Yuen Long



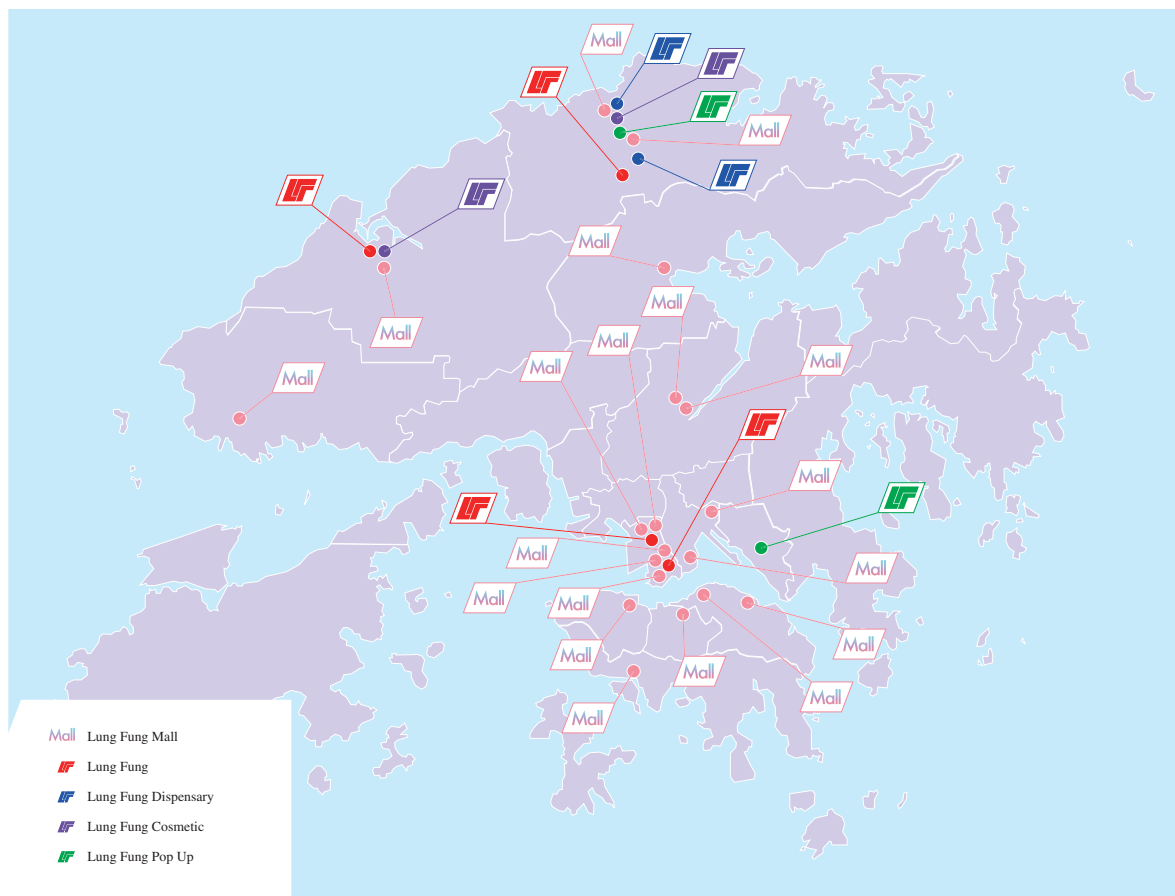
Our Lung Fung Pop Up store in Kwun Tong

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The majority of our retail stores are street-level shops which offer the benefit of high pedestrian flow and provide convenience to customers. As we strive to stock a wide variety of products at our retail stores and provide a spacious environment for our 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., which was the largest pharmaceutical, health and beauty products retail store in Hong Kong in 2024 in terms of GFA according to Frost & Sullivan. 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. Of our 29 retail stores, one of them is situated at premises owned by our Group, three are situated at premises leased by our Group from entities controlled by our Controlling Shareholders and the remaining 25 are situated at premises leased from independent third-party landlords.

We have been strategically expanding our network of physical retail stores during the Track Record Period — we added 1 new store, 3 new stores and 9 new stores for FY2023, FY2024 and FY2025, respectively, and a further 4 new stores between 1 April 2025 and the Latest Practicable Date. In 2025, we have established new stores at various new locations such as Whampoa, Fortress Hill and Aberdeen to further expand our retail store network to cover untapped areas.

For illustrative purposes only, the map below indicates the approximate locations of our retail stores as at the Latest Practicable Date:



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Over the years, we have strategically and gradually developed from a regional pharmacy chain located in the New Territories serving primarily customers from the northern part of Hong Kong and cross-border tourists from the PRC, to having 29 stores across Hong Kong in major residential, commercial and tourist areas. As at 30 June 2025, the majority of our revenue was generated from our retail stores located in Kowloon and New Territories, consistent with the fact that the majority of our retail stores are located in Kowloon and New Territories. As we plan to expand our presence on Hong Kong Island through opening more new retail stores, our Directors expect that more revenue, in terms of both value and proportion, will be generated from our retail stores located on Hong Kong Island. The following table sets out the number of our retail stores and proportion of revenue contributed by our retail stores located on Hong Kong Island, Kowloon and New Territories, respectively, for 1QFY2026:

Area	Number of retail stores	Revenue (HK\$ million)	Percentage
Hong Kong Island	5	110.9	16.2%
Kowloon	10	314.4	46.0%
New Territories	14	258.9	37.8%
Total	29	684.2	100%

We believe that our physical retail stores are well-positioned to serve our customers, especially for pharmaceutical and health products. Physical retail stores offer better customer engagement through personalized interactions, thereby helping customers make more informed decisions and enhance their confidence in our products. For instance, our well-trained frontline salespersons can directly attend to customers’ enquiries in real-time and offer recommendations based on their knowledge and experience with our products. Similarly, we offer our customers an opportunity to try our products in person, for example through “testers” and other selected product samples, which provide them with a better opportunity to understand the quality and functions of the products. Targeting the younger generation of customers who may prefer learning about the product themselves, we display QR codes for our products so that customers can conveniently obtain the relevant product information online on their mobile devices.



The actual environment of our retail stores

As at the Latest Practicable Date, we employed 15 registered pharmacists to station at designated retail stores to manage the dispensaries section supplying prescribed drug products.

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As compared to traditional pharmacies or chain pharmacy stores, we generally offer a wider range of products and SKUs in stores of larger size to provide customers with a one-stop shop experience. To cater for customers demand in different areas, there are some variations in the product offering available at each retail store depending on the location, e.g. whether it is located in residential areas, business or tourist districts.

We plan to consolidate some of our current smaller retail stores into larger ones upon the expiry of the current leases in order to provide a wider range of products in a more spacious environment, which we believe will help increase customer flow and average unit sales.

Management of retail stores

Our operation director is responsible for overseeing the operation of our retail network. Our operation team comprises our operation manager, three district managers, 29 shop managers and over 500 frontline salespersons at our retail stores as at 30 June 2025.

Pursuant to the Pharmacy and Poisons Ordinance (Cap 138) (“**PPO**”), every licensed retail pharmacy operated is required to store and dispense all regulated medicines in full compliance with the mandated code of practice. To ensure adherence, we have established a detailed internal procedure and operating guidelines requiring all registered pharmacists and relevant personnel to comply with. Regarding licensing requirements and daily operational procedures under the PPO, our senior pharmacists oversee the management of both new license applications and renewals and establish daily operational guidelines.

Our district managers are responsible for the implementation of our sales strategy and policy in the respective regions and manages the operation of the retail stores in that region. The frontline salespersons at our retail store are managed by a store manager at each of the store who reports to the regional manager.

The store manager of each retail store is responsible for managing the salespersons at the store, monitoring and adjusting the automatic replenishment requests, placing replenishment requests through our system based on the daily sales of the retail store, and inspecting the stock for their physical appearance and expiry dates. Stock replenishment generally arrives on the same day as or the next day after the replenishment request is made.

Retail store location selection and opening of new stores

The number of our retail stores grew from 14 as at 1 April 2022 to 29 as at the Latest Practicable Date. Our management team is directly responsible for the overall planning of our retail store network and identifying and selecting suitable locations for new stores.

We strategically locate our retail stores across different districts and areas. A primary consideration is market demand and market depth of a certain area — where there is sufficient demand and depth, we will consider opening a store or multiple stores in an area. An example illustrating our retail store location strategy is our presence in Mong Kok, a popular commercial and shopping area in which we operate three separate stores where each store targets a distinct group of customers: we have a retail store located near the MTR Station to attract the vast amount of pedestrian flow on the street; we have another retail store located among the cluster of sportswear shops to attract tourists shopping in the

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area; we also have a store — our largest retail store in Hong Kong with a GFA of approximately 17,500 sq.ft. and a UFA of approximately 12,900 sq.ft. — which offered the largest range of products with over 13,000 SKUs as at 30 June 2025 in a spacious environment and mainly targets repeated local customers and tourists.

We constantly search for and evaluate suitable premises to expand our retail store network, such as by expanding into new areas to reach new customers and offer more convenience to repeated customers located in different areas. When selecting the location of a new retail store, we typically consider factors including our existing presence in the vicinity, the pedestrian flow, the spending power of customers and the demographic and type of customers of that area. For instance, we opened new retail stores in Fortress Hill and Whampoa in 2025 in order to establish a presence in those dense residential areas and tap into the strong demand for pharmaceutical and household products from residents in the vicinity. Before we decide on the location of a new store, we will conduct feasibility studies such as conducting estimations on sales performance and possible returns. Once our management team has decided on a location to establish a new retail store, we will then identify suitable premises to set up the retail store with help from property agents. Our operations team will be responsible for negotiating the lease with the landlord and managing the related documentations.

The estimated capital investment per store, excluding inventory, is between HK\$5 million to HK\$10 million, which includes the costs of renovation, purchase of equipment and fixtures, hiring of new staff members and rental expenditure.

The following table sets out the details of our retail stores opened and closed during the Track Record Period and up to the Latest Practicable Date:

	FY2023	FY2024	FY2025	From 1 April 2025 to the Latest Practicable Date
Number of retail stores				
Number at the commencement of the year/period	14	13	16	25
Number of retail stores opened during the year/period	1	3	9	4
Number of retail stores closed during the year/period	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total number at the end of the year/period	<u>13</u>	<u>16</u>	<u>25</u>	<u>29</u>

We closed two retail stores in FY2023 due to the expiry of the respective leases. There was no other closure of retail stores during the rest of the Track Record Period.

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Same store sales growth

During the Track Record Period, in addition to the expansion of our retail store network, our same-store sales had also increased significantly, with a CAGR of approximately 34.4% from the beginning of FY2023 to the end of FY2025. 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. The table below sets out the revenue from same-store sales of our retail stores for the respective years and periods:

	FY2023	FY2024	FY2024	FY2025	1QFY2025	1QFY2026
Number of Comparable Stores	12		12			15
Sales of Comparable Stores (HK\$'000)	970,266	1,591,492	1,691,887	1,590,898	458,053	483,619
Same-store sales growth	<u>64.0%</u>		<u>(6.0)%</u>		<u>5.6%</u>	

A significant year-on-year same-store sales growth was recorded for FY2024 as compared to the preceding financial year, primarily driven by the reopening of the border following COVID-19 and the subsequent recovery in local consumer confidence during the return to normality. According to Frost & Sullivan, the reopening of borders in 2023 spurred a tourism surge, particularly visitors from the PRC, and boosted demand for beauty products and daily essentials. The modest decline in same-store sales growth observed in FY2025 as compared to the preceding financial year was largely attributable to the high baseline established in the preceding year. Our same-store sales growth resumed for 1QFY2026 as compared to the same period of the preceding financial year mainly fuelled by the strong performance of new Comparable Stores for the relevant period, with new stores in Kowloon and Hong Kong Island being the primary contributors.

Please refer to the section “Financial Information — Key Factors Affecting Our Results of Operations — Same store sales” of this document for details of our same-store sales performance.

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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 Lung Fung online store at <https://eshop.lungfung.hk/> (“**Official Online Store**”) which primarily serves local Hong Kong customers and we operate as an e-commerce trader on three major e-commerce platforms in the PRC, namely Lung Fung Group Overseas Flagship Store (龍豐集團海外旗艦店) on TMall International (“**TMall Store**”), Lung Fung Mall (微信龍豐商城) on WeChat Mini-Program (“**WeChat Store**”) and Lung Fung Group Overseas Store (龍豐集團海外賣場店) on JD.com (“**JD Store**”). For FY2023, FY2024, FY2025 and 1QFY2026, we recorded a total revenue of HK\$44.6 million, HK\$38.2 million, HK\$42.7 million and HK\$11.5 million, respectively, from sales through our various online sales platforms, representing 4.1%, 1.9%, 1.7% and 1.6% of our total revenue for the respective periods. Please refer to section “Financial Information — Description of Selected Items in Combined Statements of Profit or Loss — Revenue” of this document for further details.

Our Official Online Store offers a 24-hour 7-days-a-week channel for our customers to purchase our products. We believe that our Official Online Store supplements our physical retail store network by allowing customers to conveniently make and repeat their purchases without having to visit our retail stores in person. Our Official Online Store targets local customers in Hong Kong and we offer delivery services for orders within Hong Kong via third party logistics service providers. During the Track Record Period, we sold over 6,500 SKUs on our Official Online Store. During the Track Record Period and up to the Latest Practicable Date, all orders placed through our Official Online Store were centrally processed by a designated retail store which was responsible for the packing and shipping of the items.



The layout of our Official Online Store.

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To better reach out to customers in Chinese Mainland, we operate as a foreign e-commerce trader on China’s major e-commerce platforms, through our TMall Store, WeChat Store and JD Store. Due to cross-border restrictions such as licensing and customs requirements, the SKU number of products available on our e-commerce platforms in Chinese Mainland is fewer than those available at our physical retail stores. The list prices of our products on our Chinese Mainland e-commerce platforms are generally higher than the same items available at our physical retail stores due to the addition of import value-added tax (VAT) and logistics costs. For orders from customers located in Chinese Mainland placed through our e-commerce platforms, we engage Independent Third Party logistics service providers to provide logistical services including arranging for temporary storage of the items, customs clearance and cross-border delivery of the goods to the customers. During the Track Record Period, we sold over 7,000 SKUs on our e-commerce platforms across TMall Store, WeChat Store and JD Store.

We believe that our physical retail store network will foster the growth of our online sales platforms as our physical retail store network enhances both our reputation and brand image, which in turn enhances customers’ confidence in our Group. In November 2024, number of our members using the Lung Fung App surpassed 200,000. During FY2025, we recorded an average monthly active users^(Note) of approximately 66,000 on our mobile app Lung Fung App. For FY2023, FY2024, FY2025 and 1QFY2026, revenue from our online sales platforms amounted to HK\$44.6 million, HK\$38.2 million, HK\$42.7 million and HK\$11.5 million, representing 4.1%, 1.9%, 1.7% and 1.6% of our total revenue for the respective periods.

Note: “Active users” refers to registered members who have logged in to the Lung Fung App at least once in a calendar month.

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Customers ordering from our online sales platforms are protected by our data privacy protection policy and relevant terms and conditions. All user data collected from our online sales platforms are encrypted.



The frontpage layout of our Tmall Store



The frontpage layout of our WeChat Store



The frontpage layout of our JD Store

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OUR PRODUCTS

We offer a comprehensive range of products covering principally pharmaceutical products, health products, beauty products and other consumer products. Our key strategy is to offer a broad and diversified product portfolio at relatively economic and affordable prices. By leveraging the offering of more well-known and popular products at competitive prices, we aim to attract customer flow into our retail stores which in turn increases the exposure and sales opportunities for other brands and our own private label 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, which was consistent with approximately 30,000 SKU and approximately 29,000 SKU which we sold in FY2023 and FY2024, respectively. Of the over 28,800 SKUs we sold during FY2025, 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 retail store, with some larger retail stores carrying up to around 13,000 SKUs. The table below sets forth the number of SKUs of each of the four main categories of products we had sold during the Track Record Period:

Product segment	Principal products	Number of SKUs sold during the Track Record Period
Pharmaceutical products	Proprietary Chinese medicines and Western medicines	3,844
Health products	Health supplements	6,163
Beauty products	Skincare and cosmetics products and fragrances	9,989
Other consumer products	Personal care, maternal and infant products, food, pet food and household daily necessities	26,769
Total		46,765

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Product segment	Principal products	Average selling price per unit				
		FY2023 (HK\$)	FY2024 (HK\$)	FY2025 (HK\$)	1QFY2025 (HK\$)	1QFY2026 (HK\$)
Pharmaceutical products	Proprietary Chinese medicines and Western medicines	28.5	40.0	42.7	37.9	39.8
Health products	Health supplements	39.9	79.5	81.3	78.7	84.9
Beauty products	Skincare and cosmetics products and fragrances	79.6	96.1	95.5	97.9	98.0
Other consumer products	Personal care, maternal and infant products, food, pet food and household daily necessities	32.7	36.7	37.1	36.4	35.2

Together with the wide range of product offering mentioned above, our Directors believe that one of our major competitive edges is our ability to continuously refresh our product offerings by introducing new products and phasing out slow-selling products. In particular, our local and overseas procurement teams are responsible for conduct market studies to assess consumer trends and identify new products that they believe will appeal to our customers. Our local and overseas procurement teams are also responsible for liaising with existing or new suppliers for such supplies. We typically procure from brand owners, authorised dealers and trading companies. Please refer to the section “Procurement and Suppliers” below for further details about our procurement channels and process. For FY2023, FY2024 and FY2025 and 1QFY2026, we introduced over 6,500, 7,700, 6,000 and 1,600 SKUs of new products to our retail stores, respectively.

Pharmaceutical products

We offer a wide range of pharmaceutical products which can be categorized under proprietary Chinese medicines and Western medicines. For 1QFY2026, we stocked over 2,500 SKUs of pharmaceutical products, with diverse unit selling prices generally ranging from HK\$0.5 to HK\$10,500. Pharmaceutical products at the lower end of the price range include pills and tablets sold on a per unit basis and dextrocilla syrup while products at the higher end of the price range include a type of medication for patients who have had a kidney or liver transplant to prevent rejection and a type of injectable medicine for weight management. Some of these items are prescribed drug items and can only be purchased at our designated retail stores which are attended by a registered pharmacist. The following are examples of pharmaceutical products we offer.

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Examples of pharmaceutical products



Health products

We offer a wide range of health products such as Chinese and Western health supplements. For 1QFY2026, we stocked over 3,100 SKUs of health products, with diverse unit selling prices generally ranging from HK\$0.5 to HK\$3,500. Health products at the lower end of the price range include vitamin tablets, eye drops and pain-relieving patches, while products at the higher end of the price range include ganoderma spore capsules (靈芝孢子膠囊), hair regrowth solutions and bovine bezoar pills (牛黃丸). Other examples include sea dog vitality supplements, nicotinamide mononucleotide (NMN) capsules and omega-3 fish oil. The following are examples of health products we offer.

Examples of health products



Beauty products

We offer a wide range of beauty products which can be categorized under skincare and cosmetics products and fragrances. For 1QFY2026, we stocked over 5,700 SKUs of beauty products, with diverse unit selling prices generally ranging from HK\$2.0 to HK\$6,400. Beauty products at the lower end of the price range include double eyelid tapes, facial foam cleansers and make up sponges, while products at the higher end of the price range include certain types of skin revitalization cream, certain serum concentrate and certain nourishing face care cream. Other products include face moisture masks, acne treatment gel, cushion foundation, eye shadow palettes and fragrances. The following are examples of the beauty products we offer.

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Examples of beauty products



Other consumer products

We offer a wide range of other consumer products which can be categorised under personal care, maternal and infant products, food and drinks, pet food and household daily necessities. For 1QFY2026, we stocked over 10,000 SKUs of other consumer products, with diverse unit selling prices generally ranging from HK\$1.0 to HK\$38,000. Other consumer products at the lower price range include confectionaries, pet food, bottled drinks and wet tissue papers, while products at the higher end include wild ginseng, Moutai (茅台酒) and edible bird's nest food products. Other examples include personal care products such as sunscreen lotion, hair growth treatment solutions for men, deodorant sprays, shampoo, and electric toothbrush; maternal and infant products such as prenatal vitamin tablets, infant formula milk powder and supplements for infants; food products such as condiments and wine; pet food and household daily necessities such as anti-bacteria cleanser sprays, glass cleaning solutions, dishwashing detergents, fabric refresher. The following are examples of other consumer products we offer.

Examples of other consumer products



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Revenue breakdown by key product categories

During the Track Record Period, our revenue was generated from the sales of (i) pharmaceutical products, accounting for approximately 22.5%, 19.7%, 19.2% and 17.5% of our total revenue for FY2023, FY2024, FY2025 and 1QFY2026, respectively; (ii) health products, accounting for approximately 16.0%, 17.7%, 17.6% and 18.9% of our total revenue for the respective periods; (iii) beauty products, accounting for approximately 28.0%, 33.1%, 33.3% and 31.9% of our total revenue for the respective periods; and (iv) other consumer products, accounting for approximately 33.5%, 29.5%, 29.9% and 31.7% of our total revenue for the respective periods. The following table sets forth a breakdown of our revenue by product category in absolute amount and as a percentage of our total revenue comprising retail sales from our retail stores and our online sales platforms, wholesale and private label businesses for the periods indicated:

	For FY2023		For FY2024		For FY2025		For 1QFY2026	
	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue
Pharmaceutical products	246,529	22.5%	398,219	19.7%	473,105	19.2%	122,321	17.5%
Health products	174,752	16.0%	357,656	17.7%	443,752	17.6%	131,813	18.9%
Beauty products^(Note)	306,014	28.0%	668,228	33.1%	818,044	33.3%	221,877	31.9%
Other consumer products	366,716	33.5%	596,628	29.5%	735,577	29.9%	221,383	31.7%
Total	<u>1,094,011</u>	<u>100.0%</u>	<u>2,020,731</u>	<u>100.0%</u>	<u>2,460,478</u>	<u>100.0%</u>	<u>697,394</u>	<u>100.0%</u>

The following table sets forth a breakdown of our approximate sales volume by product category and the percentage of our approximate total sales volume for the respective periods indicated:

	For FY2023		For FY2024		For FY2025		For 1QFY2025		For 1QFY2026	
	Units	%	Units	%	Units	%	Units	%	Units	%
<i>(in million units, except for percentage)</i>										
Pharmaceutical products	7.3	26.3	9.2	24.5	10.4	23.2	2.4	25.8	3.0	22.5
Health products	4.8	17.2	4.7	12.4	5.5	12.2	1.1	12.2	1.6	12.0
Beauty products	4.1	14.7	7.1	18.9	8.7	19.4	1.6	16.8	2.3	17.3
Other consumer products	11.6	41.8	16.6	44.2	20.3	45.2	4.2	45.2	6.3	48.2
Total	<u>27.8</u>	<u>100%</u>	<u>37.6</u>	<u>100%</u>	<u>44.9</u>	<u>100%</u>	<u>9.3</u>	<u>100%</u>	<u>13.2</u>	<u>100%</u>

Note: Beauty products include skincare, cosmetics, fragrances products.

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Private Label Products

Leveraging on our established retail store network and our in-depth experience in sales of consumer products, since early 2000s, we have been developing and offering our private label products. The private label products are customized for us in accordance with our specifications and manufactured for us by Independent Third-Party OEM and ODM manufacturers for sale exclusively in our retail stores.

Our private label products include health supplements, skin care products and cosmetic products. Revenue from sales of our private label products increased gradually during the Track Record Period. For FY2023, FY2024 and FY2025 and 1QFY2026, revenue from sales of our private label products was HK\$75.1 million, HK\$217.1 million, HK\$334.1 million and HK\$101.5 million, respectively, representing 6.9%, 10.7%, 13.6% and 14.6% of our total revenue, respectively. For example, our “Tse Tai Kung” (謝太公) label, a label which specialises in Chinese pharmaceuticals and health products, recorded a steady increase in sales revenue of HK\$7.2 million, HK\$31.4 million, HK\$68.2 million and HK\$24.0 million for FY2023, FY2024 and FY2025 and 1QFY2026, respectively.

We partner with OEM and ODM manufacturers to avoid incurring excessive development and manufacturing costs. Our OEM and ODM manufacturers are primarily located in South Korea, Taiwan, the United States, Europe and in Hong Kong. We carefully assess and select our OEM and ODM manufacturers based on whether they possess the manufacturing qualifications such as ISO 9001. We typically engage ODMs to manufacture products that are relatively prevalent on the market as the formulae and composition of such products have limited variance. We partner with OEMs to develop products that have strong market demand based on our observations and which are subject to a higher degree of originality and customization. We will consider customer needs and suggestions to ensure that the end products align with our customers’ demand.

We adopt a systematic approach when developing product items with OEM and ODM manufacturers. At the initial stage, we conduct market research and analyse feedback from our frontline salespersons regarding customers’ needs and preferences. We also visit trade shows to keep ourselves updated about new products and trends in the market. Where we see suitable opportunities, we will work with our OEM and ODM manufacturers to develop the product, such as by modifying an existing formula to our requirements or by developing a new formula. If the prototype is successfully developed, we will then proceed to mass producing the product. We will perform quality control checks of the finished product and will prepare for the launch of the product, such as preparing the package design, determining the price and offering internal trainings to our salespersons regarding the new product. The products under our private labels are primarily sold at our own retail stores. We typically register the trademarks of our private labels in Hong Kong, Macao, the PRC as well as the place where the product was manufactured. Our Directors believe that the development of products under our private label can help diversify our business, revenue base and improve the overall gross profit margin of our business.

As at 30 June 2025, we had established over 40 private label brands. As at the Latest Practicable Date, we had over 700 SKUs available for sale under our private label brands, including over 70 SKUs of pharmaceutical products, over 320 SKUs of health products, over 130 SKUs of beauty products and over 260 SKUs of other consumer products.

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We believe that our ability to develop and offer the private label products will be complementary to our business development which, will on one hand, allow us to effectively control the price premiums of our private label products and their qualities and thereby contribute to higher profitability of such products to our Group and on the other hand, further uplift our brand awareness and reinforce our brand recognition in the market. We will continuously identify suitable opportunities to develop additional private label products as and when appropriate.

PROCUREMENT AND SUPPLIERS

We centrally procure products from a large number of suppliers from around the world, including (i) brand manufacturers, (ii) authorised agents and the brands' distributors in Hong Kong, (iii) parallel import wholesalers in Hong Kong and overseas and (iv) OEM and ODM manufacturers. We mainly source from local distributors in Hong Kong as well as overseas suppliers located in Japan, South Korea, Southeast Asia, Europe and the U.S..

Procurement process

We strive to source quality products that cater to the popular demands of our target customers in a timely manner. To grasp the latest trend and to constantly enrich and refresh our product range, we have set up a procurement office in Fukuoka, Japan to source local products that we believe appeal to our target customers. We believe our dedicated and experienced overseas procurement team gives us an edge over our competitors due to their local intelligence and network as well as the ability to discover and identify new products. By gaining direct access to local distributors and suppliers, our overseas procurement team enables us to source seasonal or latest products directly from Japan in a timely manner before they become generally available in Hong Kong. Our overseas procurement teams visit trade shows in their areas to keep themselves abreast of new products and market trends.

We have adopted a thorough procedure to ensure that we have a wide range of products with sufficient inventory for daily operations and to further ensure the quality of the products. We monitor the inventory level of our products continuously. Through our inventory monitoring system, our warehouse will be alerted if an item falls below the pre-determined minimum stock level at a retail store and we will arrange for replenishment from our warehouse generally within one business day. If the item falls below the minimum stock level at our warehouse, we will arrange to place order from our suppliers for replenishment.

We conduct thorough quality inspections upon receiving the products against predefined standards and the specifications of the purchase order. We will then process the storage and sorting of the products at our warehouse.

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Suppliers

We strive to foster sustainable and collaborative partnerships with our suppliers to ensure product quality and stability of supply. We generally select our suppliers based on factors such as whether they are the brand owners or authorised distributors, reputation, pricing and product authenticity. We monitor and evaluate our suppliers to ensure we have stable and quality sources of supply, which helps to reduce risks of sub-standard products.

After we approve a new supplier, we will place purchase orders for the selected products which specify the description and quantity of the products to be ordered, price, payment terms, delivery arrangement and our standard terms and conditions. We typically do not enter into long-term distribution agreement, but we have established a long-term relationship with most of our suppliers and we prefer to maintain flexibility in our choices of products to keeping our product portfolio fresh and up-to-date.

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, inter alia, the legality, the quality and the ingredients of the products supplied.

We had not experienced any significant issues or disputes with our suppliers during the Track Record Period. We had not experienced any major supply disruptions or shortages during the Track Record Period, although there were instances where immaterial disruptions did occur for certain items for reasons beyond our control such as instability in international logistics, insufficient raw materials experienced by our suppliers. We respond to such disruptions and shortages through procuring alternative products of similar type and price adjustments.

When procuring from authorised dealers, importers and exporters, we typically place purchase orders with them where the volume and products purchased under each order will depend on our actual needs at the time. This arrangement allows us to maintain flexibility and minimize the risks of overstocking or slow-moving stock.

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As at 30 June 2025, we had over 600 suppliers. We have established strong and stable relationship with many of our major suppliers. During the Track Record Period, three of the five largest suppliers in each of FY2023, FY2024 and FY2025 were suppliers which we have collaborated for over 15 years. On the other hand, we have been among the top and key purchasers of some of our suppliers of popular items. For example, we were the top purchaser of the following distributors in terms of annual total sales value:

Brand distributed by the supplier	Relevant product(s)	Year(s)	Ranking
Friso	Infant formula (milk powder) products	2022, 2023, 2024 ^(Note 1)	Top 1
Fortune Pharmacal	Coltalin 36S; Coltalin-GP Extra 36S; Extra Fast Coltalin-GP 36S Coltalin GP Extra 24S	2022, 2023, 2024 ^(Note 2)	Top 1
Old Town White Coffee	3 In 1 Classic White Coffee; 3 In 1 Hazelnut White Coffee; 2-in-1 Sugar Free White Coffee	September to December 2024 ^(Note 2)	Top 2
Ma Pak Leung	Ma Pak Leung Bovine Bezoar Pill (10 pills)	2024 ^(Note 3)	Top 3
	Ma Pak Leung Pear Loquat Syrup	2024 ^(Note 3)	Top 4
	Ma Pak Leung Pear Loquat Candy	2024 ^(Note 3)	Top 4
Colgate	Colgate Dental Cream; Colgate Optic White; Colgate Total Toothpaste	2024 ^(Note 3)	Top 4

Notes:

1. In terms of annual total sales value to traditional sales channels in Hong Kong such as pharmacies.
2. In terms of annual total sales value to pharmacies in Hong Kong.
3. In terms of the distributor’s general trade account.

Through our suppliers, we source products originated from different countries around the world.

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Top five suppliers

For FY2023, FY2024, FY2025 and 1QFY2026, total purchases from our five largest suppliers in aggregate accounted for 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. The following table sets out the details of our top five suppliers during each of the Track Record Period:

Supplier	Principal place of business	Principal business	Principal products purchased by us	Approximate years of relationship with us as at the Latest Practicable Date	Typical payment term	Typical payment method	Approximate total purchases (HK\$'000)	Approximate percentage of our total purchase
For 1QFY2026								
1. Supplier F	Hong Kong	Distribution and trading	Beauty products; Other consumer products	Over 2	Payment on Delivery	Telegraphic transfer	32,615	6.3%
2. Supplier B (Note 1)	Hong Kong	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 15	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	30,795	5.9%
3. Supplier C	Hong Kong	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 20	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	23,675	4.6%
4. Supplier A	Japan	Distribution and trading	Pharmaceutical products; beauty products; other consumer products	Over 7	60% Deposit; 40% Payment on Delivery	Telegraphic transfer	21,394	4.1%
5. Supplier E	Hong Kong	Distribution and trading	Health products	Over 20	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	19,573	3.8%

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Supplier	Principal place of business	Principal business	Principal products purchased by us	Approximate years of relationship with us as at the Latest Practicable Date	Typical payment term	Typical payment method	Approximate total purchases (HK\$'000)	Approximate percentage of our total purchase	
For FY2025									
1.	Supplier B (Note 1)	Hong Kong	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 15	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	95,379	5.4%
2.	Supplier F	Hong Kong	Distribution and trading	Beauty products; other consumer products	Over 2	Payment on Delivery	Telegraphic transfer	86,603	4.9%
3.	Supplier C	Hong Kong	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 20	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	73,643	4.1%
4.	Supplier E	Hong Kong	Distribution and trading	Health products	Over 20	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	67,854	3.8%
5.	Supplier A	Japan	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 7	60% Deposit, 40% Payment on Delivery	Telegraphic transfer	63,014	3.5%

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Supplier	Principal place of business	Principal business	Principal products purchased by us	Approximate years of relationship with us as at the Latest Practicable Date	Typical payment term	Typical payment method	Approximate total purchases (HK\$'000)	Approximate percentage of our total purchase	
For FY2024									
1.	Supplier B (Note 1)	Hong Kong	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 15	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	71,797	4.9%
2.	Supplier A	Japan	Distribution and trading	Pharmaceutical products; beauty products; other consumer products	Over 7	60% Deposit, 40% Payment on Delivery	Telegraphic transfer	68,139	4.6%
3.	Supplier D (Note 2)	Hong Kong	Distribution and trading	Beauty products; other consumer products	Over 6	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	66,457	4.5%
4.	Supplier E	Hong Kong	Distribution and trading	Health products	Over 20	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	58,445	4.0%
5.	Supplier C	Hong Kong	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 20	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	53,427	3.6%

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Supplier	Principal place of business	Principal business	Principal products purchased by us	Approximate years of relationship with us as at the Latest Practicable Date	Typical payment term	Typical payment method	Approximate total purchases (HK\$'000)	Approximate percentage of our total purchase
For FY2023								
1. Supplier A	Japan	Distribution and trading	Pharmaceutical products; beauty products; other consumer products	Over 7	60% Deposit, 40% Payment on Delivery	Telegraphic transfer	46,359	5.3%
2. Supplier B (Note 1)	Hong Kong	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 15	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	42,328	4.8%
3. Supplier C	Hong Kong	Distribution and trading	Pharmaceutical products; health products; other consumer products	Over 20	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	38,382	4.3%
4. Supplier D (Note 2)	Hong Kong	Distribution and trading	Beauty products; other consumer products	Over 6	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	37,150	4.2%
5. Supplier E	Hong Kong	Distribution and trading	Health products	Over 20	Payment on Delivery; monthly payment with 30 days credit period	Telegraphic transfer	36,760	4.2%

Note 1: The approximate total purchases amount represents the aggregate purchase amount from various related parties of this supplier.

Note 2: The approximate total purchases amount represents the aggregate purchase amount from related parties of this supplier.

Note: Purchases from Official Channel Suppliers include our total purchases of all products procured from suppliers that we have identified, to the best of our knowledge after reasonable enquiry, as Official Channel Suppliers based on the majority of the products we procured from them, and also include our purchases from OEM/ODM manufacturers for our private label products.

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To the best of the knowledge and belief of our Directors, all of our five largest suppliers during the Track Record Period are Independent Third Parties, and none of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company as at the Latest Practicable Date, nor any of their respective associates, had any interest, directly or indirectly, in any of our five largest suppliers during the Track Record Period.

Supply Channels

Our products are sourced from (i) official channel suppliers (“**Official Channel Suppliers**”), which are the brand owners, manufacturers or their authorised or licensed distributors, dealers or agents in Hong Kong (i.e. suppliers who are authorised by the brand owners directly or indirectly through the primary distributors, dealers or agents as sub-distributors, dealers or agents), and (ii) other suppliers (“**Other Suppliers**”), which include overseas suppliers of products for which, to our knowledge, there is/are Official Channel Supplier(s) in Hong Kong, which are generally known as “parallel import” product supplier, as well as suppliers of products for which there is no Official Channel Supplier in Hong Kong. Where products are sourced from suppliers of products without an Official Channel Supplier in Hong Kong, such products are not “parallel import” products because no distinction between “official products” or “parallel import” products can be made for such a case. Purchase from these suppliers generally would not give rise to trade description or intellectual property issue or claim because there is no Official Channel Supplier for such products in Hong Kong. For FY2023, FY2024, FY2025 and 1QFY2026, we purchased HK\$357.9 million, HK\$624.1 million, HK\$802.2 million and HK\$235.1 million, respectively, from Official Channel Suppliers, representing 40.5%, 42.4%, 44.7% and 45.0%, respectively, of our total purchases during the relevant financial year and financial period.

Purchase from the Other Suppliers generally enables us to purchase products at lower prices than purchase through the Official Channel Suppliers and this also broadens our products offering, such as products that do not have an official distributor or otherwise unavailable in Hong Kong.

The parallel-imported products include health care, beauty and skin care, cosmetics, perfume, personal care, clothing, daily necessities, maternal and child care, pets, food. They are mainly sourced from suppliers in Japan, Korea, Europe, the U.S. and Australia.

We have infrequently received inquiries from Official Channel Suppliers regarding our parallel importation practice during the Track Record Period but none of such inquiries had evolved into any legal action, dispute or litigation as at the Latest Practicable Date. To minimise the risks of disputes arising from allegation of potential claims on infringement of intellectual property rights or trade description issues, we have adopted various precautionary measures including (a) the adoption of internal control and verification procedures and (b) the incorporation of protective terms and conditions in our standard purchase order.

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Internal control and verification procedures

We primarily procure from the Other Suppliers with which we have maintained a long-standing relationship and who we find reliable over the years. We have established a set of rigorous internal control policy which covers all products sold or proposed to be sold in Hong Kong by the Group that are not procured through the brand owner's designated Hong Kong importer or distributor but are imported from overseas markets. Key features of the internal control policy include:

- Supplier due diligence: before purchasing from a new Other Supplier, our procurement team is required to complete a supplier due diligence covering basic information of the supplier such as its full legal name, registration number, registered address, place of incorporation, business registration or trading licences. Our procurement team will also check its reputation and history through public sources and verify its sourcing channels such as obtaining written description of its upstream sourcing and sample invoices;
- Supplier's undertaking: to the extent practicable, we will seek written undertaking from the Other Suppliers that all products supplied are genuine and lawfully obtained and that no counterfeit products will be supplied;
- Ongoing monitoring of suppliers: for Other Suppliers who we actively trade with, our procurement team is required to perform an annual assessment or when any major issue arises; any serious concerns must be escalated to our management;
- Product selection and internal approval: for each product proposed to be procured from Other Suppliers, our procurement team is required to conduct product assessment recording the product name, brand, SKU code and description, country of origin and any known or expected differences against the official Hong Kong version. Only products approved by our designated personnel will be added to our list of approved products;
- Additional review for products posing higher quality, safety and regulatory risks: for products such as pharmaceutical products, infant products, high-value cosmetics and skincare products, we will further review (i) the registration and licensing status of regulated products in Hong Kong, (ii) any differences in formulation, dosage or indication and whether these create clinical or regulatory concerns, and (iii) required warnings or usage restrictions;
- Purchase control: we will only issue purchase orders to Other Suppliers who are on our list of approved suppliers and will only purchase products on our approved product list;
- Inbound checks: upon receiving products procured from Other Suppliers, we will verify the products against the purchase order and supplier invoice and conduct visual inspection. We will also check that batch number and expiry dates are clearly printed. Products with notable issues will be segregated and will be notified to our procurement team for follow up;
- Labelling: our procurement team will ensure that prior to the sale of the relevant products in Hong Kong, the product's packaging and labelling comply with applicable Hong Kong requirements and supplemental labels will be applied where necessary; and

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- Marketing and promotion: we will ensure that marketing or promotional materials will comply with the Group's internal guidelines and applicable Hong Kong laws. Promotional contents with higher-risk must be submitted to designated members of our management team and, where applicable, external legal adviser for review before release.

We also require the Other Suppliers to present us documentations that prove their distributorship or otherwise capable of verifying the chain of supply in order to trace the origins of the product, such as evidence of direct purchase from the manufacturer, upstream agency certificates, or invoices evidencing purchase from reputable overseas retailers or duty-free shops. In addition, we typically conduct additional verification work upon the receipt of the products to ensure their authenticity, including (i) spot-checking the products upon arrival at warehouse; (ii) comparing with the same products that are being sold via official retail channels to detect variations or discrepancies; and (iii) cross-checking product information appearing on the package of the product against online information. Where we procure from new or less-established Other Suppliers, we implement enhanced due diligence measures to ensure authenticity of the products, including reviewing the business licences and company search records of the Other Suppliers, verification of current clients and related invoices, scrutiny of procurement channels and examination of import documents and agency certificates. Where goods are claimed to be sourced directly from manufacturers, we typically require provision of the manufacturer's invoices. We may conduct independent third-party checks within the industry through our own channels to confirm the reliability of the supply chain. We also have quality control procedures to perform rigorous examinations of the products, to ensure that the products are genuine, noting that they are sometimes different versions of the same products across different regions. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material issues concerning product authenticity.

Protective terms and conditions

We request the following terms from our suppliers or obtain representations, warranties and/or guarantees as part of the protective terms and conditions provided from our suppliers in our purchase order/supply agreement:

- (i) the authenticity and legality of the products supplied;
- (ii) the accuracy and completeness of product information including their ingredients, nutrition information, energy values, contents, suitable users, expiry date, instructions and/or precaution for use, import requirements and trade description;
- (iii) the conformity with the description on ingredients, composition and materials provided on the product packaging;
- (iv) there is no infringement of trademark, copyright or other intellectual property rights of the brand owner and/or manufacturer in the sale of products supplied; and

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- (v) where the products are procured by the supplier from the brand owner or its authorised manufacturer(s) or other intermediaries for resale to us, the products supplied to us have not been repackaged and have not been changed or modified in any respect after being released from the brand owner or its authorised manufacturer(s) up to delivery to us, which will result in the original conditions of the original genuine products be changed or impaired in any respect(s), and that no change whatsoever has been made which will or may lead to the products becoming infringing products or will lead to any legal dispute on infringement.

Having considered the business model and operation of our Group and the above-mentioned precautionary measures adopted by our Group, our Hong Kong Legal Counsel, Ms. Queenie W.S. Ng, is of the opinion that:

- (i) the trade mark law in Hong Kong does not prohibit parallel importation. Generally, the sale and advertisement of genuine products in Hong Kong through parallel importation are not prohibited under the laws of Hong Kong. In particular, parallel trading activities fall within Section 20 of the Trade Marks Ordinance which provides for the exhaustion of trade mark rights. Under this provision, the resale of goods or products that have been placed on the market anywhere in the world by the trade mark owner, or with his consent (whether express, implied, conditional or unconditional) does not constitute trade mark infringement, unless the condition of the product has been changed or impaired after they have been put on the market and the use of the registered trade mark in relation to those products is detrimental to the distinctive character or repute of the trade mark;
- (ii) as for copyright, the packaging of parallel-imported products will generally fall within the category of "accessory works" for which the label affixed or displayed thereon, the container, the written instructions or other information incidental to the products not predominantly attributable to the economic value of the work are usually exempted as an infringement of copyright under Section 35(3) and Section 35(8) of the Copyright Ordinance, and will not trigger claims for copyright infringement;
- (iii) we are not exposed to significant risks of intellectual property rights infringement and such risks (if any) are generally negligible or relatively remote provided that we strictly adhere to the precautionary measures including the internal control policies adopted and implemented by us described above;
- (iv) in case of any civil claim of infringement of intellectual property rights, the restrictive statutory definition of "infringing copies" and its exceptions, together with the above-mentioned precautionary measures, would provide a reasonable basis for defence of such claim. In addition, the warranties provided by our suppliers in the protective terms and conditions expressly contained in our standard purchase orders will generally entitle us to seek an indemnity and/or contribution from the relevant supplier should any such claim arise;
- (v) in the event of any prosecution for copyright infringement (which is the only category of intellectual property right encountered by us in our business operations that may attract criminal liability), the restrictive statutory definition of "infringing copies", together with the applicable statutory exceptions, and our strict adherence to the precautionary measures described above, would likewise provide a reasonable basis for defence against any such allegation; and

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- (vi) in the event of any alleged non-conformity of trade description laws in relation to products procured by us through parallel importation, we would similarly have a reasonable basis for defence against any prosecution for supplying goods with a false trade description. In addition, the protective terms and conditions contained in our standard purchase orders would generally entitle us to seek indemnity and/or contribution from the relevant supplier should any such issue arise.

Based on the legal advice from our Hong Kong Legal Counsel, our Directors considered that there is no material risk of our Group with respect to alleged infringement of intellectual property rights relating to the sale of parallel-imported products procured from the Other Suppliers. Since the commencement of the retail business of our Group and up to the Latest Practicable Date, we had not been involved in any litigation proceedings for alleged infringement of intellectual property rights in respect of any parallel-imported products procured by us. Our Directors believe that even if there is a possibility, as a matter of law, that certain intellectual right proprietors may institute legal proceedings against us in respect of the sales of parallel-imported products in Hong Kong and there is risks associated with false trade description on products, the possibility of our Group facing material legal claims and liabilities in these regards is remote.

QUALITY CONTROL

Selection of Suppliers

To ensure product quality, we generally procure from recognized brand owners and trusted distributors and wholesalers. We prefer to procure from suppliers with which we have established a long-term and trusted relationship. Most of our top five suppliers during the Track Record Period have been partnering with us for many years (please refer to the section “*Procurement and Suppliers — Suppliers — Top five suppliers*”). Before procuring from a distributor or wholesaler, we require the supplier to provide its proof of authorization from the brand and to provide proof of chain of supply for the products.

Quality Control of Products and Product Labelling

We conduct thorough product quality inspection to meet our customers’ expectation on product quality and we pay additional attention to regulated, delicate or high-value products such as pharmaceuticals, cosmetics, skincare products and wine to ensure product safety and compliance with relevant regulations and requirements.

Upon the arrival of the products at our warehouse, our warehousing team will initially check the descriptions and quantities against the specifications of our purchase order. Once the products and quantities are confirmed, the invoice will be confirmed for system entry. Any discrepancies, suspicious packaging, damage or defective goods discovered during this stage must be immediately reported to the procurement team. Thereafter, our quality control team will conduct further inspections on of the products received, including inspecting the packaging and labeling of the products, cross-checking the products against our reference samples and online resources, as well as verifying batch numbers against online records to verify authenticity. All accepted goods will then be transferred to designated floors for storage or processing on the same day. When we procure from new suppliers, we will inspect all products supplied by such new suppliers for the first six months of cooperation to ensure product quality and consistency. In addition, we only procure products with a shelf life of at least 18 months from the

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manufacturing date or has not exceeded one-third of its indicated consumption period. We also require that all invoices from our suppliers must clearly indicate the product batch number and the product expiry date for our record and cross-checking.

We had not experienced any product quality issue that required material product return during the Track Record Period and up to the Latest Practicable Date.

Product Safety

To ensure safety and authenticity of our products, we adopt a rigorous supplier and product verification process for products we procure from suppliers. We either source directly from authorised distributors or brand owners; or, where we procure from trading companies, we would require such suppliers to provide the full supply chain documentation to ensure the goods originate from brand owner or manufacturers or their authorised local or international agents. For electrical appliances, we require and verify the certification by the Electrical and Mechanical Services Department before any such product is displayed for sale. Products such as food, wine and cosmetics are stored at designated 24-hour air-conditioned warehouse facilities with control over temperature and humidity. We also utilize a refrigerated truck for these products during the delivery process. At the store level, our frontline staff members perform daily checks on all displayed products to ensure that the products are in suitable condition for sale.

When engaging suppliers for our own private label products, we generally conduct a detailed supplier review to ensure that the suppliers are in possession of legitimate business licenses and relevant factory certifications (e.g., ISO 9001, ISO 22000, Good Manufacturing Practice (GMP), Brand Reputation Compliance Global Standards (BRCGS)). This includes on-site audits to evaluate production processes, quality control systems and hygiene conditions of these suppliers. We also require third-party safety testing conducted by accredited laboratories and we implement a batch sampling system to periodically verify that all batches meet the established safety standards. We also ensure that the products are traceable through batch or serial numbers from the production stage to finished products.

MARKETING AND PROMOTION

Marketing of Products

Our marketing team organise promotion activities for new products as well as existing products. For new products, we typically prepare product flyers to be published on our media platforms and in-store. Our marketing team also works closely with our warehousing team to make additional promotional efforts for products with shorter shelf-life.

Our marketing and sales team

Our marketing and sales team consisted of 15 staff members as at 30 June 2025, including marketing personnel and graphic designers. The marketing personnel are responsible for social media content creation, negotiating promotional campaigns with suppliers, implementing promotional plans, analysing promotional results, managing our online sales platforms and the mobile application for our members. The graphic designers are primarily responsible for designing promotional posters, product

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packaging, product photography, social media advertising graphics, promotional videos, product brochures and the graphics appearing on our online sales platforms and the websites of our private labels.

Marketing strategy and process

We regularly review the effectiveness of our marketing strategy, adjust and formulate our strategy and implement new initiatives for promotion plan and to discuss the budget allocation for the execution of the approved marketing plans.

We actively identify new products and new suppliers through various channels including referral to new brands by our existing suppliers and our internal market research and market intelligence gathered by our overseas offices.

With regards to a specific promotional campaign, our sales and promotion process begins with the establishment of clear objectives, such as increasing sales within a specific customer segment or enhancing overall product awareness. Following this, we determine the most suitable advertising platforms within our allocated budget. Our creative team then develops tailored content such as imagery, videos and texts specifically designed for the selected channels. Finally, to measure effectiveness, we conduct a comprehensive analysis of key performance metrics after the campaign, including reviewing sales data and engagement analytics such as clicks and impressions, supplemented by direct feedback from our frontline staff.

We primarily engage in the following marketing and promotion activities to enhance the image and awareness of our brands and products:

- Online advertising, such as placing advertisements on social media, video sharing platforms and on our mobile application;
- Outdoor advertising, such as placing advertisements on the digital screens displayed at the lobbies of commercial and residential buildings and on LED billboards hoisted on the exteriors of buildings;
- Engaging celebrities with suitable public image, visibility and demographic profile to be ambassador for our products by appearing on our online, offline and television commercials; and
- Promotion activities such as discounts, giveaways, and limited-time special offerings.

We utilize a diversified and multi-faceted strategy to acquire new customers, leveraging both digital and physical channels. Our primary acquisition methods include targeted social media marketing across key platforms such as Facebook, Instagram, Threads, Little Red Note, Douyin, YouTube and WeChat to engage consumers in specific demographic groups. We further amplify our reach through collaborations with influencers and key opinion leaders (KOLs) to build credibility and tap into their mass follower base. Additionally, we incentivise word-of-mouth growth through a membership referral program. To ensure precise targeting, we utilise Rich Communication Services (RCS) to deliver interactive promotional messages to specific customer segments in designated locations within designated timeframes.

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We engage in strategic partnerships with companies in complementary sectors to achieve synergy in promotion and broaden our reach. For example, during the Track Record Period, we collaborated in “cross-over” promotional campaigns with a sports and leisurewear retailer and a jewellery retailer to provide special discounts and offers to our customers and customers of our collaborating partner. We have also partnered with financial institutions such as bank card service providers and digital payment platforms to offer special discounts to customers who elected to settle payment of eligible transactions via designated payment methods. We also rely on our presence on prominent local and PRC e-commerce platforms to stay visible among our customers and we constantly evaluate expanding our physical retail store network into new areas to drive customer growth.

Membership scheme

We launched our membership scheme in 2022 administered under a customer relationship management system and operated through our official mobile app (Lung Fung Group App) to foster customer loyalty and drive sales. Customers can register as a member through online registration and can, thereafter, accumulate reward points upon each purchase. In addition, we have implemented a referral programme where existing members who successfully refer new members will receive a one-off cash coupon eligible for instant discount upon checkout at our retail stores. We also disseminate marketing and promotional updates to our members via our official mobile app to keep them updated about our latest offers. By offering exclusive incentives such as reward points, member-only special prices and exclusive product and cash coupons redemption, we aim to create additional value for members and to incentivise repeated purchases. This strategy not only boosts sales but also cultivates customer loyalty connections and prompts recurring businesses. The number of registered members has increased from approximately 37,700 as at 1 April 2022 to approximately 257,000 as at 30 June 2025.

CUSTOMERS

The vast majority of our customers are walk-in retail customers at our retail stores. We also sell to retail customers through our online sales platforms and to some wholesale customers which are primarily pharmacies and trading companies.

Retail stores

We principally engage in retail business through our retail store network and the vast majority of our customers are walk-in customers from the general public. Our target customer groups include tourists, housewives, office workers, mothers, young families, middle-class consumers and high-spending consumers, which is consistent with the choice of location of our retail stores.

We believe that our comprehensive range of pharmaceutical, health, beauty and other products available at our retail store, which typically carry 10,000 to 13,000 SKUs per store, cover a wide spectrum of daily needs and thus generally attract a broad range of customers. According to Frost & Sullivan, there has been a surging demand for one-stop shopping experience among local consumers in recent years driven by lifestyle changes. By offering pharmaceutical, health, beauty, and household and daily essentials under one roof, this integrated approach eliminates the need for consumers to visit multiple specialised outlets, offering convenience for families, working professionals, and elderly shoppers who can pick up vitamins and supplements, over-the-counter medicines, skincare and

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cosmetics, as well as groceries, cleaning supplies, and pantry staples in a single store. Our Directors believe that our Group is well-positioned to meet and satisfy such trend with our wide selection of products available at our retail stores in key business, residential and tourism areas.

During the Track Record Period, customers of our retail store business were mainly local consumers from Hong Kong and tourists from the PRC visiting Hong Kong.

Online sales platforms

To facilitate the demand for our products from visitors from the PRC and to provide additional convenience to our local customers, we have established online sales platforms via the Official Online Store “Lung Fung Mall” on our website, as well as on major Chinese e-commerce platforms such as TMall, WeChat Mini-Program and JD. During the Track Record Period, our online sales platforms sold to local Hong Kong customers and customers in Chinese Mainland.

Wholesale and bulk-purchase customers

In addition to walk-in customers who purchase products at our retail stores, we also supply, on wholesale basis, pharmaceutical products, health products, beauty products and other consumer products to corporate customers and local pharmacies in Hong Kong (“**Wholesale Customers**”). As at the Latest Practicable Date, we sold to more than 110 Wholesale Customers, including over 20 corporate customers which were primarily importers and exporters and over 90 local pharmacies in Hong Kong. As we are able to procure a wide range of products, especially products that are popular in the market, at competitive prices through our procurement channels, some importers and exporters procure products from us to be on-sold to other retailers. Similarly, as we are able to supply certain products to local pharmacies in Hong Kong below their procurement costs from other channels, some local pharmacies in Hong Kong engage us to wholesale certain products to them. 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, respectively, from wholesale sales, representing 2.0%, 1.2%, 1.1% and 0.2% of our total revenue for the respective periods. We generally sell to Wholesale Customers pursuant to orders they place with us from time to time. We will suspend shipments to the pharmacies with long overdue payment or would require upfront payment from such customers. We generally require upfront payment from other corporate customers before shipment of the order. The products are generally delivered by our own logistics team to the locations in Hong Kong specified by such customers. We do not enter into any distributorship agreement, framework or long-term agreement with any Wholesale Customer. One of our Wholesale Customers during the Track Record Period was a company owned by the sister of Mr. Tse, which is a connected person of our Company (“**Relevant Wholesale Customer**”). Sales to this Wholesale Customer were HK\$1.9 million, HK\$6.7 million, HK\$6.4 million and nil for FY2023, FY2024 and FY2025 and 1QFY2026, respectively.

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Diverse customer base

Sales to our top five customers represented less than 5% of our revenue for FY2023, FY2024 and FY2025 and 1QFY2026, respectively. Given that the total amount of sales generated from Wholesale Customers and individual bulk-purchase customers represented an insignificant amount of our total revenue, our Directors consider that there is no substantive meaning to identify and disclose details of our five largest customers for the Track Record Period. Given the diverse nature of our customers and our Group did not rely on any single customer during the Track Record Period, we do not face any customer concentration or counterparty risks. During the Track Record Period, some of our Wholesale Customers were also our suppliers. None of such Wholesale Customers, however, was a major customer of our Group as sales to such Wholesale Customers represented an insignificant amount of our total revenue due to our diverse customer base.

Except for the Relevant Wholesale Customer, none of our Directors or any Shareholders who owns more than 5% of the share capital of our Company as at the Latest Practicable Date, nor any of their respective associates, had any interest, directly or indirectly, in any of our five largest customers or any of the Wholesale Customers during the Track Record Period.

CUSTOMER SERVICES

We aim to provide our customers with an enjoyable and comfortable retail experience and train our employees to provide quality customer service. We provide training to our sales staff at our retail stores to provide efficient and helpful service to our customers. Our customers may raise complaints or concerns through our hotline or email.

Return policy

For products purchased at our retail stores, while we generally do not offer refund or exchange, we allow for product exchange at our discretion within seven days from the date of purchase for products with quality issue. To be eligible, the product in question must be in unused condition in its original packing with all original parts and accessories, where applicable, together with a valid true copy of the original receipt. We do not offer any product warranty for our products.

For products purchased from our Official Online Store, we generally do not provide return, exchange or refund once an order is confirmed and payment is successfully processed. Cancellation of a paid order may be considered under exceptional circumstances at our discretion and normally subject to a handling fee of 20% of the total order value. We do not provide return, exchange or refund if an order has been dispatched. However, to provide additional assurance to our customers, if upon receipt of an item it is found that the remaining validity period is short — namely six months or less from the date of the order for healthcare, cosmetics, and fragrances items and three months or less from the date of order for all other product categories — our customers may contact our customer service team for special arrangements.

For products purchased on TMall Store, WeChat Store and JD Store, we provide refund or exchange for products with quality issue. For refund or exchange of products without quality issue, we normally offer refund after deducting a service charge of 20% of the invoiced value and the delivery fee incurred. Customers may contact our customer service within seven days where products arrive with defective packaging or quality issue.

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Where we identify quality issues or defects in products originated from the manufacturing process or other defaults on the part of our suppliers, we would seek reimbursements on product procurement costs and related expenses from the relevant supplier. If the affected products have been sold to our customers, we would initiate a recall and seek compensation for expenses incurred in such recall actions from the relevant supplier. During the Track Record Period, we did not experience any instance of product recall or receive any liability claims due to product quality or defects.

Customer complaints

Our customers can lodge complaints with us via social media platforms such as WeChat, Facebook and Instagram and WhatsApp, as well as by email and telephone.

During the Track Record Period, we received complaints from customers, which mainly related to products description, product quality, staff services and/or requests for refund or exchange. None of such complaints have any material adverse impact on our Group or our business operation. Given the vast number of customers served by our Group on multiple channels on a daily basis, our Directors believe that it is not uncommon for us or other market players in the pharmaceutical, health or beauty product retailer sector to receive feedback of different nature and complaints from consumers from time to time, which do not necessarily represent any critical issue with products or service quality.

Our Directors are of the view that such feedback and complaints heighten our awareness in customers' expectation and drive us to ensure product quality and deliver quality services. During the Track Record Period, we did not experience any material claim for product returns or exchanges due to product quality defects or damages or any related product liability claims.

SETTLEMENT AND CASH MANAGEMENT

The majority of our customers settle their purchases at our retail stores by cash, credit card and payment by way of Octopus Card and other contactless digital payment methods. We have engaged an Independent Third Party smart payment solutions agent to handle and process payments for orders placed via our online sales platforms. For payments made in Renminbi from our customers located in Chinese Mainland, the smart payment solutions agent will convert the sum of money collected in Renminbi into equivalent Hong Kong Dollars and deposit the equivalent Hong Kong Dollars net of the transaction fee charged by the smart payment solutions agent directly into our designated bank account located in Hong Kong.

Cash and cash management

In light of the daily handling of cash receipts, we have instituted a comprehensive internal control framework to handle and manage cash. Each retail location is equipped with a point-of-sale (POS) system, which records and monitors all orders, transactions, and sales through all means of payment. To restrict unauthorised disbursements, all store personnel are generally prohibited from withdrawing cash from the POS terminals unless prior approval from the store manager has been obtained and only for business purposes. Upon the conclusion of a business day, designated personnel is required to perform a physical count of all cash contained within the POS terminal and such count must be confirmed and reconciled against the sales summary generated by the POS system. Any identified variances between the physical cash count and the system record must be investigated. All cash received is to be secured in a cash deposit safe until its transmission by the security company which will verify the amount and

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deposit into our bank account. A formal daily settlement record, detailing sales figures, cash received, and transaction data, must be completed by the closing cashier prior to the store's closure each business day. The corporate accounting department performs a daily reconciliation for each retail outlet. This process involves a cross-verification of the cash balances as recorded in the POS system against the authenticated bank deposit records for the designated company accounts. This ensures that all daily cash receipts are deposited in full into the authorised bank account by the next succeeding business day. Furthermore, all retail premises are monitored by a closed-circuit television (CCTV) surveillance system operating on a continuous 24-hour basis to provide additional security and oversight.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material cash misappropriation.

Credit cards and other contactless digital payment methods

Our retail stores accept credit cards from all major credit card issuers for settlement of purchases. The settlement terms with credit card companies are usually within two business days after the billing date which is also the service rendered date. During the Track Record Period, service charges ranging from approximately 1.3% to approximately 1.4% on the transaction amount were generally imposed by the credit card issuers, which the Directors consider to be in line with prevailing market rate.

Octopus Card

Octopus card is a convenient means of settlement which is a popular choice for customers with a relatively low purchase amount. We accept Octopus card payment at our retail stores and on our Official Online Store. We believe that the acceptance of Octopus card at retail stores can enhance our operational efficiency and save time from depositing cash into banks. For FY2023, FY2024 and FY2025 and 1QFY2026, the total service fees paid by us to the operator of the Octopus card (including payments collected from retail stores and through our Official Online Store) amounted to approximately HK\$2.4 million, HK\$2.7 million, HK\$3.0 million and HK\$1.0 million, respectively.

Membership reward points

To boost brand loyalty and encourage repeated purchase, we have established a membership reward points scheme in which our registered members can accrue reward points from their purchases, where the reward points may then be applied to redeem digital cash coupons on our mobile app for the settlement of their future purchases. According to the prevailing terms of our membership scheme, each registered member may receive one point upon every purchase of HK\$10. A cash dollar coupon with a value of HK\$5 can then be redeemed by every 100 reward points, HK\$15 can then be redeemed by every 300 reward points, HK\$50 can then be redeemed by every 500 reward points ("**Cash Dollar Redemption Rate**"). All reward points accrued during a year will expire by 31 December of the same year.

Third-party payment solutions agents and online platforms

To facilitate smooth transactions for our customers placing orders via our Official Online Store, we have engaged an Independent Third Party payment solutions agent to collect and process payments for us. The payment solutions agent connects our online sales platforms to its checkout page, allowing our customers to make payments directly on the page using their preferred payment methods, without being

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redirected to other pages. Through the merchant portal, we are able to access real-time electronic payment transaction details for better management and streamline accounting and reconciliation processes. For our other online sales platforms namely TMall Store, WeChat Store and JD Store, the relevant platform will charge us a service fee ranging from 1% to 8% per transaction during the Track Record Period. Such platforms typically collect payment from the customers upon their purchase and deposit the proceeds net of their service charges to our Group's designated bank account periodically. For FY2023, FY2024 and FY2025 and 1QFY2026, the total service fees paid by us to the Independent Third Party smart payment solutions agent and the platforms for handling and processing our online transactions were approximately HK\$1.5 million, HK\$1.4 million, HK\$1.6 million and HK\$0.5 million, respectively.

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. We also adopt special pricing strategies for promotional items.

When determining the prices of our products, we adopt a rigorous approach that utilizes both objective data and subjective judgment. As our products are primarily fast-consumer goods with a number of substitutes available on the market, our customers are generally price-sensitive.

Consumers pattern for our products are heavily influenced by price and are highly responsive to promotional incentives, including discounts, limited-time offers, and discounted bundle deals. Consequently, competitive pricing and volume-based promotions are critical to attracting customers. For instance, we regularly offer products at special prices and host weekly flash sales to drive store traffic and incentivise purchases.

We regularly conduct market surveys to stay informed of pricing trends and competitors' activities to ensure that our prices remain competitive. Our experienced sales team also regularly monitors and analyses sales data gathered from each retail store and our online sales platforms to evaluate customers' needs and demands for different products in different areas and across platforms. Such data will then be compared against procurement cost in order to determine the profit margin of each product and whether adjustments are required at the procurement level. Combined with feedback and insights from our frontline salespersons, we make informed and strategic pricing decisions for our products and will make adjustments flexibly in response to market dynamics.

For parallel-imported products that are also available through official dealer channels, we adopt a slightly lower pricing strategy as compared to those official dealer channels to project a high value-for-money perception among customers.

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SEASONALITY

We observed that during the Track Record Period, we experienced peak seasons in terms of sales revenue during the Chinese New Year holiday period, Christmas festive period and Chinese “Golden Week” holiday periods in May and October. We generally experienced relative low seasons in May (after the labour day “Golden Week” holiday period) and June. Our Directors believe that this seasonality pattern is consistent with the overall retail industry in Hong Kong.

INVENTORY MANAGEMENT, WAREHOUSING AND LOGISTICS

Inventory management

Our inventories consist primarily of finished goods procured from our suppliers. We have established inventory policies, management procedures and provide adequate training sessions on inventory management to our warehouse staff members. Our procurement department manages our inventory levels at our warehouses and retail stores by constantly monitoring our stock-holding level, products flow, sales orders and observing the demand and trends regarding different products by working closely with our frontline sales personnel at retail stores. Based on real-time stock-holding data of our retail stores, sales orders and forecast information, our procurement department prepares inventory plans in advance which is updated periodically, and monitors our inventory level on a daily basis. Reflecting inventory data from both our retail stores and at warehouse, our integrated enterprise resource planning (“ERP”) system will alert our procurement department about items that fall below minimum stock-holding level which will then arrange placing orders with the relevant suppliers to restock such items.

We procure products from our suppliers once an item falls below our pre-determined minimum stock-holding level at our warehouse. Local suppliers typically provide a more stable source of supply with shorter lead time, hence we generally procure inventory at a volume sufficient for four to six weeks’ sales per order. In contrast, due to uncertainties with international logistics and with longer lead time, we typically procure inventory from our overseas suppliers in volume that represents four to five months of sales of such products. We prepare sales forecast and stock ordering plan monthly with reference to various factors including the inventory level and movement of our products, the expected sales and production and delivery lead time, any seasonal effects which will cause supply interruption (e.g. during Chinese New Year period) or demand surge for particular products, promotion plans, consumers’ feedback and market observations. We strive to maintain a level of inventory capable of supporting our business operations while minimizing obsolete or expired inventory through constantly monitoring our inventory level against historical and recent sales pattern and turnover days of different items. Our warehousing management system provides information such as stock description, quantities and expiration dates of products to our warehousing team, who, in particular, will be alerted to items with a closer expiry date so that they can prioritize sending such items to retail stores and assess whether the marketing team shall be engaged to launch special promotion events for such particular products. In addition, our area managers and area supervisors will also report the stock description and quantities in their retail stores with expiry dates before the end of a calendar month. To ensure diligent stock-taking and identification of items approaching expiry dates, the presence of any unreported obsolete products at retail stores will affect the evaluation of performances at retail store level pursuant to our internal assessment policy.

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At the retail store level, our integrated ERP system allows us to track the sales, inventories level and movement of each SKU in each of our retail stores on a real time basis. We pre-set inventory maintenance level for each SKU in our retail store with reference to the different sizes of our individual retail store, the historical and recent store turnover days of a particular SKU and the delivery circle for replenishment. Based on the pre-set inventory maintenance level for each SKU in each retail stores, the automatic stock replenishment function of our integrated ERP system alerts our warehouse team for each SKU falling below the minimum stock-holding level. Our store managers are responsible for reviewing and confirming the stock-holding information to ensure timely replenishment of products and manually adjust replenishment requests where necessary.

We do not have a standard inventory retention period for our inventories due to the wide range of products we offer. For reference, we generally maintain an average inventory level of 1.2 months at a retail store level and 2.4 months at our Company level as a whole. The average inventory level is measured by taking the current inventory valued at cost and divide it by the average cost of sales for the preceding three months. Our products are sold on a first-in-first-out basis. To minimize the risk of inventory backlogs, we conduct monthly, quarterly and annual reviews of our inventory levels. We also carry out physical stock counts and stock inspections regularly to identify damaged products or expired products, which are disposed of or for which provisions are made. We make provisions for our inventory based on an assessment of net realisable value taking into account historical sales record, aging analysis, marketing and promotion plans and subsequent selling prices of the inventories.

With respect to food safety and import control, our procurement team has designated specialists responsible for documenting relevant regulatory restrictions. During the importation process, our procurement staff and suppliers conduct thorough inspections of all imported components to prevent any compliance violations.

As at 31 March 2023, 2024 and 2025 and 30 June 2025, the balance of inventories amounted to approximately HK\$176.0 million, HK\$225.4 million, HK\$336.0 million and HK\$384.5 million, respectively, representing approximately 61.1%, 57.3%, 77.0% and 52.3%, respectively, of our total current assets for the corresponding year or period end date. The average turnover days of inventory^(Note) of our Group for FY2023, FY2024, FY2025 and 1QFY2026 were approximately 63 days, 51 days, 61 days and 68 days, respectively.

For FY2023, FY2024 and FY2025 and 1QFY2026, we wrote off inventories of approximately HK\$0.9 million, HK\$0.4 million, HK\$1.3 million and HK\$0.2 million, respectively, as a result of disposal of damaged or unsold or expired products and stock loss, representing approximately 0.11%, 0.03%, 0.07% and 0.05% of our total cost of sales for the respective periods.

Note: Average turnover days of inventories for FY2023, FY2024 and FY2025 and 1QFY2026 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sale and multiplying by 365/90 days.

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Warehousing and logistics

We store the majority of our inventories at our warehouse located in Fanling, Hong Kong which is leased to us by a company wholly-owned by Mr. Tse, and therefore a connected person of our Group. This warehouse in Fanling offers storage space amounting to a total floor area of approximately 113,510 sq.ft. We strictly follow regulatory requirements to store prescribed pharmaceuticals separately. We also lease warehouses in Fukuoka, Japan and Gyeonggi-do, South Korea from Independent Third Parties in line with the businesses of our offices in Japan and Korea. The table below sets out the details of our warehouses as at the Latest Practicable Date:

Premise	Location	Lease Period	GFA (sq.ft.)	Designated storage capacity (cubic meters) (Note 2)
Lung Fung Group Centre	Room G1 and G2, G/F, 23 Yip Cheong St, Fanling, Hong Kong ^(Note 1)	Room G1: From 10 February 2025 to 9 February 2027	4,252	693.6
		Room G2: From 1 April 2025 to 31 March 2027	1,600	N/A ^(Note 3)
Lung Fung Group Centre	Room 101 and 102, 1/F, 23 Yip Cheong St, Fanling, Hong Kong ^(Note 1)	From 1 April 2025 to 31 March 2026	28,226	2,061.6
Lung Fung Group Centre	Room 201, 2/F, 23 Yip Cheong St, Fanling, Hong Kong ^(Note 1)	From 1 April 2025 to 31 March 2026	12,832	2,181.6
Lung Fung Group Centre	Room 301 and 302, 3/F, 23 Yip Cheong St, Fanling, Hong Kong ^(Note 1)	From 1 July 2025 to 31 March 2026	28,226	3,253.2
Lung Fung Group Centre	Room 401 and 402, 4/F, 23 Yip Cheong St, Fanling, Hong Kong ^(Note 1)	From 1 April 2025 to 31 March 2026	28,226	1,710.0 ^(Note 4)
Lung Fung Group Centre	Room 501 and 502, 5/F, 23 Yip Cheong St, Fanling, Hong Kong ^(Note 1)	From 1 April 2025 to 31 March 2026	16,000	1,232.4
MJ Logipark Fukuoka 1	Room 3/F, 369-8 Inagi, Oaza Ino, Umi-cho, Kasuya-gun, Fukuoka, Japan	From 1 July 2025 to 30 June 2028	1,165	84.0
General Logistics Warehouse	770-112-2-3, Gobong-ro, Ilsandong-gu, Goyang-si, Gyeonggi-do, Republic of Korea	From 1 July 2024 to 30 June 2027	342	24.9

Note:

1. Our Group leased the premises from Huge Max (Hong Kong) Limited, a company wholly-owned by Mr. Tse, our executive Director, chairman of our Board, chief executive officer and one of our Controlling Shareholders.
2. Designated storage capacity is the total volume of the relevant warehouse available for storage purpose, and is derived from (i) the actual floor area that had been or has been generally used for storage purpose (“**Actual Storage Floor Area**”) in each of the warehousing premises during the relevant leased period or licensed periods; (ii) the proportional Actual Storage Floor Area designated for the zone for storage and the zone for storage handling inventories in different warehousing premises; (iii) the different height of pallets of inventories adjusted with reference to the height of ceilings of the respective warehousing premises; and (iv) the different stacking up arrangements within different warehousing premises designed in accordance with the height of the ceilings of the respective warehousing premises and the products’ tolerance level to stacking up.
3. Room G2 was designated for quality control of in-bound products such as product inspection and thus excluded for the purpose of estimating designated storage capacity.
4. A portion of Room 401 and Room 402 was designated for packaging purpose and thus excluded for the purposes of estimating designated storage capacity.

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As at the Latest Practicable Date, we had a fleet of eight trucks to carry out delivery duties. Our delivery fleet delivers stock from our warehouse to all our retail stores located in different districts on a daily basis.

During the Track Record Period and up to the Latest Practicable Date, we engaged Independent Third Party logistics service companies to provide logistics services to our Group, primarily for the provision of delivery services to the end-customers located in Hong Kong or the PRC for orders placed through our online sales platforms.

Our warehousing and logistics team

As at 30 June 2025, we had a team of over 120 employees in our warehousing and logistics department in Hong Kong responsible for the operations of our warehouse and delivery fleet, including (i) coordinating the reception and storage of new stock arriving at our warehouse, (ii) performing quality control checks of new stock arriving at our warehouse for defects or damage, (iii) sorting the stock by category and allocating storage area, (iv) checking product labels and affixing supplemental labels for specific products (e.g. food and pharmacists products), (v) monitoring the stock level and expiry dates of inventories through our warehouse management system, (vi) scheduling and loading stock onto the delivery trucks for delivery to our retail stores and to our third party logistics service providers and (vii) delivering stock from our warehouse to our retail stores.

INFORMATION TECHNOLOGY

We have adopted an integrated information technology systems to support the various aspects of our business operations, including procurement, sales, inventory management of both our warehouse and retail stores, warehousing and logistics facilities, stock replenishments, membership management and other administrative functions.

Our integrated system is deployed to centralize and manage key operational functions, including procurement, sales, inventory, supply chain, and membership management. It provides management with real-time access to critical sales data and key performance indicators — such as stock descriptions, variety, inventory levels and overall store performance — which are essential for evaluating product marketability, customer purchasing preferences, and market trends. This capability enables management to efficiently adjust product assortments, initiate targeted promotional offers, and update retail and promotional pricing promptly. The system features an automated stock replenishment function for individual retail stores which is linked to our warehouse. This function alerts our warehousing team for stock replenishment needs based on pre-set inventory parameters, while allowing both head office management and retail staff to simultaneously monitor replenishment status which enhances operational efficiency. The system facilitates the packing and delivery of replenishment items requested by our individual retail stores so that low-stock items can be replenished as soon as the same day or the next business day.

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The system also serves to govern and manage all warehousing and logistics operations in relation to our inventory. Its core functions include recording detailed inventory information such as stock descriptions and storage locations, as well as identifying inventory shortages, slow-moving stock and the expiration dates of the relevant SKU. This functionality facilitates the priority packing and delivery of products that are close to their expiration dates, adhering to the first-expiry-first-out (FEFO) principle.

We have a separate financial system to record and track key financial data relating to our business operations for accounting purposes which supports our Group's financial management. Sales invoices from our wholesale business and procurement orders are recorded daily on the system, while sales receipts from our retail stores and online sales platforms are updated monthly on the system by our finance department after they have processed and consolidated the relevant data. Our financial system allows our management team to keep track of the performance of each sales channel and each individual store periodically.

DATA SECURITY

We generally do not collect personal information of walk-in customers upon their purchase in-store. We collect personal information such as name, contact number, email address, delivery address, credit card information and IP location of customers who purchase through our Official Online Store. We collect such information primarily for the purposes of processing and fulfilling online orders, issuing invoices and providing delivery slips, updating our internal records, conducting market research, conducting customer data analysis and handling customers' complaints and account inquiries. We also collect personal information from registered members, including name, gender, contact number and email address, for the purpose of creating membership accounts within our system. All such personal information data is encrypted and maintained under strict confidentiality and saved on the servers of our service provider. Similarly, we collect personal information such as name, contact number, email address, delivery address, payment information and IP location of customers via the e-commerce platform operators when customers from the PRC purchase through such e-commerce platforms. All user data generated from such e-commerce platforms are encrypted and stored within the Group in the PRC. Access to all such personal information data is restricted to designated staff members in our marketing and information technology teams, the e-commerce platform operators and the Independent Third Party vendors responsible for maintaining our website and mobile app. Access rights are tiered and granted strictly on a need-to-know basis commensurate with an individual's job responsibilities. Our Directors confirm that our Group had not been found to have breached any applicable data privacy or data security laws or regulations in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date.

Our commitment to data security is formalized in our internal directives for all staff members, which outlines the policies and guidelines for the protection of customers' personal data. The directives specify the proper procedures for data collection and confidentiality obligations, in particular we require our staff members to only collect personal data for specific purposes and must be conducted in a lawful manner, access to and use of data must be based on legitimate business reasons and must not be used for private purposes, and employees must immediately report to their direct supervisor in the event of a privacy data incident. We also require that only the minimum amount of data necessary for achieving the specified purposes shall be collected and the reproduction or transmission of personal privacy data externally is strictly prohibited.

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During the Track Record Period, we have complied with all applicable personal data and privacy protection laws and regulations in all relevant jurisdictions and have not experienced any incidents of material data leakage.

COMPETITION

We compete with other individual and chain pharmacist stores, individual and chain cosmetic stores and imported cosmetics chain stores. These competitors share similar business characteristics with us making it easy for consumers to make comparisons in terms of product range and service quality. Although the pharmaceutical retail market is mature and well-developed in Hong Kong, our Directors believe that there remains significant potential for our Group to further expand by gaining market share from our competitors.

Our Directors believe that our Group possesses competitive advantage in terms of product offering, pricing strategy and shopping experience which will help increase our market share among our competitors. In terms of product offering, we strive to offer a diverse product range which is frequently updated to meet customers’ needs. For instance, we sold over 46,000 SKUs of products over the Track Record Period and sold over 28,800 SKUs in FY2025; we had an average of approximately 6,500 SKUs of pharmaceutical, health and beauty products available per retail store in 2024, which was the most among retailers that offered pharmaceutical, health and beauty products in terms of average number of SKUs available per store in Hong Kong in 2024, according to Frost & Sullivan; supported by our representative office in Japan, we strive to identify new and latest products overseas and introduce them to our customers — in this regard we have introduced over 6,500, 7,700, and 6,000 new SKUs for FY2023, FY2024 and FY2025 and over 1,600 new SKUs for 1QFY2026. According to Frost & Sullivan, there has been a surging demand for one-stop shopping experience among local consumers in recent years as busy urban lifestyles and limited spare time drive demand for a single retail destination that combines health products, pharmaceutical products, beauty products, and household and daily essentials and foods in one store. We actively broaden our product categories and refresh our product offering to meet this one-stop demand and, over the years, we have evolved from a traditional pharmacy into a comprehensive lifestyle hub by offering an extensive range of nutritional supplements, prescription and over-the-counter medications, premium beauty products and everyday household items.

In terms of pricing strategy, we strive to offer our products at competitive prices, which is supported by managing our procurement cost through our established and trusted network of suppliers. Leveraging economies of scale, our retail network and our strong customer base, we have maintained a solid relationship with suppliers such as brand owners and other distributors to ensure we have timely and reliable sources of supplies at a competitive cost.

In terms of shopping experience, we strive to offer a spacious environment for customers who can take their time to explore and compare different items and select the right items for their need. 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. Our largest store in Hong Kong located at Dundas Street in Mong Kok has a GFA of approximately 17,500 sq.ft. and a UFA of approximately 12,900 sq.ft., which was the largest single store among retailers that offered pharmaceutical, health and beauty products in Hong Kong in 2024 in terms of GFA, according to Frost & Sullivan.

Please refer to the section “Industry Overview” for more information about the competitive landscape of our business.

BUSINESS

EMPLOYEES

As at 30 June 2025, we had 789 employees in total. The following table sets forth the number of our employees categorized by function as at 30 June 2025:

Function	Number
Operations	543
Logistics and Warehousing	129
Purchasing	27
Personnel employed by our Guangzhou office	23
Security	15
Sales and Marketing	15
Finance	11
Human Resources and Administration	8
Information and Technology	8
General Office	4
Business Development	3
Management	<u>3</u>
Total	<u><u>789</u></u>

Except for personnel employed by our subsidiary in Guangzhou, China, all of our employees are located in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we employed a small number of foreign labour to support our warehouse and frontline operations under the Sector-specific Labour Importation Schemes initiated by the Hong Kong government. In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination.

Recruitment

We regularly evaluates our manpower needs amid the business environment and the continuous expansion of our business. We are active in talent recruitment to match the needs of our business operations. For our main business operations in Hong Kong, we recruit via both online and offline channels — we regularly participate in large-scale job fairs organized by the Labour Department and other organizations, hold recruitment days at designated stores, publish recruitment advertisements online and recruit interns from colleges and universities. To bridge labour shortage, we have also participated in the Hong Kong Government’s Sector-specific Labour Importation Schemes and imported foreign labour to assist our business operations, mainly in the logistics department.

BUSINESS

Retention

In line with market practice, we provide incentives, benefits and promotion opportunities to our employees. 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.

The Directors believe that the salaries of our staff members and senior executives are comparable to those offered by our competitors in the market. To enhance our appeal and to retain our staff members, we offer a competitive remuneration package for our staff members comparable to our competitors. We also provide competitive salaries and stock incentive plans to our key employees to foster the growth of our Group.

Training

We invest in continuous education and training programs for all staff members to enhance their skills and knowledge as well as keep them vigilant to issues and regulatory requirements. Our Group has implemented a structured system that provides regular trainings and guidance for staff members at different roles. We provide general trainings such as store safety awareness trainings, work safety trainings and anti-theft and anti-fraud trainings to employees and provide in-store trainings for new employees as part of their induction. We also provide specialized training sessions to specific categories of employees depending on their needs and job nature, including:

- all customer-facing personnel undergo mandatory training on the intricacies of the Trade Descriptions Ordinance. This includes immersive workshops on accurate product representation, avoiding misleading statements, and the correct handling of supplier information, empowering them to uphold the highest standards of consumer transparency;
- we host dedicated training sessions for our procurement and logistics teams led which focus on compliance with the Import and Export Ordinance and Food Safety Ordinance, covering various aspects including license acquisition, regional import restrictions and supplier verification techniques to mitigate regulatory risk;
- we host training sessions for designated staff on the requirements for nutritional labelling in compliance with the Public Health and Municipal Services Ordinance.

We require all our employees, especially those who are involved in sales and marketing and business development activities, to abide by our anti-bribery, anti-corruption and anti-monopoly compliance requirements and applicable laws and regulations. We closely monitor our employee's compliance with these policies and we have an internal whistle-blowing policy to facilitate the reporting of suspected misconduct.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, there had not been any strikes, labour disputes or industrial action which had a material effect on our business. As at the Latest Practicable Date, save as disclosed in “— Legal Proceedings and Compliance” we had complied with all statutory labour insurance requirements applicable to us under applicable laws in all material respects.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any material disputes with our employees or any disruption to our operations due to labour disputes; (ii) we had not experienced any difficulties in the recruitment and retention of staff; and (iii) there was no labour union established by our employees. In the future, we plan to recruit more high-end information technology talents to further improve the digitalization of some of our workstreams to improve operational efficiency.

INSURANCE

Our Group maintains insurance coverage for (i) statutory employees’ compensation for all full time and part time employees; (ii) contractors’ public liability for all interior and exterior decoration, renovation, repairs, maintenance works and reinstatement work for our retail stores; (iii) shop package insurance to cover contents and stocks and third party public liability in the retail stores; (iv) stock coverage for the stocks in our office and warehouses; (v) business interruption coverage, (vi) medical insurance for our full-time employees; and (vii) cargo and logistics coverage.

For FY2023, FY2024 and FY2025 and 1QFY2026, we incurred insurance expenses of approximately HK\$1.0 million, HK\$1.5 million, HK\$2.1 million and HK\$0.6 million, respectively.

During the Track Record Period, we received a total of HK\$0.28 million as full and final settlement from an insurance company as compensation for our loss of stock due to a fire which broke out at the warehouse of our service provider.

We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors consider that our insurance coverage is in line with the normal coverage in the industry and is adequate for our operations.

HEALTH AND WORK SAFETY

In accordance with the local regulatory requirements in Hong Kong, our Group is dedicated to providing and maintaining a safe working environment for all employees. To ensure our operations are conducted safely and that our staff are equipped with essential safety knowledge, we have implemented comprehensive workplace safety guidelines across all retail stores. These guidelines articulate our work safety policies and are designed to promote a culture of safety at all work sites. Additionally, we conduct internal training sessions to educate employees on the importance of health and safety, as well as the correct practices to adhere to in the workplace. Our Directors are confident that these initiatives will effectively reduce both the likelihood and severity of workplace injuries. Our Human Resources Department is responsible for reporting and handling workplace incidents and ensures that all injuries are properly documented. In the event of unfortunate accidents, we will arrange necessary medical treatments to any injured employees and follow up with insurance claims according to the relevant policies. We aim to safeguard the well-being of our employees and protecting the interests of our Group.

BUSINESS

During the Track Record Period, there were 16 employees’ compensation claims and third-party public liability claims against our Group. Having considered (i) the nature of the relevant claims; and (ii) the fact that all such employees’ compensation claims and third party liability claims are expected to be fully covered by the insurance policy taken out by our Group, our Directors confirmed that we did not have any material accidents in the course of our operation nor any material accidents related to the health or safety of our employees or customers and we had not received any material claims for personal or property damage by our employees or customers.

PROPERTIES

Owned Property

As at the Latest Practicable Date, we owned two properties in Hong Kong. The following table sets out a summary of certain information regarding our owned property as at the Latest Practicable Date:

Address	Entity owning the property	Approximate salable area (sq.ft.)	Usage
G/F and cockloft, 1/F with flat roof and 2/F with roof, Nos. 41A–41B Fu Hing Street and Nos. 15–19 San Fat Street, Sheung Shui, New Territories, Hong Kong	Kidbrooke Group Limited	6,075.8	Partially for retail and partially for residential; certain portions were vacant
G/F and cockloft, No. 49 Fu Hing Street and No. 87 San Fung Avenue, Sheung Shui, New Territories, Hong Kong ^(Note 1)	Harvest Smart Holdings Limited	1,373.3	Partially for retail and partially vacant

Note:

1. A portion of this property, namely G/F, No. 49 Fu Hing Street, Sheung Shui, New Territories, Hong Kong with a total saleable area of approximately 755 sq.ft., was used as a Lung Fung Pop Up store. The remaining portion of this property was held for investment purpose.

Except for the property interests described in the property valuation report, our Group has no other owned property interest that forms part of our non-property activities with a carrying amount of 15% or more of total assets, or property activities with a carrying amount of 1% or more of total assets, that requires a valuation report pursuant to Rules 5.01A and 5.01B of the Listing Rules.

BUSINESS

Leased Properties

As at the Latest Practicable Date, our Group had leased or obtained licences for 28 retail stores and one office site, in Hong Kong, two office sites in the PRC, one office site and one warehouse in Japan and one warehouse in South Korea. Except for three sites, details of which are set out in the section headed “Connected Transactions” in this document, all properties were either leased or licenced by our Group from Independent Third Parties.

The following table sets out a summary of the properties leased or licenced by our Group in Hong Kong for the use as retail stores as at the Latest Practicable Date:

Retail store	Location	Approximate UFA (<i>sq. ft.</i>)	Term of lease/licence	Rental/Licence Fee Basis
Hong Kong Island				
Lung Fung Mall (Central store)	G/F & Mezzanine Floor, Yu To Sang Building, 37 Queen’s Road Central & 3–5 Chiu Lung Street, Hong Kong	5,184	Three years commencing from October 2025 and expiring on October 2028	Fixed monthly rental or a percentage of the gross monthly sale turnover generated from the retail store, whichever is higher
Lung Fung Mall (Causeway Bay store)	Shop No. G01, Ground Floor, Excelsior Plaza, Chee On Building, 24 East Point Road, Hong Kong	4,330	Three years commencing from August 2024 and expiring on August 2027	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent
Lung Fung Mall (Kornhill store)	Portion A of Mezzanine Floor, Kornhill Plaza, 1 Kornhill Road, Hong Kong	9,300	Three years commencing from July 2025 and expiring on June 2028	Fixed monthly basic rent plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent

BUSINESS

Retail store	Location	Approximate UFA (sq. ft.)	Term of lease/licence	Rental/Licence Fee Basis
Lung Fung Mall (Aberdeen store)	Shop 1, G/F of Site 4 of Aberdeen Centre, 2-4 & 14-16 Nam Ling Street, Hong Kong	3,943	Three years commencing from April 2025 and expiring on March 2028	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rent
Lung Fung Mall (Fortress Hill store)	Shop 1 & 2, Ground Floor, United Building, 135-145 King's Road & 3 Oil Street, Hong Kong	2,635	Three years commencing from March 2025 and expiring on February 2028	Fixed monthly rental
Kowloon				
Lung Fung Mall (Carnarvon Road Store) (Note 5)	G01, 02, 03, 05 & 08, Ground Floor, Carnarvon Plaza, No. 20 Carnarvon Road, Tsim Sha Tsui, Kowloon	6,300	Three years commencing from September 2025 and expiring on August 2028	Fixed monthly rental
Lung Fung (Dundas Street Store)	Shop No. A G/F., Gala Place, 56 Dundas Street, Mong Kok, Kowloon	12,938	Three years commencing from October 2023 and expiring on October 2026	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross sales turnover of the retail store exceeding the fixed monthly basic rent
Lung Fung Mall (Sai Yeung Choi Street Store)	G/F, Good Hope Building, Nos. 13-15 and 614B Sai Yeung Choi Street South, Kowloon	7,086	Three years commencing from November 2025 and expiring on November 2028	Fixed monthly rental

BUSINESS

Retail store	Location	Approximate UFA <i>(sq. ft.)</i>	Term of lease/licence	Rental/Licence Fee Basis
Lung Fung Mall (Tung Choi Street Store)	G/F, Nos. 6F & 6G Nelson Street & Nos. 40, 42, 44, 46, 48 & 50 Tung Choi Street, Mong Kok, Kowloon and Portion of the First Floor of No. 46, the First Floor of No. 46A, Portion of the First Floor of No. 48, the First Floor of Nos. 48A, 50 and 50A Tung Choi Street, Kowloon	6,764	Three years commencing from April 2024 and expiring on March 2027	Fixed monthly rental
Lung Fung Mall (Canton Road Store)	Shop 1,2,3 on G/F of Manley House, No. 86-98 Canton Road, Kowloon	2,800	Three years commencing from May 2023 and expiring on May 2026	Fixed monthly rental
Lung Fung (Peking Road Store)	Front Portion on G/F Mary Building, No.73 Peking Road and Rear Portion of G/F Mary Building, No. 71, 73, 75, 77 Peking Road, Kowloon.	2,080	Three years commencing from January 2025 and expiring on January 2028	Fixed monthly rental
Lung Fung Mall (Kai Tak Sports Park Store)	Shop Nos. M2-206 and M2-207, Level 2, Kai Tai Mall 2, Kai Tai Sports Park, Kowloon City, Kowloon	5,088	Three years commencing from October 2024 and expiring on September 2027	Fixed monthly rental or a percentage of the gross monthly turnover generated from the retail store, whichever is higher
	Shop No. M2-208, Level 2, Kai Tai Mall 2, Kai Tai Sports Park, Kowloon City, Kowloon		Three years commencing from October 2024 and expiring on September 2027	Fixed monthly rental or a percentage of the gross monthly turnover generated from the retail store, whichever is higher
Lung Fung Mall (Star House Store)	Shop 9 & 9A of G/F and Shop A of 1/F, Star House, No.3 Salisbury Road, Kowloon	3,573	Three years commencing from May 2024 and expiring on May 2027	Fixed monthly rental or a percentage of the gross monthly turnover generated from the retail store, whichever is higher

BUSINESS

Retail store	Location	Approximate UFA (sq. ft.)	Term of lease/licence	Rental/Licence Fee Basis
Lung Fung Mall (Whampoa Store)	Shop 6A on the Ground Floor of the Commercial Podium of Site 1, Whampoa Garden, Hungom, Kowloon, H.K.	3,044	Three years commencing from December 2024 and expiring on December 2027	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent
Lung Fung Pop Up (Kwun Tong store) (Note 1)	Unit 3 of Workshop on Ground Floor and Store on the Cockloft, Camelpaint Building Block III, No. 60 Hoi Yuen Road, Kowloon	2,300	Two years commencing from January 2025 and expiring on January 2027	Fixed monthly rental
	Unit 2 of Workshop on Ground Floor and Store on the Cockloft, Camelpaint Building Block III, No. 60 Hoi Yuen Road, Kowloon		Two years commencing from March 2025 and expiring on March 2027	Fixed monthly rental
New Territories				
Lung Fung Mall (San Fung Avenue store)	G/F., 107–109 San Fung Avenue, New Territories	8,480	Four years and six months commencing from August 2021 and expiring on February 2026	Fixed monthly rental
	G/F and Cockloft of 111 San Fung Avenue, New Territories		Four years and six months commencing from August 2021 and expiring on February 2026	Fixed monthly rental

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Retail store	Location	Approximate UFA (sq. ft.)	Term of lease/licence	Rental/Licence Fee Basis
	Shop A, G/F & Cockloft, 113-119 San Fung Avenue, New Territories (<i>Note 3, 4</i>)		One year commencing from April 2025 and expiring on March 2026	Fixed monthly rental
	Shop B, G/F & Cockloft, 113-119 San Fung Avenue, New Territories (<i>Note 4</i>)		One year commencing from April 2025 and expiring on March 2026	Fixed monthly rental
	Shop E3 G/F, 113-119 San Fung Avenue, New Territories (<i>Note 4</i>)		One year commencing from April 2025 and expiring on March 2026	Fixed monthly rental
	Flat C, G/F and Cockloft, 117 San Fung Avenue, New Territories		Three years commencing from June 2023 and expiring on May 2026	Fixed monthly rental
Lung Fung Mall (San Hong Street store)	Shop 1, 2, 8, 9 & Shopping Arcade Area of G/F & 1/F, No.67 San Hong Street, Sheung Shui, New Territories	9,761	Three years commencing from November 2022 and expiring on October 2025	Fixed monthly rental
Lung Fung Mall (Taipo store)	Portion A1 on 1/F of Cinema II, Tai Po Plaza, No.1 On Tai Road, Tai Po, New Territories	4,523	Three years commencing from July 2024 and expiring on July 2027	Fixed monthly rental
Lung Fung Mall (Tuen Mun store)	Shop Nos. 17 & 18 and Shop Nos. 49-51, Level 3, South Wing, Trend Plaza, No. 2 Tuen Lung Street, Tuen Mun, New Territories	3,372	Three years commencing from February 2025 and expiring on July 2028	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent

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Retail store	Location	Approximate UFA (sq. ft.)	Term of lease/licence	Rental/Licence Fee Basis
	Shop Nos. 43-46, Level 3, South Wing, Trend Plaza, No. 2 Tuen Lung Street, Tuen Mun, New Territories		Two years and seven months and 21 days commencing from June 2025 to February 2028	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent
Lung Fung Mall (Yuen Long store)	Nos. 2 and 3 on the Ground Floor of Tung Yik Building, No.8 Yu King Square, Yuen Long, New Territories	3,260	Five years commencing from March 2024 and expiring on February 2029	Fixed monthly rental
Lung Fung Mall (Shatin Centre store)	Shop Nos. 6-8, 15, 16A and 16B, Level 3, Shatin Centre, Nos. 2-16 Wang Pok Street, Shatin, New Territories	2,895	Three years commencing from December 2023 and expiring on December 2026	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent
	Shop Nos. 17B and 17C on Level 3, Shatin Centre, Nos. 2-16 Wang Pok Street, Shatin, New Territories, Hong Kong		Two years and six months and 26 days commencing from June 2024 and expiring on December 2026	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent

BUSINESS

Retail store	Location	Approximate UFA Term of lease/licence (sq. ft.)	Rental/Licence Fee Basis
Lung Fung Mall (Shatin Plaza store)	Shop 45A and 47, 3rd Floor, Shatin Plaza, 21-27 Shatin Centre Street, New Territories	2,400 Three years commencing from August 2025 and expiring on July 2028	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent
Lung Fung	G/F & Cockloft, No. 19 Sau Fu Street, Yuen Long, New Territories	2,350 Three years commencing from August 2023 and expiring on August 2026	Fixed monthly rental
	G/F, No. 21 Sau Fu Street, Yuen Long, New Territories	Four years and five months and 10 days commencing from March 2025 and expiring on August 2029	Fixed monthly rental
Lung Fung Cosmetic (Note 2)	Shop A, B, C & D, G/F., & Cockloft, No. 66, San Hong Street, Sheung Shui, New Territories	2,244 One year commencing from April 2025 and expiring on March 2026	Fixed monthly rental
Lung Fung Dispensary	G/F., 22 Luen Shing Street, Fanling, New Territories	1,924 12 years commencing from December 2022 and expiring on December 2034	Fixed monthly rental

BUSINESS

Retail store	Location	Approximate UFA (<i>sq. ft.</i>)	Term of lease/licence	Rental/Licence Fee Basis
Lung Fung (Fanling Town Centre store)	Shop Nos. 13, 15, 16, 17, Level 2, Fanling Town Centre, No.18 Fanling Station Road, Fanling	1,780	Three years commencing from August 2024 and expiring on July 2027	Fixed monthly rental plus additional rent of a certain percentage of the monthly gross turnover of the retail store exceeding the fixed monthly basic rent
Lung Fung Cosmetic (Yuen Long Centre store)	Shop Nos. 1A, 1B & 2A, G/F, Yuen Long Centre, 51-59 Sau Fu Street, Yuen Long, New Territories	1,683	Three years commencing from March 2024 and expiring on March 2027	Fixed monthly rental
Lung Fung Dispensary	Shop 3 Level 1 Lung Fung Garden, 33 Lung Sum Avenue, Sheung Shui, New Territories	572	Two years commencing from August 2024 and expiring on July 2026	Fixed monthly rental

BUSINESS

Office	Location	Approximate GFA (<i>sq.ft.</i>)	Term of lease/licence	Rental/Licence Fee Basis
HK Office	5/F, 23 Yip Cheong St, Fanling, Hong Kong	12,226	From April 2025 to March 2026	Fixed monthly rental
PRC Office	Room 711 & 712, No. 233 Hanxi Avenue, Shibi Street, Panyu District, Guangzhou City, PRC	1,119	From August 2025 to December 2025	Fixed monthly rental
	Room 713, No. 233 Hanxi Avenue, Shibi Street, Panyu District, Guangzhou City, PRC	567	From January 2025 to December 2025	Fixed monthly rental
Japan Office	4F Crescent Bldg, 13–26 Tsushima-Koji, Hakata-ku, Fukuoka-Shi, Fukuoka-ken	715	From July 2019, with automatic renewal for each year unless either party otherwise notifies the other party before expiration	Fixed monthly rental

Note 1: The landlord (being a controlled entity of our Controlling Shareholder, Mr. Tse) of our Lung Fung Pop Up (Kwun Tong store) retail store received two warning letters (“**Warning Letters**”) dated 8 April 2025 and 9 June 2025, respectively, from the District Lands Office of Hong Kong. As set out in the Warning Letters, the current usage of the premises is not for industrial or godown purposes, which is in contravention of the relevant government lease. As at the Latest Practicable Date, that the landlord had submitted application documents to the District Lands Office of Hong Kong for a waiver (“**Waiver**”) of the relevant conditions set out in the government lease. In the event that the application of the Waiver failed, we may be evicted from the premises. Based on our past experiences, our Directors are of the view that we will be able to relocate our store in around two months with a relocation cost of approximately HK\$500,000, and the relocation will not have material adverse effect on our Group. Our Hong Kong Legal Counsel is of the view that given the absence of adverse enforcement history and the ongoing waiver application, the regulatory risk arising from this matter to be immaterial.

Note 2: The landlord (being our Controlling Shareholder, Mr. Tse) of our Lung Fung Cosmetic retail store received a building order from the Building Authority on 6 April 2017 in relation to an unauthorised building work erected on and over the yard at G/F at the location of our store. In the past, we used the unauthorised building work area for passage purpose but such use had already been ceased as at the Latest Practicable Date. As at the Latest Practicable Date, we have engaged an authorized person to inspect the relevant premises and advise on the appropriate rectification steps in respect of the unauthorised building work identified. Our Hong Kong Legal Counsel is of the view that, having considered the nature and scope of the building orders registered against the premises, the associated regulatory risk to the Group is low and not material.

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Note 3: As at the Latest Practicable Date, part of our store premises, namely, Shop A, G/F, Nos. 113–119 San Fung Avenue, New Territories was subject to two buildings orders in respect of (i) a canopy attached to the external wall of the building, and an air-conditioning support frame attached to the external wall of the building; and (ii) a structure over the rear yard of the building, respectively. The structure served as the cover over the rear yard used as passage in the past which we have ceased to use. As at the Latest Practicable Date, the landlord (being a controlled entity of our Controlling Shareholder, Mr. Tse) had engaged authorised person to inspect the premises and advise on the appropriate rectification steps in respect of the relevant unauthorised building works. Our Hong Kong Legal Counsel is of the view that, having considered the nature and scope of the building orders registered against the premises, the associated regulatory risk to the Group is low and not material.

Note 4: The premises is leased from an entity controlled by Mr. Tse, our Controlling Shareholder.

Apart from the two building orders, part of our store premises namely, Shop A, B, C and E3, G/F, 113–119, San Fung Avenue, New Territories, is also subject to a fire safety compliance order (“**Order**”) which requires the landlord of the premises (being a controlled entity of our Controlling Shareholder, Mr. Tse) to provide or improve the requested fire service installations and equipment. The Fire Service Department has accepted an extension of the deadline for the compliance to 21 April 2026. Based on an enquiry with the relevant officer from the Fire Service, it is understood that the Order was issued pursuant to the Fire Safety (Buildings) Ordinance (Chapter 572 of the Laws of Hong Kong), which focuses on pre-1987 composite and domestic buildings, highlighting the need to update fire safety standards in older buildings across Hong Kong. The improvement and update in fire system is for the betterment of the general public and does not indicate any specific fire safety issue or concern over the subject premises.

Note 5: Our store premises located at G01, 02, 03, 05 & 08, Ground Floor, Carnarvon Plaza, No. 20 Carnarvon Road, Tsim Sha Tsui, Kowloon is subject to a fire safety direction to comply with the fire safety construction requirement to remove the roller shutters installed across five exits at the premises. We have reached an agreement with the fire safety department on the compliance plan and that the required installation of new escape doors has already been scheduled, after which the requisite compliance confirmation would be submitted to the relevant authorities. As at the Latest Practicable Date, our appointed consultant had been actively following up with the relevant authorities and there had no indication of any further enforcement action.

Please see the particulars of the licences of our warehousing premises in the paragraph headed “Warehousing and logistics” in this section.

Building order and warning notice registered against our leased properties for our retail stores

During the Track Record Period, our Group was charged and pleaded guilty to three counts of unauthorised building structures involving the construction of signboards on the external wall of the shopfront of two of our retail stores. Our Group was fined a total of HK\$26,941. All fines have been settled and rectification works with respect to the respective unauthorised building structures has been completed. Our Directors are of the view that the irregularities and the fines did not have any material adverse effect on our Group.

In addition there were unreleased building orders and warning notices pertaining to the premises for our five retail stores. For details, please refer to the notes in “Properties — Leased Properties”.

BUSINESS

Enhanced internal control measures

In order to avoid leasing or licensing premises with material unauthorised structures in the future, we have adopted enhanced internal control measures with regards to selecting, approving, managing and monitoring rental properties occupied or intended to be occupied by our Group:

- Before proceeding to formal negotiations, we will perform a preliminary risk assessment which includes, where practicable, (i) checking the permitted use of the premises under relevant planning and building regulations and lease conditions, (ii) checking visible structural issues, fire exits, ventilation and basic safety features, and (iii) attempt to request from the landlord or agent the relevant documentation on building compliance such as building orders, warning notices, or unauthorised structures affecting the property.
- Prior to signing or renewing a lease, we will conduct further due diligence on the property to the extent practicable, including (i) conducting land search in respect of ownership and title of the landlord, encumbrances and registered building orders or warning notices; (ii) requesting written confirmations in the lease from the landlord that the property may lawfully be used for the Group’s intended business and the landlord is not aware of outstanding building orders or illegal structures materially affecting safe use of the property by the Group; and (iii) obtaining the floor plan and building plan of the property for on-site inspection to identify any potential unauthorized building structures.
- Where material building orders, warning notices or any potential unauthorized building structures are identified, we will seek advices from professional advisors such as surveyor or authorized person to ascertain if the concerned structures are of unauthorized nature and will not enter into a lease or license to use premises for a premise affected by any unauthorized building structures unless such concerned structures are to be rectified by the owner of the target premises before commencement of the lease.
- If we proceed to enter into a formal lease, we will consider requesting for termination clauses to be stipulated in the lease which would be triggered by events such as major structural issues.
- After we have occupied the property, we will continue to monitor the building conditions and third party notices and all material issues will be reported to our management and external legal adviser.

Insurance and indemnities from our Controlling Shareholders

We have maintained insurance coverage that is customary for a retail business of our size and type, providing protection against reasonable losses related to our operations, including but not limited to public liability insurance. For more details on our insurance policies, please refer to the “Insurance” section.

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However, while we have restricted access for our employees and customers to the areas affected by the unauthorised structure in the relevant stores, we cannot guarantee that the insurance we hold will adequately cover injuries, losses, or damages incurred by our employees or customers due to any unauthorised access to these areas. The adequacy of coverage depends on various factors, including the reasons behind and the extent of any such injuries, losses, or damages.

Additionally, our Controlling Shareholders have jointly and severally agreed to indemnify our Group against losses and costs incurred in relation to the outstanding building order and the warning notice. This includes any loss of business resulting from rectification work required by the Buildings Department. Further details regarding the Deed of Indemnity can be found in the section titled “Appendix V — Statutory and General Information — Other Information — 13. Estate Duty, Tax, and Other Indemnities” in this document.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors and senior management are responsible for the formulation of and overseeing the implementation and effectiveness of our internal control and risk management systems, which are designed to ensure our ongoing compliance with the applicable laws, regulations and rules relevant to our business operations and corporate governance, and to prevent any recurrence of any incidents of non-compliance. We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Risks identified by our management will be analysed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. We have adopted or will adopt the following internal control measures:

- (i) we have established an audit committee which comprises all our independent non-executive Directors with written terms of reference in accordance with Appendix 14 of the Listing Rules. The primary duties of the audit committee include, among other things, overseeing our financial reporting, internal control and risk management systems, and ensuring the compliance of our financial reporting with the Listing Rules and relevant legal requirements;
- (ii) we have appointed DBS Asia Capital Limited as our compliance adviser with effect from the [REDACTED] to advise us on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong;
- (iii) our Audit Committee which will review our internal control system and procedures for compliance with the requirements prescribed by the applicable laws, rules and regulations;
- (iv) the provision of trainings to our relevant employees in order to enhance their industry knowledges and to encourage encompassing culture of risk management ensuring that our relevant employees are aware of and responsible for risk management; and

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- (v) the establishment of an in-house compliance team which consists of our chief financial officer and our compliance officer to organise, review and maintain our internal control system and to provide assistance to our Directors, senior management and employees with respect to our internal control policies.

In addition, we have established risk management policies which set forth procedures to identify, analyse, mitigate and monitor various risks as well as the reporting mechanism of risks identified in our operations. Each of our business teams is responsible for identifying and evaluating the risks relating to its scope of operations and implementing our risk management and internal control systems. Our chief financial officer is responsible for overseeing our internal control and risk management.

In preparation for the [REDACTED], we have engaged an independent internal control consultant to assist our Group to review our internal control system. The independent internal control consultant provided us with a number of findings and recommendations, to which we have subsequently taken remedial actions in response. The major recommendations that we have adopted include, among others, the following:

- establishing clear line of approval and allocation of responsibilities in the context of reviewing and approving external contracts;
- establishing risk management policies and action flowchart for the identification and assessment of risks;
- establishing internal anonymous whistle-blowing policies to encourage reporting of any malpractice, non-compliance and misconduct;
- clarifying daily inventory discrepancy threshold that would trigger investigation and the ensuing record-keeping procedure after reconciliation;
- establishing policies to monitor and track covenants and financial obligations stipulated in bank agreements; and
- establishing software licensing management policy, copyright management records and software inventory report to monitor software licences and authorisation.

Taking into account the recommendations from the independent internal control consultant, our Directors are of the view that we have enhanced our internal control system accordingly as at the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We regard environmental, social and governance ("ESG") considerations as fundamental to our long-term and sustainable development. As a responsible company to our shareholders, employees, customers and the wider community, we are committed to strengthening our ESG governance framework, enhancing our practices and performance, and contributing to societal well-being through the implementation of ESG initiatives.

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Governance Structure

Our Board assumes overall responsibility for the formulation and oversight of our ESG strategy, policies and disclosures. Our Board is responsible for establishing ESG-related objectives, monitoring the effectiveness of risk management mechanisms, and reviewing our performance against ESG targets on a regular basis.

To assist our Board in fulfilling its ESG responsibilities, we have established an ESG Working Group, which is responsible for:

- executing ESG strategies, policies and frameworks approved by the Board;
- identifying and assessing ESG risks and opportunities relevant to our operations;
- monitoring ESG performance indicators and reporting progress to the Board; and
- coordinating the preparation of our ESG disclosure in compliance with applicable reporting requirements.

The ESG Working Group reports to the Board at least annually, and more frequently if any material ESG issues arise.

ESG policies

We have established a set of ESG policies that serve as internal guidelines for our operations. These policies are developed to address key ESG topics relevant to our retail business. We understand the importance of keeping these policies current. These policies are regularly reviewed and updated to reflect new regulations and stakeholder feedback, helping us maintain trust and operational integrity.

Process to identify, assess and manage ESG-related Risks

We actively engage with our stakeholders through a combination of meetings and ongoing interactive dialogue to understand their expectations and shape our sustainable development strategy. To identify ESG-related risks and opportunities, we undertake a materiality assessment. This process allows us to assess the significance and priority of various ESG topics, drawing upon established industry standards and peer benchmarking. The table below outlines these material ESG issues:

Material ESG issue	Potential risks, opportunities and impacts
Energy management	Inefficient energy management or excessive emissions can potentially lead to higher operating costs and increased exposure to stricter environmental policies. To mitigate the environmental impact, we implement various energy-efficient measures in our business operations to reduce energy consumption and GHG emissions and regularly review our environmental performance.

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Material ESG issue	Potential risks, opportunities and impacts
Employment and labour standards	Employment practices and labour standards are critical to maintaining a stable workforce and ensuring compliance with labour laws. Risks such as unfair treatment, unsafe working conditions or violations of labour rights can result in legal disputes, reputational harm, and employee turnover. We maintain a fair and safe workplace in compliance with applicable labour laws and regulations. We have developed policies and implemented measures covering compensation, equal opportunity, diversity, anti-discrimination, grievance channels, workplace safety and staff benefits.
Product quality and service management	Product quality and service management directly affect consumer safety, satisfaction, and brand credibility. Issues relating to product safety or service delivery can result in recalls, regulatory sanctions, and loss of customer trust. Regulatory compliance and consumer safety remain our priorities in product sourcing and service delivery. We implement a rigorous process to monitor and maintain product quality. Our suppliers are carefully selected, and any product concerns are addressed promptly to maintain customer safety and trust.
Business ethics and anti-corruption	Ethical conduct and anti-corruption measures are fundamental to protecting our integrity and reputation. Risks such as bribery, fraud or conflicts of interest can lead to financial penalties, reputational damage and loss of investor confidence. We have set out policies on ethical conduct and anti-corruption. Our employees are provided guidance on these policies and we offer clear channels for reporting any suspected business misconduct.

Environment

Environmental Compliance

During the Track Record Period, we strictly adhered to applicable environmental laws and regulations, including but not limited to the Waste Disposal Ordinance and the Product Eco-responsibility Ordinance.

Environmental Management

Energy Management

We recognise that for a business operating a chain of retail stores, efficient energy is a critical priority. Our primary energy sources are electricity, petrol, and diesel across our offices, warehouse and retail stores.

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To manage our energy use, we have implemented a series of measures including replacing the florescent lights with energy-efficient LED lights, and setting temperature controls for air-conditioning. We also promote energy-saving habits among employees, such as switching off lights, air-conditioning, computers, and other electronic devices when not in use.

The following table details our energy consumption over the Track Record Period:

	Unit	Year ended 31 March		Three months ended 30 June	
		2023	2024	2025	2025
Total Direct Energy Consumption	MWh	701.63	530.57	693.44	345.61
Diesel	MWh	630.25	487.79	656.49	336.46
Petrol	MWh	71.38	42.78	36.96	9.14
Total Indirect Energy Consumption	MWh	2,434.77	2,986.10	3,534.98	1,480.68
Purchased Electricity	MWh	2,434.77	2,986.10	3,534.98	1,480.68
Total Energy Consumption	MWh	3,136.40	3,516.67	4,228.42	1,826.28
Energy Consumption Intensity	MWh/million HKD revenue	2.87	1.74	1.72	2.62

GHG Emissions

Our GHG emissions primarily arise from Scope 2 indirect emissions generated through the consumption of purchased electricity at our offices, warehouse and retail stores. The following table sets forth our GHG emissions data during the Track Record Period:

	Unit	Year ended 31 March		Three months ended 30 June	
		2023	2024	2025	2025
Total Scope 1 GHG emissions	tCO ₂ e	184.17	138.93	181.00	89.93
Total Scope 2 GHG emissions	tCO ₂ e	1,083.34	1,228.53	1,415.00	606.44
Total Scope 3 GHG emissions	tCO ₂ e	100.16	163.91	266.74	149.79
Total GHG emissions	tCO ₂ e	1,367.67	1,531.37	1,862.74	846.15
Total GHG emissions intensity	tCO ₂ e/million HKD revenue	1.25	0.76	0.76	1.21

Note:

Scope 1 GHG emissions are primarily generated from direct energy consumption (diesel and petrol). Scope 2 GHG emissions are primarily generated from indirect energy consumption (purchased electricity) in our operational processes. Scope 3 GHG emissions include energy consumption related to business travel and employee commuting. Furthermore, we plan to further expand our Scope 3 disclosure categories in the future.

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Climate-related Risks and Opportunities

We recognise climate-related risks and opportunities could affect our business operations and financial performance. We have identified and evaluated the impact of climate-related risks and opportunities. Transition risks, such as the potential increases in operational costs arising from future carbon pricing or stricter energy efficiency regulations, could affect our retail stores and logistics. Physical risks — including acute events like extreme weather (e.g., floods that may disrupt supply chains or damage stores) and chronic shifts in climate patterns (e.g., prolonged heatwaves increasing cooling needs) — could also directly affect our physical assets, supply chain reliability, and business continuity. At the same time, transitioning to a low-carbon economy presents potential opportunities such as innovation and optimisation of resource use, enabling us to operate more efficiently and support sustainable growth.

To manage these risks and opportunities, we are dedicated to integrating climate considerations into our strategic planning and operations. We will stay informed with the latest climate-related requirements and strive to enhance our energy efficiency and reduce our carbon emissions.

Waste and Packaging Management

Effectively managing the waste generated by our operational activities is paramount to our environmental responsibility and commitment to sustainable practices. Our operations primarily generate non-hazardous waste, which includes general office refuse, paper, and various packaging materials for our product handling and logistics.

We emphasise reduction, reuse, and recycling to optimize waste management across our operations. For example, stretch wrap, which is a common byproduct of our logistics and operational processes, is collected separately by our waste collectors for recycling. In addition, we are dedicated to continuously enhancing our waste management performance. We will explore setting targets for waste reduction and recycling rates, particularly for high-volume waste streams. Furthermore, we will strengthen employee awareness and training programs to foster a culture of waste minimization and responsible consumption throughout the company, aiming for a more sustainable and resource-efficient operational model.

The following table sets forth the information on our consumption of paper and packaging materials for the indicated periods during the Track Record Period:

	Unit	Year ended 31 March		Three months ended 30 June	
		2023	2024	2025	2025
Paper	tonnes	3.36	4.87	5.96	2.30
Paper box	tonnes	809	1,122	1,441	510
Stretch Wrap	tonnes	16.7	23.4	33.4	8.75

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Water Management

We are committed to promoting water conservation across our operations. Our water usage primarily involves municipal water for offices, warehouse and retail stores. To improve water efficiency, we have implemented various water conservation measures, including promoting employee awareness through water-saving reminder labels in restrooms, regularly inspecting our plumbing systems for leaks, and promptly addressing any identified issues.

The following table shows our water consumption for the indicated periods during the Track Record Period:

	Unit	Year ended 31 March		Three months ended June 30	
		2023	2024	2025	2025
Total water consumption	m ³	1,163.06	3,533.84	4,868.69	1,521.23
Water consumption intensity	m ³ /million HKD revenue	1.06	1.75	1.98	2.18

Employee Caring

Employment and labour standards

We firmly believe that talent is an important resource for our development. We comply with applicable employment-related laws and regulations, including but not limited to the Employment Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Race Discrimination Ordinance, Family Status Discrimination Ordinance. We have formulated internal policies and procedures to provide clear guidance across the employee lifecycle, from recruitment and onboarding to ongoing management and separation.

We commit to fostering a fair and equal working environment. Our recruitment and promotion policy ensures equal opportunities for all employees in areas such as recruitment, advancement, welfare protection, and career development, without discrimination based on race, nationality, gender, marital status or religion. We also support equal employment opportunities for migrant workers, people with disabilities and retired servicemen.

We strive to provide a comfortable, respectful, and harassment-free working environment. A formal grievance procedure is in place, allowing employees to report any unfair treatment, misconduct, or harassment, ensuring thorough investigation and appropriate action.

To support employees’ career development, we regularly assess employee needs and regulatory requirements to provide relevant internal and external enhancement courses. Our performance appraisal system is in place to ensure performance of all employees is assessed, serving as a basis for decisions on promotions, salary adjustments, bonuses, and probation outcomes. We identify and nurture high-performing employees for career progression, and foster talent acquisition through an employee referral bonus scheme, encouraging our employees to bring in valuable new team members.

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In addition, employees are entitled to a range of leave benefits, including paid annual leave, birthday leave, maternity leave and paternity leave.

As at 30 June 2025, the Group had 789 employees, and the specific breakdowns are as follows:

	Year ended 31 March		Three months ended	
	2023	2024	2025	30 June 2025
Total number of employees	268	429	694	789
By gender				
Male	125	197	308	341
Female	143	232	386	448
By age				
30 Below	25	63	128	158
30–50	156	250	415	467
Over 50	87	116	151	164
By geographical location				
Hong Kong	250	408	670	766
Mainland China	18	21	24	23
By categories				
Senior Management	8	8	12	12
Management	43	59	64	70
General Staff	217	362	618	707

Occupational Health and Safety

We are committed to protecting the health and safety of our employees and maintaining a safe and healthy working environment at all our facilities. During the Track Record Period and up to the Latest Practicable Date, we complied with all applicable health and safety laws and regulations, including the Occupational Safety and Health Ordinance.

To protect employee health and safety, we have implemented comprehensive preventive measures, including providing necessary personal protective equipment, conducting regular facility inspections, maintaining emergency preparedness, performing fire safety management, and providing guidance on safe work practices. In the event of any critical incident involving injury or fatality among our personnel, we have a process in place to effectively manage such situations. We also provide health and safety training to key personnel to ensure they possess the knowledge and skills necessary to maintain workplace safety standards.

Product Quality and Safety

Product quality and safety are the top priorities for our business. We are committed to providing quality products and have established rigorous quality assurance processes and a dedicated quality control team to perform regular inspections on branded products from around the world.

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To ensure product quality, we have established policies for all aspects of product management, including procurement, storage, recall, and sale. We maintain a centralized procurement system to safeguard product quality at source. Before products are made available for sale, standardized receiving and inspection checks are conducted to verify packaging integrity, product condition, and expiration date requirements. Temperature and humidity controls are maintained for sensitive products, with daily monitoring to preserve product quality. Furthermore, regarding the storage and handling of pharmaceuticals, we strictly control the hygiene conditions of our dispensing rooms to ensure the safety and efficacy of the pharmaceuticals. In addition, we have a dedicated team of professional pharmacists who provide ongoing training on pharmaceutical product knowledge to our frontline staff.

In the event of product safety concerns, we have recall procedures in place to enable rapid response to any potential issues. We have also established mechanism for handling customer feedback and complaints. All reported quality issues are promptly reviewed and handled by our customer service team in accordance with our policies. During the Track Record Period, we did not encounter any product recalls due to safety or health issues, or receive any significant customer complaints that would have a material impact on our business operation.

Supply Chain Management

We work with suppliers from around the world to source a diverse range of products for our customers. Recognising the important role that suppliers play in our business, we are committed to building a sustainable and responsible supply chain.

When selecting and engaging suppliers, we carefully consider several factors, including product quality, business reliability, and compliance with applicable laws and regulations. We require suppliers to submit business registration certificates, relevant qualification and safety permits, and management system certifications as appropriate. We maintain a regular relationship with our suppliers through ongoing performance reviews and periodic assessments in areas such as product quality, delivery, and regulatory compliance with relevant social and environmental laws and regulations.

Business Ethics and Anti-corruption

We place high importance on business ethics and integrity and strictly comply with all applicable anti-corruption laws and regulations. We have established policies on anti-corruption which apply to all employees. We set clear guidance for responsible behaviour when employees are offering or receiving benefits, gifts, or hospitality in the course of their work. Suspected misconduct behaviour such as fraud, bribery, or corruption can be reported through established reporting channels.

Community

As a retail group deeply rooted in the community, we recognise our important role in promoting sustainable social development. We consistently uphold the principle of balancing enterprise growth with social responsibility, committed to building mutually beneficial relationships with the communities where we operate, to jointly create and share value.

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Our community engagement strategy is strategically designed to foster positive impact across various segments of society. This commitment is realized through a comprehensive approach that includes:

- ***Youth Development and Education:*** Actively supporting children's well-being through child sponsorship programs and the donation of educational resources to primary schools.
- ***Elderly Welfare and Companionship:*** Providing companionship and practical assistance to seniors by volunteering at local nursing homes.
- ***Community Support:*** Distributing provisions like rice and canned goods to vulnerable households.

We encourage our employees to actively engage in public welfare, giving back to society through practical actions like volunteer services, and provide necessary support and platforms for this.

LEGAL PROCEEDINGS

From time to time we have been, and may in the future be occasionally, involved in legal proceedings or disputes in the ordinary course of business that are common for our industry, including minor employment disputes, customer complaints regarding product quality, enquiries or complaint letters from brand owners or authorised distributors and contract disputes with our suppliers or service providers. During the Track Record Period and up to the Latest Practicable Date, none of our Company or any other members of our Group were engaged in any claims or litigation or arbitration proceedings of material importance and no litigation, claim or arbitration proceeding of material importance is known to our Directors to be pending or threatened against any member of our Group.

Each of our Directors has also confirmed that he/she was not personally involved, whether collectively or individually, in any of the above claims.

No provision for litigation claims

In relation to the employees' compensation claims and third-party public liability claims received by our Group, having considered (i) the nature and the degree of injuries of the incidents; and (ii) the coverage of our insurance policies, our Directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders [have entered] into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any outstanding and potential litigations and claims of our Group on or before the date on which the [REDACTED] becomes unconditional. Please refer to the paragraph "Other Information — 2. Estate duty, tax and other indemnities" in Appendix V to this document for details.

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NON-COMPLIANCES

Our Directors confirm that, and advised by our Hong Kong Legal Counsel, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that had led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Undesirable Medical Advertisements Ordinance

During the Track Record Period and up to the Latest Practicable Date, we received a total of four warning letters issued by the Department of Health (“DoH”) against three of our subsidiaries for potential non-compliance with the Undesirable Medical Advertisements Ordinance (Cap. 231) (“UMAO”). In particular, the DoH notified us that certain labels appearing on the packing of certain products suggested that the products were capable of treating or curing certain illnesses, which the DoH considered to be potentially in contravention of Section 3 of the UMAO which prohibits advertisements claiming to treat or prevent certain diseases or conditions. Among the four warning letters, three were already time-barred for prosecution; the remaining one which has not yet been time-barred for prosecution was a warning letter dated 19 June 2025 issued to Lung Fung Pharmaceutical (Group) Limited. The relevant advertisement featured a nasal spray product appearing on our online social media platform with a caption “[*capable of*] *effectively preventing various upper respiratory infections*” (“有效預防各種上呼吸道感染”), which the DoH considered may be in contravention of Section 3(1) of the UMAO. In response, we discontinued or rectified the content of each relevant advertisements following the receipt of the warning letters. As at the Latest Practicable Date, the said wordings had already been removed from the advertisement and no prosecution or follow-up enforcement action has been taken by the DoH.

Our Directors believe that these incidents were due to the inadvertent oversight by our marketing staff. No charge had been laid against and no penalty has been imposed on us in respect of the above suspected contraventions during the Track Record Period and up to the Latest Practicable Date. In light of the fact that three of such cases had been time-barred for prosecution and no charge had been laid by the relevant authorities against our Group in respect of the case which was not yet time-barred, our Hong Kong Legal Counsel advised that the risk that our Group will be subject to any penalty (a maximum fine is HK\$100,000) under the UMAO is remote.

We have adopted the following internal control measures in order to prevent the recurrence of similar non-compliance incidents, including:

- (i) the adoption of compliance guidelines to provide specific guidance to staff members on product labelling and advertisements to ensure compliance with relevant laws and regulations, including the UMAO;
- (ii) our marketing team review all marketing materials against internal guidelines to ensure compliance with the relevant requirements under the laws of Hong Kong before publication. Our marketing manager is responsible for reviewing and approving all marketing and advertising materials before their launch publication;

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- (iii) we have distributed relevant training materials to our management and marketing teams where they were given an overview on the applicable laws and regulations of Hong Kong relating to product advertising within the context of UMAO. We will arrange trainings to be provided by appropriate accredited institution to reinforce our management team's and marketing team's awareness on applicable Hong Kong laws and regulations, especially in respect of the UMAO;
- (iv) implement regular training sessions to educate employees about compliance requirements relating to advertising regulations and laws, especially the UMAO; and
- (v) we will consult relevant governing authorities and our external legal advisers for guidance and advice in case of any uncertainties or queries regarding compliance matters related to product labelling and advertising.

Consumer Goods Safety Ordinance

During the Track Record Period and up to the Latest Practicable Date, we received one warning letter issued by the Customs and Excise Department ("C&ED") for non-compliance with the Consumer Goods Safety Ordinance (Cap. 456) ("CGSO") in relation to supplying goods that did not comply with the bilingual safety labelling requirement as specified in Section 2(1) of the Consumer Goods Safety Regulations made under the CGSO. As advised by our Hong Kong Legal Counsel, C&ED stated in the warning letter that they had decided not to take prosecution action but to serve a written warning for the relevant non-compliance. This incident of non-compliance was rectified immediately with no material adverse effect on our business or operations. Our Directors believe that this incident was caused by inadvertent oversight. Any prosecution of this incident has been time-barred as at the Latest Practicable Date.

We have adopted the following internal control measures in order to prevent the recurrence of similar non-compliance incidents, including:

- (i) the adoption compliance guidelines to provide specific guidance to staff members on product labelling and advertisements to ensure compliance with relevant laws and regulations;
- (ii) our senior management responsible for procurement supervise and monitor our product labelling work performed at our warehouse to ensure compliance with the relevant requirements under the laws of Hong Kong, especially the CGSO, before such products are available for purchase at our retail stores or on our online e-commerce platforms;
- (iii) our procurement team has strengthened the inspection process of all products upon delivery at our warehouse, with particular attention to product labels appearing on the packing of the products, and will apply additional tailored labels onto products in compliance with CGSO where necessary;
- (iv) we have distributed relevant training materials to our management and procurement teams in which they were given an overview on the applicable laws and regulations on laws of Hong Kong relating to product labelling. We will arrange trainings to be provided by appropriate accredited institution to reinforce our management team's and procurement team's awareness on applicable Hong Kong laws and regulations, especially in respect of the CGSO; and

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- (v) we will consult relevant governing authorities and our external legal advisers for guidance and advice in case of any uncertainties or queries regarding compliance matters related to product labelling.

Having considered (i) the nature of the relevant claims, (ii) the potential liability exposure with regards to the disputes, and (iii) the fact that all such employees' compensation claims and third-party liability claims have been/are expected to be fully covered by the insurance policy taken out by our Group, our Directors considered the impact of such claims would be immaterial.

Food and Drugs (Composition and Labelling) Regulations

During the Track Record Period and up to the Latest Practicable Date, we had contravened the Food and Drugs (Composition and Labelling) Regulations (Cap. 132W) in relation to pre-packaged food not properly labelled on three occasions and had been fined between HK\$2,700 to HK\$3,500 for these contraventions. As at the Latest Practicable Date, we had one outstanding case in relation to pre-packaged food not properly labelled under the Food and Drugs (Composition and Labelling) Regulations (Cap. 132W). As confirmed by our Directors and according to records retrieved from the Centre of Food Safety, we had ceased the sales of the products in question in the four cases aforementioned.

LICENCES AND PERMITS

Our Directors confirm that we had obtained all necessary material licences for our business operation in Hong Kong, thus being in compliance with relevant laws and regulations as at the Latest Practicable Date. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such licencing requirements that would cause material impacts on our Group's operations and business.

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The table below sets forth the details of the licences obtained by our Group that are material to our operation and business as at the Latest Practicable Date:

Type of licence	Number of licences and their remaining period of validity from the Latest Practicable Date	
	Within one year	More than one year
Listed Sellers of Poisons	7 <i>(Note 1)</i>	—
Authorised Seller of Poisons Licence	12	—
Pesticides Licence	28	—
Permit to sell frozen confections (other than soft ice cream)	1	—
Wholesaler Licence in Proprietary Chinese Medicines	1	—
Wholesale Dealer’s Licence to Supply Dangerous Drugs (Part II)	1	—
Wholesale Dealer Licence	1	—
Antibiotics Permit (To Deal in Substances and Preparations to Which the Antibiotics Ordinance applies)	1	—
Certificate of Drug/Product Registration	2	—
Import/Supply of Part I Registered Pesticides Licence	1	—
Import Licence issued by C&ED for antihistaminic medication and antifungal medication imported from Thailand	1	—
Food Importer/Distributor Registration	1	—
Import & Export Licence for Liquor issued by the C&ED pursuant to the Dutiable Commodities Ordinance	1	—
Certificate of Registration (Ordinary Registered Supplier) issued by the Environmental Protection Department in accordance with the Product Eco-responsibility (Regulated Articles) Regulation (Cap. 603C) concerning container recycling levy	—	1

Note 1: As at the Latest Practicable Date, two of our subsidiaries are in the process of applying for Listed Sellers of Poisons (“LSP”) Licence. According to our Hong Kong Legal Counsel, there appears to be no legal impediment or known compliance issue that would adversely affect the grant of these LSP Licences to the subsidiaries and the LSP Licences are expected to be issued in January 2026.

We will apply to renew the relevant licenses when they are due to expire, and our Directors, as advised by our Hong Kong Legal Counsel, are not aware of and do not foresee any legal impediment to renew such licenses when they expire.

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Compliance with regulations regarding prescribed drugs

Some of our prescribed drug products are subject to specific governmental regulatory requirements in Hong Kong, such as recording and registration. Our Group has in place a strict set of pharmacy supervision procedures regarding such specific drug products. In any event, the sales of these specific drug products only accounts for a small portion of our Group’s business volume with limited impact on our overall operations and profitability.

INTELLECTUAL PROPERTY

We operate our business and our retail stores under our brands “Lung Fung (龍豐)” (龍豐集團), “Lung Fung Mall (龍豐Mall) (龍豐Mall)” and “Lung Fung Cosmetic” (“龍豐藥粧”) (龍豐藥粧) in Hong Kong. As at the Latest Practicable Date, we had registered trademarks in Hong Kong, the PRC, Macao, India, Switzerland, Japan, Australia, New Zealand, Canada, the United States, South Korea, Taiwan, the United Kingdom, Vietnam, Cambodia, the European Union, Singapore, Malaysia, Thailand, Indonesia. We have registered trademarks in the PRC for the purpose of protecting our goodwill and reputation among potential PRC customers who may visit our retail stores in Hong Kong. We typically register trademarks in the countries where our private label products were manufactured. As at the Latest Practicable Date, our Group had registered various domain names.

For details of the intellectual property rights which are material to our Group’s business, please refer to the paragraph headed “Appendix V — Statutory and General Information — B. Further Information About Our Business — 2. Our material intellectual property rights” in this document.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us, and there were no disputes or infringements in connection with our intellectual property rights pending or threatened against our Group which could have a material adverse effect on our operations or financial performance.

AWARDS AND RECOGNITION

We have earned numerous awards and recognitions throughout our operating history, which we attribute to the reputation of our Group and the quality and range of our products. For example, we were recognized as a “Popular Cosmeceutical Store” (“人氣藥妝”) in the “01 Quality Life Brand and Service Awards 2023” and were awarded “Favourite Parent-Child Cosmeceutical Store” (“最愛親子藥妝”) in the “01 Parent-Child Favourite Life Brand Awards 2023” by online media HK01 in 2023. These awards serve to validate our customers’ trust and recognition of our brand and demonstrate our commitment to quality service.

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CHARITY AND CORPORATE SOCIAL RESPONSIBILITY

We attach great importance to corporate social responsibility and participates in many charitable initiatives. Throughout the years, we have sponsored or participated in the following charitable or ESG activities:

- We sponsored the 2025 Youth Racial Harmony 3x3 Basketball Open Championship organized by WeCharity;
- We were a partner of Plan International Hong Kong in 2023 and 2024;
- We donated mooncakes to Hong Kong Family Welfare Society in 2024;
- We organized “Rice Distribution for Charity” (派發平安米) in Hong Kong in 2024 where we gave away 1000 sets of rice packs and luncheon meat to elderlies in Sheung Shui area;
- We participated in voluntary work at an elderly home managed by Hong Kong Buddhist Association in 2024;
- We donated thermal bottles to an elderly home managed by Tung Wah Group of Hospitals in 2023; and
- We supported Cheerful Masks Act campaign organized by H.K. Rehabilitation Power in 2020.