

CONNECTED TRANSACTIONS

CONNECTED PERSONS

The following parties, with which our Group has entered into the Property Leasing Agreements (as defined below) in the ordinary and usual course of business, will become our connected persons:

Mr. Tse	our executive Director, chairman of our Board, chief executive officer and one of our Controlling Shareholders
Mrs. Tse	the spouse of Mr. Tse, our executive Director, chairman of our Board, chief executive officer and one of our Controlling Shareholders
Huge Max (Hong Kong) Limited	a company wholly owned by Mr. Tse and therefore, is an associate of Mr. Tse and our connected person.
Huge Max Development Limited	a company wholly owned by Mr. Tse and therefore, is an associate of Mr. Tse and our connected person.
Max Profit Investment (Holdings) Limited	a company wholly owned by Mr. Tse and therefore, is an associate of Mr. Tse and our connected person.
Lung Fung International Trading Limited	a company wholly owned by Mr. Tse and Ms. Tse as to 90% and 10%, respectively, and therefore, is an associate of Mr. Tse and our connected person.
Full Group Corporation Limited	a company wholly owned by Mr. Tse and therefore, is an associate of Mr. Tse and our connected person.

CONNECTED TRANSACTIONS

ONE-OFF CONNECTED TRANSACTIONS

Property leasing agreements

As at the Latest Practicable Date, (i) our headquarters and warehouse in Fanling, three retail stores and two staff quarters were leased from various entities controlled by Mr. Tse, our executive Director, chairman of our Board, chief executive officer and one of our Controlling Shareholders; and (ii) one staff quarter was leased from Mrs. Tse, one of our Controlling Shareholders (collectively, the “**Premises leased from Connected Persons**”).

Details of the property leasing agreements in relation to Premises leased from Connected Persons (the “**Property Leasing Agreements**”) subsisting as at the Latest Practicable Date are set out below:

Headquarters and warehouse

Property	Date of agreement	Lessor	Lessee	Term of the lease	Location of the Premises	Use	Approximate GFA (sq. ft.)	Monthly rent (HK\$)
1. Our headquarters and warehouse	21 February 2025	Huge Max (Hong Kong) Limited	LFP	10 February 2025 to 9 February 2027	Room G01, Lung Fung Group Centre, No. 23 Yip Cheong Street, Fanling, New Territories	Warehouse	4,252.0	82,000
	9 April 2025	Huge Max (Hong Kong) Limited	LFP	1 April 2025 to 31 March 2027	Room G02, Lung Fung Group Centre, No. 23 Yip Cheong Street, Fanling, New Territories	Warehouse	1,600.0	5,000
	31 March 2025	Huge Max (Hong Kong) Limited	LFP	1 April 2025 to 31 March 2027	1/F, Lung Fung Group Centre, No. 23 Yip Cheong Street, Fanling, New Territories	Warehouse	28,226.0	316,000
	31 March 2025	Huge Max (Hong Kong) Limited	LFP	1 April 2025 to 31 March 2027	Room 201, Lung Fung Group Centre, No. 23 Yip Cheong Street, Fanling, New Territories	Warehouse	12,832.0	135,000
	30 June 2025	Huge Max (Hong Kong) Limited	LFP	1 July 2025 to 31 March 2026	3/F, Lung Fung Group Centre, No. 23 Yip Cheong Street, Fanling, New Territories	Warehouse	28,226.0	296,373
	31 March 2025	Huge Max (Hong Kong) Limited	LFP and Top Harvest Pharmaceuticals Company Limited	1 April 2025 to 31 March 2026	4/F, Lung Fung Group Centre, No. 23 Yip Cheong Street, Fanling, New Territories	Warehouse	28,226.0	282,370
	31 March 2025	Huge Max (Hong Kong) Limited	LFP	1 April 2025 to 31 March 2026	5/F, Lung Fung Group Centre, No. 23 Yip Cheong Street, Fanling, New Territories	Office and Warehouse	28,226.0	248,400
Total:							131,588	1,365,143

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Retail stores

Retail store	Date of agreement	Lessor	Lessee	Term of the lease	Location of the Premises	Use	Approximate UFA (sq. ft.)	Monthly rent (HK\$)
1. Lung Fung Pop Up (Kwun Tong)	20 March 2025	Huge Max Development Limited	LFP	20 March 2025 to 19 March 2027	Unit 2 of Workshop on Ground Floor, Camelpaint Buildings Block III, No.60 Hoi Yuen Road, Kowloon	Retail	1,000.0	200,000
	21 January 2025	Huge Max Development Limited	LFP	20 January 2025 to 20 January 2027	Unit 3 of Workshop on Ground Floor and Store on the Cockloft, Camelpaint Buildings Block III, No.60 Hoi Yuen Road, Kowloon		1,300.0	220,000
Total:							2,300.0	420,000
2. Lung Fung Cosmetic	28 March 2025	Max Profit Investment (Holdings) Limited	Well Harvest (China) Limited	1 April 2025 to 31 March 2026	Shop A, B, C & D, G/F., No. 66, San Hong Street, Sheung Shui, New Territories	Retail	2,244.0	300,000
3. Lung Fung Mall (San Fung Avenue store)	28 March 2025	Lung Fung International Trading Limited	Lung Fung Dispensary (3rd store) Limited	1 April 2025 to 31 March 2026	G/F., Shop A, 113-119 San Fung Avenue, Sheung Shui, New Territories	Retail	880.0	168,000
	28 March 2025	Max Profit Investment (Holdings) Limited	Lung Fung Dispensary (3rd store) Limited	1 April 2025 to 31 March 2026	G/F., Shop B, 113-119 San Fung Avenue, Sheung Shui, New Territories		905.0	168,000
	28 March 2025	Lung Fung International Trading Limited	Lung Fung Dispensary (3rd store) Limited	1 April 2025 to 31 March 2026	G/F., Shop E3, 113-119 San Fung Avenue, Sheung Shui, New Territories		280.0	30,000
Total:							2,065.0	366,000

Staff quarters

Property	Date of agreement	Lessor	Lessee	Term of the lease	Location of the Premises	Use	Approximate GFA (sq. ft.)	Monthly rent (HK\$)
1. Staff quarter	27 September 2024	Full Group Corporation Limited	LFP	1 October 2024 to 30 September 2026	No.68 San Uk Tsuen, Lung Yeuk Tau, Fanling, New Territories	Residential	1,975.0	40,000
2. Staff quarter	1 August 2025	Mrs. Tse	LFP	1 August 2025 to 31 July 2026	Flat A, 2/F., San Fung House, No.113-119 San Fung Avenue, Sheung Shui, New Territories	Residential	415.0	10,000
3. Staff quarter	16 October 2024	Max Profit Investment (Holdings) Limited	LFP	16 October 2024 to 15 October 2026	1/F., No.66 San Hong Street, Sheung Shui, New Territories	Residential	1,029.0	20,000

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The terms under the Property Leasing Agreements were determined after arm’s length between the parties to the Property Leasing Agreements, following their arm’s length negotiations with reference to market prices of comparable properties of similar conditions in the vicinity. Our Directors are of the view that the Property Leasing Agreements have been entered into on normal commercial terms or better.

Reasons and benefits of the transaction

Historically, our Group leased the premises from (i) the entities controlled by Mr. Tse as retail shop, office and warehouse and staff quarters (as the case may be); and (ii) Mrs. Tse as staff quarters, respectively. To avoid unnecessary costs associated with searching for new premises and engaging in prolonged negotiations with third-party property owners for lease agreements, our Group intends to continue with the leasing arrangements after the [REDACTED].

In light of the foregoing, our Directors are of the view that the leasing arrangements are fair and reasonable and in the interests of our Shareholders as a whole. Notwithstanding the above, the Property Leasing Agreements do not affect our operational independence. For further details, please see “Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence” in this document.

Accounting treatment and the Listing Rules implications

In accordance with HKFRS 16 “Leases” applicable to our Group and pursuant to the guidance issued by the Stock Exchange, when an issuer enters into a lease transaction as a lessee and where the lease is subject to an agreement with fixed terms, it is treated as a one-off transaction (i.e., an acquisition of capital assets). As such, the transactions under the Property Leasing Agreements will be recognised as acquisitions of right-of-use assets and constitute one-off transactions of our Company before the [REDACTED] and will not be classified as continuing connected transactions under Chapter 14A of the Listing Rules. Accordingly, the reporting, annual review, announcement, circular and independent shareholders’ approval requirements with regard to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Property Leasing Agreements.

The balance of the lease liabilities in relation to the Premises leased from the Connected Persons according to HKFRS 16 as at June 30, 2025 amounted to approximately HK\$23.4 million.