RISK FACTORS

Potential **[REDACTED]** *should carefully consider all of the information set out in this Document and, in particular, should consider the following risks and special consideration associated with an* **[REDACTED]** *in our Company before making any* **[REDACTED]** *decision in relation to the* **[REDACTED]**. *If any of the possible events as described below materialises, our business, financial position and prospects could be materially and adversely affected and the* **[REDACTED]** *of our Shares could decline due to any of these risks, and you may lose all or part of your* **[REDACTED]**.

This Document contains certain forward-looking statements relating to our plans, objectives, expectations and intentions which involve risks and uncertainties. Our actual results may differ materially from those as discussed in this Document. Factors that could contribute to such differences are set out below as well as in other parts in this Document.

We believe that certain risks are involved in our operations. Many of these risks are beyond our control. These risks can be categorised into: (i) risks relating to our business operations; (ii) risks relating to the industry; (iii) risks relating to intellectual property; and (iv) risks relating to the **[REDACTED]**. You should consider carefully our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS OPERATIONS

Our Group is exposed to risk of reliance on Dairy Farm for onward sale of our products to end-customers, and failure to maintain the relationship with Dairy Farm or otherwise expand our wholesale network may materially and adversely affect our business

We relied on Dairy Farm, being our largest customer during FY2023, FY2024, FY2025 and 6M2026, for selling and distributing our products. During the Track Record Period, revenue generated from Dairy Farm amounted to approximately HK$38.5 million, HK$84.0 million, HK$97.1 million and HK$48.2 million, representing approximately 89.1%, 76.7%, 74.5% and 91.9% of our total revenue, respectively. Our Group's relationship with Dairy Farm has started since 2013. Each of Herb Standard HK and Marvel Pro entered into a trading terms agreement with Dairy Farm in 2018 and 2022, respectively. Since the execution of the trading terms agreements, our products are displayed and sold through the retail stores of Mannings in Hong Kong and on online channels of Mannings. The trading terms agreements will continue to be effective until such time when terminated, superseded or amended by any written agreement signed by both our Group and Dairy Farm. As at the Latest Practicable Date, the trading terms agreements remain in force.

Reliance on Dairy Farm carries the following risks:

- If our relationship with Dairy Farm is adversely affected for whatever reason resulting in Dairy Farm restricting the sale of our products in its stores, or ceasing to sell our products altogether, our Group will need to source other channels, which may not have the same extensive network as Dairy Farm, to sell our products to the general public consumers.
- Our products are sold primarily through Dairy Farm. Our Group has no control over the business plan or strategy of Dairy Farm, including its expansion or downsizing plans, its store coverage and its customer retention plans. If Dairy Farm does not continue to expand its stores, the expansion of our sales may be affected. In addition, if Dairy Farm's trading conditions deteriorate such that it downsizes its stores or cuts down its marketing and promotional plans, the sales of our products may be adversely affected. In the worst scenario, if the business of Dairy Farm fails, our Group will lose a material part of our sales channels and will need to source other channels to sell our products to the general public consumers.
- There is no minimal purchase nor contractual assurance to purchase under the trading terms agreements between our Group and Dairy Farm. As a result, Dairy Farm may reduce or cease to place any order with our Group for whatever reason at any time during the continuation of the agreements. In such case, we will lose a material part of our sales channels and will need to find other channels to sell our products to the general public consumers.

- Due to the disparity in the scale of operations between our Group and Dairy Farm, we have no bargaining power over the sales of our products at the stores of Mannings and limited control over the pricing and business strategies of Dairy Farm.

If any of the above risks materialises, our business, financial condition and results of operations will be adversely affected. There is no assurance that our Group will be able to source other wholesale channels that are comparable to, or better than, our existing arrangements with Dairy Farm or at all, and that our costs of business will be substantially affected as a result.

Please refer to "Business – Our Business Model – Wholesale business" in this Document for further details of our relationship with Dairy Farm.

Any failure by Dairy Farm and other wholesale customers to make payments to our Group or any disputes over, or significant delays in receiving such payments may materially and adversely affect our cash flow and profitability

Dairy Farm and other wholesale customers may make payments to our Group beyond the credit terms to which they are granted. As at 31 March 2023, 2024, 2025 and 30 September 2025, we had trade receivables of approximately HK$14.4 million, HK$31.6 million, HK$42.5 million and HK$29.3 million, in which approximately HK$0.1 million, HK$0.3 million, HK$0.4 million and HK$0.7 million were past due, respectively. The default risk of the industry in which Dairy Farm and other wholesale customers operates also has an influence on credit risk. Our Group had a concentration of credit risk with approximately 98.9%, 99.4%, 95.5% and 99.5% of our total trade receivables as at 31 March 2023, 2024 and 2025 and 30 September 2025 due from Dairy Farm and other wholesale customers, respectively.

If Dairy Farm and/or other wholesale customers, through whom our products were sold to the general public consumers, was/were to become insolvent or significantly delay in making payments or otherwise unable or unwilling to settle their outstanding receivables in a timely manner or at all, our liquidity could be materially and adversely affected and our Group would have to write off receivables or increase provisions against receivables, which could materially and adversely affect our results of operations and financial position.

Any failure to introduce new products or gain market acceptance of our new products may have a negative effect on our business

The success of our products depends, to a large extent, on whether the products we introduce to the market are well received by the market. We are committed to continuously expanding and enhancing our product portfolio in order to provide products that align with emerging health trends and consumer preferences, address unmet market needs and adapt to evolving customer demands. We intend to apply approximately **[REDACTED]** of our net **[REDACTED]** from the **[REDACTED]** for expanding and diversifying our product portfolio under our own brands by introducing new health and beauty supplements and products under our existing and new product lines, such as eye care products for children, stomach-related products, products for brain health and new beauty supplement products. For further details, please refer to "Future Plans and Use of **[REDACTED]**" in this Document.

The success of a new product depends on a number of factors, including accurately identifying market demand and consumers' preferences, efficacy, quality and price of the new product, as well as the effectiveness of marketing and advertising campaigns. In particular, the introduction of new products requires investment of capital resources and product development efforts. Due to the rapid changing nature of the health and beauty supplements and products markets in Hong Kong, our Group may not be successful in anticipating market trends and introducing new products that respond to such trends in a timely manner. Whilst in the past our Group has successfully introduced, promoted and achieved market acceptance for our new products, there is no assurance that we will be able to continuously introduce new products in the future that will attract sufficient demand and/or be profitable. During the Track Record Period and up to the Latest Practicable Date, none of our products were restricted by regulatory requirements or encountered significant quality problems. If any of our new products is not well received by the market due to any of the aforesaid reasons, or our new products are restricted by regulatory requirements or encounter significant quality problems, or for any other reasons, we may not be able to recoup the investment that we have made in researching and introducing such new products. As a result, our business, financial condition and results of operations may be adversely affected.

Our business depends significantly on the strength of our brands and reputation, and our Group has been substantially dependent on revenue derived from our leading brand, "Herb Standard (正品)", and this may continue to be the case. Our failure to develop, maintain and enhance our brands and reputation and the decline of sales of our leading brand may materially and adversely affect the level of market recognition of, and trust, in our products

Our Group believes that the maintenance and enhancement of reputation of our own brands, such as "Herb Standard (正品)", are critical to the success of our business. Our Group currently depends on the sales of our leading brand, "Herb Standard(正品)", for a substantial portion of our revenue. During the three years ended 31 March 2025 and the six months ended 30 September 2025, revenue generated from sales of the products under "Herb Standard (正品)" brand amounted to approximately HK$25.9 million, HK$58.1 million, HK$66.7 million and HK$24.8 million, representing approximately 60.1%, 53.0%, 51.2% and 47.3% of our total revenue, respectively. Our Group anticipates to continue to derive a majority of our total revenue from "Herb Standard (正品)" brand and hence we will remain susceptible to the effect of the change in demand for and the profitability of the products under such brand.

Enhancing and maintaining our brand recognition and reputation depend primarily on the perceived effectiveness and quality of our products as well as the success of our marketing and promotional efforts. Our Group has devoted significant resources to brand promotion in recent years, including advertising through television, printed publications and digital channels, setting up gondola end displays ("GEDs") at the retail stores of Mannings, appointing on-site sales promoters at the retail stores of Mannings, engaging entertainers (such as actors and singers), KOLs and medical professionals, collaborating with a university professor and participating in fairs and exhibitions.

If our Group fails to successfully market or promote our brands, our brands are tarnished, the market demand for the products under "Herb Standard(正品)" brand declines in the future due to introduction of substitute products at more favourable prices or terms by our competitors, or if we fail to sustain the popularity of this brand, or our Group faces new regulatory restrictions on the sales or related advertising activities, demand for our current and future products as well as our business, financial condition and results of operations may be materially and adversely affected.

Our marketing and promotional activities are crucial to the success of our products, and if our Group fails to maintain or develop our marketing capabilities, the market share, brand recognition and reputation of our products may be materially and adversely affected

The success of our products depends significantly on the effectiveness of our marketing and promotional activities. Our Group participates in the promotional activities of Mannings from time to time, sets up GEDs in the retail stores of Mannings, and appoints on-site sales promoters at the retail stores of Mannings to sell and promote our products. During the Track Record Period, we had participated in 3, 4, 6 and 2 one-day special sales events (出位價) organised by Dairy Farm, respectively. As at the Latest Practicable Date, we had 49 sales promoters, who were our employees, stationed at 48 retail stores of Mannings in Hong Kong. In order for them to better serve the end-customers visiting the retail stores of Mannings, we provide trainings to them from time to time, in particular when there are new product launches, such that our sales promoters can establish a solid knowledge on health issues, nutrition and our products, enhance their communication skills and stay updated on the latest market trend and consumer preference. Furthermore, we often use a combination of different media to ensure broad coverage and penetration of our advertisements, such as television, printed publications and digital channels. During the Track Record Period, we had been promoting our products by posting advertisements on social media platforms and websites, including YouTube, Facebook, Instagram and Xiaohongshu (小紅書). Social media platforms enable us to connect directly with end-customers, keeping them informed about our brands and products while gathering real-time feedback. These various marketing activities are crucial to the success of our products. During the three years ended 31 March 2025 and the six months ended 30 September 2025, our advertising and promotion expenses amounted to approximately HK$6.8 million, HK$11.2 million, HK$13.5 million and HK$6.6 million, representing approximately 15.7%, 10.2%, 10.4%, and 12.6% of our total revenue, respectively.

However, our ability to maintain or develop our marketing capabilities can be adversely affected by various factors, such as our ability to accurately identify consumer preference and effectively manage media resources and government regulations on advertisements. Any factor adversely affecting the scale and effectiveness of our marketing and promotional capabilities may have an adverse effect on the market share, brand recognition and reputation of our products. In addition, any significant increase in our advertising expenses, whether due to market factors or otherwise, may adversely impact our profitability.

Our Group ultimately relies on the general public consumers

The majority of our products are sold and distributed through the retail stores of Mannings, for onward sale of our products to end-customers. Based on the mutual understanding of our Group and Dairy Farm, Dairy Farm is entitled to return products to us in the following circumstances: (i) damaged, expired and/or non-sale stock for an agreed sales period or quality issues being identified upon receipt; (ii) for discontinued products (i.e. products which are discontinued by us due to reasons such as launch of new products); or (iii) excess products after a promotional event. Therefore, our Group still bears the risks associated with the unsuccessful sales of our products, regardless of the fact that such products are distributed through Dairy Farm.

The ultimate customers of our products are generally the general public consumers who visit the retail stores of Mannings and purchase our products, either incidental to their other purchases, or specifically seeking for our products.

Therefore, while our Group ultimately relies on the success of our brands, customer loyalty and quality of our products, our Group also relies on the general public consumers' demand for our products. If our Group fails to attract the general public consumers to purchase our products or maintain the general public consumers' demand, our business, financial condition and results of operations may be adversely affected.

The marketing and advertising of our products in Hong Kong is subject to certain laws and regulations and any non-compliance with the relevant laws and regulations which may adversely affect our reputation, financial condition or results of operations

The marketing and advertising of our products is principally regulated by various laws and regulations in Hong Kong, such as the UMAO, the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) and the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). We are also subject to the relevant sub-legislations and regulations under the above ordinances.

During the Track Record Period and up to Latest Practicable Date, our Group received 5 warning letters from the Department of Health regarding potential contraventions of sections 3 and/or 3B of the UMAO due to the use of restricted words in our product advertisements. For further details, please refer to "Business – Legal Proceedings and Compliance – Compliance – Product Advertisements" and "Regulatory Overview – Hong Kong – Trade – Undesirable Medical Advertisements Ordinance" in this Document.

If any enforcement is taken by the relevant authorities, our Group or our Directors may be required to pay penalties and our Directors may also be held liable for such non-compliances. Additionally, there can be no assurance that our business and financial position and prospects, including but not limited to our reputation and our relationship with our customers, will not be adversely affected by such historical non-compliance incidents. In addition, if there are similar complaints or claims directed against our Group in the future, even if without merit or unsuccessful, it could force us to divert management and other resources from our business and cause customers to lose confidence in our products, which may materially adversely affect our cash flow, profitability, financial condition and business prospects.

Our Group faces intense competition, and if our Group fails to compete effectively, we may lose market share and our results of operations may be adversely affected

Our Directors consider that the health and beauty supplements and products markets in Hong Kong were highly competitive and fragmented with hundreds of companies from international, domestic and local backgrounds offering a wide range of products and brands. These markets are characterised by the frequent introduction of new products, price sensitivity and consumer's expectation on quality and functions. Our Group faces competition from our existing competitors as well as new entrants, including multinational companies as well as domestic distributors of health and beauty supplements and products with similar functions or effects that can be used as substitutes for our products.

Our competitiveness depends on a number of factors, including market awareness of our brands, the effectiveness of our marketing activities, the quality of our products, and the breadth and depth of our wholesale and retail networks. Some of our existing and potential competitors may have greater business resources, financial resources, experiences in developing and marketing health and beauty supplements and products as well as other resources than our Group has. In addition, such competitors may have greater brand recognition, more established wholesale and retail networks, or more extensive knowledge of our target consumers and target markets. There is no assurance that our current or potential competitors will not provide products comparable or superior to those of our Group or adapt more quickly than our Group to the evolving industry trends or changing market preferences and requirements or consumer spending habits. Furthermore, competition may lead our competitors to increase substantially their advertising expenditure and promotional activities or to engage in irrational or predatory pricing behaviour.

It is also possible that there will be consolidation amongst our competitors or that alliances may develop amongst competitors which could rapidly acquire significant market share. We also cannot assure that any third party will not actively engage in activities, whether legal or illegal, designed to undermine our brands or to influence consumers' confidence in our products.

If we are unable to maintain our competitive position or otherwise respond to competitive pressure effectively, our sales as well as market share may be reduced and our operating results may be adversely affected. Intense competition may also lead to pricing pressure on our products, which could adversely affect our turnover and profitability.

Any disruption or suspension to the supply of our products or any increase in the costs of our products and packaging materials may adversely affect our production, turnover and profitability

Our Group may experience a shortage in the supply of certain products or packaging materials in the future, which could materially and adversely affect production of our products and results of operations. The production of our health and beauty supplements and products relies on the supply of products and packaging materials from our manufacturers and suppliers. During the Track Record Period, our Group's total purchase amounted to approximately HK$7.2 million, HK$28.7 million, HK$27.7 million and HK$16.9 million, respectively, while our purchases from our five largest suppliers accounted for approximately 86.3%, 77.3%, 80.3% and 77.1% of our total purchases respectively, and our purchases from our largest supplier accounted for approximately 55.6%, 34.5%, 27.8% and 28.2% of our total purchases, respectively. Our business, financial conditions and results of operations depend on the continuous supply of products and packaging materials from our major manufacturers and suppliers and our continuous supplier-customer relationship with them.

We usually place orders with our manufacturers and suppliers on an order-by-order basis. Except for Supplier E, Supplier G and Supplier H, we did not enter into any long-term agreements or minimum purchase agreements with our major manufacturers and suppliers during the Track Record Period. Some of our suppliers may, without notice or penalty, terminate their relationship with our Group at any time. During the Track Record Period and up to the Latest Practicable Date, none of our suppliers had terminated their business relationship with our Group. If any supplier is unable or unwilling to supply products or packaging materials to our Group in the required quantities and at acceptable prices, there is no assurance that our Group will be able to find replacement on satisfactory terms in time, or at all. If our Group is unable to locate or develop alternative sources, it may result in delays or reductions in our production, sales or profit margins. Even if we may be able to replace our major suppliers with alternative suppliers, we cannot guarantee that the contract terms entered into with the alternative suppliers will be similar to or more favourable than those entered into with our existing major suppliers. For further details of our relationship with our major suppliers, please refer to "Business – Our Suppliers – Our top five suppliers" in this Document.

In addition, our Group is vulnerable to any increases in the prices of products and packaging materials. During the Track Record Period, our total purchase costs of materials amounted to approximately HK$6.9 million, HK$20.7 million, HK$29.5 million and HK$11.0 million, which accounted for approximately 87.2%, 88.5%, 90.6% and 89.4% of our total cost of goods sold, respectively. During the Track Record Period, our packaging costs amounted to approximately HK$0.8 million, HK$2.1 million, HK$2.5 million and HK$0.9 million, which accounted for approximately 10.4%, 8.9%, 7.5% and 7.4% of our total cost of goods sold, respectively. As such, our cost of goods sold primarily comprised our purchase costs of materials and packaging materials, and the prices for which are determined principally by market forces and may fluctuate or be affected by inflation in the future. For example, the availability and costs of our products and packaging materials may be affected by weather conditions and other seasonal factors. Any significant fluctuation in the purchase costs of maters and packaging materials may significantly impact our cost of goods sold, and thereby impact our profit margins. For details of market price trend of raw materials for health and beauty supplements and products, please refer to "Industry Overview – Cost Analysis" in this Document. We cannot assure the **[REDACTED]** that we will be able to offset all price increases by raising the prices of our products and we may also lose competitive advantage if we increase the prices of our products significantly. In the event that the costs of our products and packaging materials increase in the future and we cannot pass on such increases to our wholesale customers and/or the general public consumers, we may not be able to maintain our current gross profit margins and our business, financial condition and results of operations may be materially and adversely affected.

Concentration on a number of major suppliers may affect our operations. Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business relationship with us

We engage manufacturers and suppliers including trading company for deer related products, pharmaceuticals, cosmetics products and packaging materials, to provide us with products under our own brands. During FY2023, FY2024, FY2025 and 6M2026, we made purchases primarily from a limited number of our key strategic suppliers. In particular, purchases from our five largest suppliers for FY2023, FY2024, FY2025 and 6M2026, amounted to approximately HK$6.2 million, HK$22.2 million, HK$22.3 million and HK$13.0 million, representing approximately 86.3%, 77.3%, 80.3% and 77.1% of our total purchase amount, respectively. For further details, please refer to "Business – Our Suppliers — Our top five suppliers" in this Document.

Our reliance on these major suppliers subjects us to the concentration and counterparty risk from these suppliers. We cannot assure you that we will be able to maintain relationships with our major suppliers in the future. Any decrease in purchases from, or loss of, one or more of our major suppliers would have negative impacts on our results of operations and financial condition. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business with us. For example, if our major suppliers cease to sell their products, or if the supply is disrupted or delayed, there can be no assurance that we will be able to find new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Should any of these occur, our business, financial condition, results of operations and profitability may be adversely affected.

Our products may cause unexpected or undesirable side effects or injuries to consumers that may result in costly product recalls or returns, product liability claims, litigation, customer complaints, quality control concerns and/or adverse publicity which may lead to severe reputational damage, monetary losses or lawsuits

As our products are designed for human consumption and use, our Group may face a number of consequences, including product liability claims or product recalls, removal of regulatory approvals for such products and exposure to lawsuits, if the use of our products is alleged to have resulted in side effects or injuries.

Our products contain various ingredients, some of which or the combination of which may cause undesirable side effects or injuries to consumers, which our Group is not aware of. Similarly, some of the raw materials our manufacturers use may cause undesirable side effects or harm that are unknown to our Group. In addition, products may be rendered unfit for consumption due to raw materials or product contamination or degeneration, presence of microbials, or other problems arising during the various stages of the procurement, production, transportation and storage processes. Like other health and beauty supplements business, our business is susceptible to food-borne illnesses. We cannot assure you that our quality control measures are able to effectively prevent all diseases or illnesses caused by our products or contamination of our products. Furthermore, our reliance on manufacturers means that food-borne illness incidents could be caused by our manufacturers outside of our control. New illnesses may develop in the future, or diseases with long incubation periods could arise that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses or health threats of our products or any of their major ingredients could adversely and significantly affect our sales, and have significant negative impact on our brand image, reputation and results of operations. This risk exists even if it were later determined that the illness or health threat in fact was not caused by our products.

If our products cause any serious side effect or injury, or if our products are perceived to cause such side effect or injury, our products may have to be recalled from the market, which could lead to severe reputational damage, monetary loss or lawsuits. This may also result in negative publicity which may further damage the reputation of our brands and products. Even if a situation does not necessitate a product recall, we cannot assure you that product liability claims or other legal disputes will not be asserted against us as a result. During the Track Record Period, our Group has not experienced any product recalls or product returns which would have had a material adverse impact on our business, financial condition or results of operations. Nonetheless, there is no assurance that our products will not have undesirable side effects on consumers in the future. The discovery of severe side effects of products manufactured or sold by our competitors may also adversely affect the sales of our products that have similar ingredients. If consumers lose confidence in our brands and/or products, our business, financial condition and results of operations may be materially and adversely affected. The amount of negative news, customers complaints and claims against us may also be very costly and may divert our management's attention from our business operation.

Our business is subject to seasonality risk

Our results of operations have fluctuated from season to season in the past and are likely to continue to fluctuate due to seasonality. The sales volume of certain products is seasonal. The sales typically peak in the first and fourth quarters of the year, i.e., during the spring and winter seasons. Our Directors believe that this seasonal pattern is primarily due to (i) increased demand for respiratory related health supplements and products as the weather during the spring and winter seasons may cause more allergies and other symptoms; and (ii) the timing of exhibitions and trade fairs, such as the Hong Kong Brands and Products Expo（香港國際工業出品展銷會）which is usually held in winter. Accordingly, as a result of seasonal fluctuations, comparisons of sales and operating results between different quarters within a single year are not necessarily meaningful and should not be relied on as indicators of our full-year performance. For further details, please refer to "Business – Sales and Marketing – Seasonality" in this Document.

If our Group experiences a significant increase in product returns, our costs may substantially increase and our business, financial condition and results of operations may suffer materially

During the Track Record Period, our Group has accepted product returns from Dairy Farm in the following circumstances: (i) return products under normal circumstances including expiry or damaged packaging or product defect; (ii) unsold products after a promotional campaign; and (iii) return products under specific circumstances, including (a) product recall; (b) product upgrade for a new product; and (c) change of product packaging. Our Group also allows our general public consumers to return the products with defective or other quality issues. For further details, please refer to "Business – Quality Control – Product liability and return" in this Document. During the Track Record Period, the total sales value of products returned by our customers amounted to approximately HK$1.8 million, HK$1.2 million, HK$5.0 million and HK$2.6 million, which was mostly contributed by Dairy Farm and details of which are set out in "Business – Our Business Model – Wholesale business – Sales of our products to Dairy Farm – Goods returns by Dairy Farm and provision policy" in this Document. If our Group experiences a significant increase in product returns, we may have to accrue greater expenses for potential product return, which will result in a substantial increase in our cost of goods sold. As a result, our business, financial condition and results of operations may suffer materially.

Negative publicity of our products, or of similar products sold by other companies, may have a material adverse effect on our business

The sales of our products, to a large extent, depend on consumer perception towards the quality, efficacy and safety of our products. Consumer perception can be significantly influenced by factors such as scientific research or findings, public commentary or articles published or posted on printed media and Internet through digital media platforms.

Research reports or publicity that are perceived as unfavourable or that question the quality, efficacy or safety of our products or similar products could have a material adverse effect on the demand for our products and our business and results of operations. Such adverse publicity could arise even if the ineffectiveness of, or the adverse effects associated with, such products have resulted from consumers' failure to consume such products appropriately or as directed. Negative publicity, even if unfounded, will have an adverse impact on our business and may damage our brands and reputation as well as leading to scrutiny of our products by the regulatory or government authorities and potential regulatory actions restricting our ability to advertise or sell our products.

Any negative publicity regarding KOLs, entertainers and medical professionals whom our Group engages to market our products or our brands could materially and adversely affect our sales and reputation

We have been increasingly collaborating with KOLs, entertainers and medical professionals for our branding and marketing activities. Given the popularity of the social media platforms and KOLs, we will continue adopting this marketing strategy and plan to allocate part of the net **[REDACTED]** from the **[REDACTED]** for strategic and promotional campaigns to further enhance our brand awareness and promote our signature products under our own brands. For details, please refer to "Future Plans and Use of **[REDACTED]**" in this Document.

While the endorsements from KOLs, entertainers and medical professionals help strengthen our brand awareness and promote our products, we cannot assure you that we will be able to maintain our collaborations with our KOLs, entertainers and medical professionals. Our KOLs, entertainers and medical professionals may cease to cooperate with us. Even if they continue to cooperate with us, we cannot assure you that the endorsements from KOLs, entertainers and medical professionals will remain compatible with the messages that our brands and products aim to convey or represent. Moreover, we cannot give assurance that any of these KOLs, entertainers and medical professionals will remain popular or their public perceptions will remain positive. The reputation of KOLs, entertainers and medical professionals that we cooperate with is important to our brand image as our customers may associate the performance of these KOLs, entertainers and medical professionals with our brands. Any negative publicity related to any of such KOLs, entertainers and medical professionals, including but not limited to, inappropriate speech, unethical behaviour, non-compliance with the relevant laws and regulations or banning from conducting marketing activities, the occurrence of which is beyond our control, may adversely impact our reputation and brand image and consequently our ability to attract new customers and retain existing customers.

We cannot assure you that our business, financial conditions and results of operations will not be affected if any of the above incidents occurs. In the event that we need to engage alternative KOLs, entertainers or medical professionals, we may not be able to find suitable candidates in a timely manner, which may then disrupt our marketing efforts or we may need to incur additional costs as we may require more time to procure new KOLs, entertainers and medical professionals to support our marketing activities. We may also initiate claims, disputes or legal proceedings against such KOLs, entertainers and medical professionals for compensation, which may divert our management's attention and consume much of our financial resources. If any of these situations occurs, our business, financial conditions and results of operations could be materially and adversely affected.

Our Group may be unable to effectively manage our growth, which may materially and adversely affect our business, financial condition and results of operations

Our Group anticipates that we will continue to grow through organic growth. Managing our growth has resulted in, and will continue to result in, significant demands on our management and our administrative, operational and financial infrastructure. Our ability to manage future growth will depend on our ability to effectively implement and improve management, operational and financial information systems on a timely basis and to expand, train, motivate and manage our workforce. Our Group's current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth. If our Group is unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures. It may also lead to increased costs, declined sales and reduced profitability, which could in turn have a material adverse effect on our business, financial condition and results of operations.

Our Group may not be able to implement our business strategies on time or within our budget or at all

The successful implementation of our business strategies is subject to various uncertainties and contingencies, such as continued growth of the health and beauty supplements and products markets in Hong Kong, availability of funds, competition and government policies. Factors such as delay in the delivery of products, labour disputes, compliance with laws and regulations, delays in securing requisite government approvals, economic downturn or changes in market conditions, may delay or impede the implementation of our business strategies. Any delay or failure to successfully implement our business strategies could result in the loss or delay in sales, increase in costs, and failure to meet profit and earnings projections, any of which may adversely affect our business, financial condition and results of operations.

The expansion of our wholesale and retail networks may not be as successful as our Group expects

As part of our business strategies, our Group plans to expand our market to Taiwan and retail networks in Hong Kong to grow our business. However, the success of our expansion plan is subject to numerous factors including the following:

- the availability of adequate management and financial resources;
- the availability of retail stores; and
- our ability to hire, train and retain skilled personnel to manage our new business in Taiwan and retail networks in Hong Kong.

Furthermore, we may fail to anticipate and address competitive conditions in the newly expanded wholesale and retail networks that are different from those in our existing markets. Accordingly, we may not be able to achieve our expansion goals or effectively integrate new retail stores into our existing network. If we encounter difficulties in expanding our wholesale and retail networks, our growth prospects may be impacted, which may in turn have a material adverse effect on our business, financial condition and results of operations.

Our high profit margins may not be sustainable and may be subject to reduced profit margins, and if our Group is unable to successfully replace the products of lower profit margins with those of higher profit margin, our business, financial condition and results of operations may suffer

During the three years ended 31 March 2025 and the six months ended 30 September 2024 and 2025, we had gross profit margins of approximately 81.6%, 78.6%, 75.0%, 75.0% and 76.6%, respectively, and net profit margins of approximately 26.2%, 32.4%, 27.8%, 22.6% and 1.8%, respectively. Excluding the **[REDACTED]** expenses, our net profit margin for 6M2026 was approximately 20.6%. The decrease in our gross profit margin for FY2024 and FY2025 was mainly due to (i) the increase in promotional discounts for our own brand products, particularly, "Growth Calcium（生長鈣）and "Revive NMN（維再生NMN）", offered to our customers with an aim to capture more market share and boost up the sales volumes; and (ii) the increase in revenue generated from products under third-party brands which had relatively lower gross profit margin as compared to those of our own brand products. Our high profit margin is primarily attributable to our product mix containing predominantly high profit margin products. The continued success of our Group is affected by numerous factors, including the effectiveness of our marketing and promotional activities, competition from other similar products, change of market demand and ultimately the general public consumers' preference, market perception and publicity about our products.

In addition, as market conditions change and as our Group makes significant expenditures related to the marketing and expansion of our business, our profit margin may be adversely affected. For example, our profitability for future financial years may be negatively impacted by the increase in cost of products and packaging materials, selling and distribution costs arising from the expansion of our wholesale and retail networks, and advertisement expenses and the strategies adopted by our competitors. For the risks relating to the costs of our products and packaging materials, please refer to "Any disruption or suspension to the supply of our products or any increase in the costs of our products and packaging materials may adversely affect our production, turnover and profitability" in this section. For details of market price trend of raw materials for health and beauty supplements and products, please refer to "Industry Overview – Cost Analysis" in this Document. Furthermore, we may not be able to sustain the same level of gross profit margin as we continue to introduce new products to the market. Consequently, our Group cannot assure the **[REDACTED]** that we will be able to maintain our high profit margin.

Production of certain of our health and beauty supplements and products relies on the supply of quality natural raw materials

Certain of our health and beauty supplements and products ultimately rely on the supply of raw materials, which originate from natural ingredients whose quality is related to the regions and climatic conditions in which they are grown. The quality, availability and prices of these natural ingredients are dependent on and are closely affected by weather conditions and other seasonal factors, which may have an impact on the yields of such natural ingredients each year. The supply, prices and quality of raw materials may fluctuate according to market conditions, or any drop in quality of the raw materials, which our manufacturers use, may impact on our costs of goods sold and the quality of our products.

Furthermore, although our Group has a strict quality control system for the procurement of our products and packaging materials, we cannot assure the **[REDACTED]** that our manufacturers and suppliers will not inadvertently contaminate the products and packaging materials or provide us with substandard products and packaging materials that would adversely impact on the quality of our products. If we experience any quality or safety problems in relation to our products, our reputation and business may suffer.

Our Group is exposed to the risk of inventory obsolescence which may adversely impact our financial performance

We are exposed to the risk of inventory obsolescence. Our business is subject to customers' preferences and behaviour, which are beyond our control. A material decrease in customer demand for our products may result in lower sales and a slowdown in consumption of our inventory, which in turn would lead to a lower inventory turnover level. Our inventories comprise of our health and beauty supplements and products, which were ready for selling to our customers. We had inventories of approximately HK$2.2 million, HK$8.0 million, HK$3.8 million and HK$8.9 million as at 31 March 2023, 2024 and 2025 and 30 September 2025, respectively. Our average inventory turnover days were recorded at approximately 113 days, 79 days, 66 days and 94 days during the Track Record Period, respectively.

Although our Group has inventory management system in place to track and manage our inventory level, we cannot assure you that our customer preferences and economic activities will remain unchanged. Unexpected change in the demand for our products may result in over-stocked inventories and, in turn, a decline in inventory values. Any unexpected change in the economic condition or degree of economic activities of our customers may render our inventory obsolete. Obsolescent inventories may directly impact our sales and pricing as we may be required to lower the selling price of our products to reduce the inventory level, which may lead to lower profit margin. All these factors may in turn affect our business, financial conditions, and results of operations.

If our Group fails to accurately project demand for our products, our Group may encounter inadequate supply or oversupply, which would materially and adversely affect our financial condition and results of operations, as well as our reputation and brands

We generally maintain a conventional buyer-seller relationship with Dairy Farm, fulfilling its individual purchase orders for products. We project demand for our products based on the monthly sales reports from Dairy Farm and our inventory level.

If we overestimate the demand, we may purchase more products than required. If we underestimate the demand, our manufacturers and suppliers may purchase insufficient raw materials than required to meet the demand and may result in lost sales. We may fail to accurately forecast demand and coordinate our procurement to meet demand on a timely basis.

Our inability to accurately predict market demand and to timely meet such demand could materially and adversely affect our financial conditions and results of operations as well as our reputation.

Our Group faces risk of impairment losses for our intangible assets and goodwill

As at the end of each Track Record Period, we had goodwill of HK$2.4 million, HK$2.4 million, HK$2.4 million and HK$2.4 million, respectively, and we also had intangible assets of HK$23.5 million, HK$23.5 million, HK$23.5 million and HK$23.5 million, respectively. Our intangible assets and goodwill arose from the acquisition of Herb Standard HK by Aim Smart from Mr. Lau on 19 November 2021 with a cash-generating unit engaged in development and sales of health and beauty supplements and products (the "**CGU**"). Our goodwill represented the excess of the consideration paid by Aim Smart over the fair value of net assets of Herb Standard HK as at 19 November 2021. Our intangible assets represented the distribution network between Herb Standard HK and Dairy Farm, which enables our Group to have a stable source for distributing our products and provides a solid foundation for our business growth and development.

Our intangible assets is stated at cost less any impairment losses. In the opinion of our management, the intangible assets has indefinite useful life as there is no foreseeable limit to the period about the cooperation with Dairy Farm and the period over which this asset is expected to generate cash flow indefinitely for our Group. Our intangible assets and goodwill are allocated to individual CGU for annual impairment testing. For the purpose of the annual impairment test, the recoverable amounts of the CGU are determined with reference to value-in-use calculations using cash flow projections based on financial estimates approved by the management of our Group. Our management determined the growth rates and budgeted gross profit margin based on past performance and the expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the CGU. If there are any changes in these assumptions which cause the aggregate carrying amount of the CGU to exceed its aggregate recoverable amount, our intangible assets and goodwill may be impaired. Significant impairment losses on goodwill and intangible assets may have a material adverse effect on our financial condition and results of operations and may in turn limit our ability to obtain financing in the future.

For details of impairment testing of our intangible assets and goodwill, please refer to notes 15 and 16 to the Accountants' Report in Appendix I to this Document.

Our success and business operations are largely dependent on our continuing efforts of our senior management team and other key personnel and loss of any of their services may materially harm our business

Our Group believes that our success depends upon the continued contributions of our senior management and other key personnel. Our Directors and our senior management possess expertise and experience in our industry, operations and business that are difficult to replace. We cannot assure the **[REDACTED]** that the services of such personnel will continue to be available or that we will be able to replace any such personnel with managers who have similar knowledge or experience. If one or more of our key personnel are unable or unwilling to continue in providing services to our Group or if we fail to continue to attract and retain additional personnel of suitable experience and qualifications, our business may be disrupted and our financial condition and results of operations may be adversely affected.

Expansion in Taiwan market may expose our Group to certain risks

During the Track Record Period, we derived almost all of our revenue from Hong Kong with an established market position and brand image in the health and beauty supplements and products markets in Hong Kong. Our Group is planning to expand our business in Taiwan and apply approximately **[REDACTED]** of our net **[REDACTED]** from the **[REDACTED]** for overseas expansion. Please refer to "Future Plans and Use of **[REDACTED]**" in this Document for further details. The marketing and sales of our products abroad may expose our Group to certain risks, such as exposure to currency fluctuations, increased costs associated with maintaining marketing and sales activities in various regions, potential imposition of trade or foreign exchange restrictions or increased tariffs and changes in foreign regulations that may limit our ability to sell certain products in overseas markets.

If our Group is unable to effectively manage these risks, our ability to conduct or expand our business overseas would be impaired, which may in turn have a material adverse effect on our business, financial condition and results of operations.

Opening of new self-operated stores could result in fluctuations in our financial performance

To diversify and optimise our offline sales network, in October 2025, we established our first self-operated store at Fanling in Hong Kong. Our Group plans to further establish self-operated stores in Hong Kong in a phased approach. For further details, please refer to "Future Plans and Use of **[REDACTED]**" in this Document. Our operating results in the future may be significantly influenced by the timing of opening and performance of our self-operated stores in Hong Kong, which could be affected by factors beyond our control, including operating costs, rental expenses, depreciation and staff costs. New self-operated stores also require substantial cash outflow before opening such as rental deposits, initial operating costs and renovation expenses. Accordingly, the number and timing of opening new self-operated stores may have impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of different periods may not be meaningful. Our results for a given financial period are not necessarily indicative of results to be expected for any other financial period.

Our Company is a holding company and relies on dividend payments from our subsidiaries

Our Company is a holding company and conducts substantially all of our business through our operating subsidiaries. As a result, our ability to pay dividends depends on dividends and other distributions received from these subsidiaries. If our Company's subsidiaries incur debt or loss, it may impair their ability to pay dividends or other distributions to our Company, which may adversely affect our Company's ability to pay dividends to our Shareholders. In addition, restrictive covenants in bank credit facilities, indentures, joint venture agreements or other arrangements that our Group may enter into in the future may also restrict the ability of the subsidiaries to pay dividends or make distributions to our Company. These restrictions may reduce the amount of dividends or other distributions that our Company receives from our subsidiaries, which in turn would restrict our Company's ability to pay dividends to our Shareholders.

Our Group has limited insurance coverage, and any claims beyond our insurance coverage may result in our Group incurring substantial costs and a diversion of resources

Our business, financial condition and results of operations may be adversely affected due to the occurrence of typhoons, earthquakes, floods, diseases, plagues, droughts, fire, acts of terror or other natural disasters or similar events at our offices and warehouses or sources of raw materials for our products. Should an accident occur, it may cause significant property damage and personal injuries. In addition, there are certain types of loss, such as from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters for which we cannot obtain insurance at a reasonable cost or at all. As at the Latest Practicable Date, we have nine insurance policies in place to manage our operational risks and comply with applicable laws and regulations. We maintained insurance policies which cover, among others, (i) statutory employee compensation insurance; (ii) medical insurance for our employees; (iii) commercial insurance for, inter alia, property damage, contents and stocks; and (iv) property insurance for, among others, water damage, theft and stocks. For details, please refer to "Business – Insurance" in this Document.

Should an uninsured loss or a loss in excess of insured limits occur, we may suffer from financial loss, damage to our reputation as well as loss of future revenue anticipated to be derived from the business activities conducted at those properties. Any material uninsured loss may materially and adversely affect our business, financial condition and results of operations.

If our Group fails to sustain an effective internal control system, our Group may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operations and reputation may be materially and adversely affected

Our internal controls will be essential to the integrity of our business and financial results once our Group becomes a public company upon **[REDACTED]** and our public reporting obligations are expected to place a strain on our management, operational and financial resources in the future. Our management may need to invest significant time and we may incur additional costs if we encounter any difficulty in maintaining or improving our internal control system. Effective internal control is necessary for our Group to produce reliable financial reports and prevent fraud. As such, if we are unable to maintain effective internal control, **[REDACTED]** may lose confidence in the reliability of our financial statements, which in turn may materially and adversely affect our business, financial condition, results of operations and reputation.

Our Group may require additional capital and if our Group is unable to raise additional capital on terms favourable to it, or at all, our ability to grow our business may be restricted

We believe that our current cash and cash equivalents, further cash flow from operating activities and the net **[REDACTED]** from the **[REDACTED]** are sufficient to meet our projected capital requirement in the foreseeable future. However, we may need to sell additional equity or obtain debt securities or credit facility if our expenditures exceed our current expectations. The sales of additional equity securities could lead to dilution to the Shares held by our Shareholders. The incurrence of indebtedness may result in increased debt service obligations and may require us to agree to operating and financing covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. If we are unable to raise additional funds on favourable terms, or at all, our ability to grow our business and develop our product offerings may be restricted.

If the wordings of the historical packaging, labels and/or inserts of our products amount to claims of having "medicinal effects", our Group will be subjected to various legislations in relation to pharmaceutical products and medicine in Hong Kong

If the Department of Health is of the view that words of our products amount to claiming medicinal effects, such products will be classified as pharmaceutical products and required to register with the Department of Health and subject to various legislations in relation to pharmaceutical products and medicine in Hong Kong. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, none of our products (i) is classified as medicine, pharmaceutical product or Chinese medicine; or (ii) requires registration under the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong) or the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong). Under such circumstances, if the Department of Health is to classify our products as pharmaceutical products, our Group may contravene section 28A of the Pharmacy and Poisons Ordinance ("**Pharmacy and Poisons Ordinance**") for importing and exporting pharmaceutical products without registration and regulation 36 of the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong) ("**Pharmacy and Poisons Regulations**") for failing to register. The possible violations of the Pharmacy and Poisons Ordinance and the Pharmacy and Poisons Regulations may adversely affect our reputation and image and therefore our business, financial condition and results of operations.

If our relationships with various third-party online platforms are interrupted or discontinued, our business and results of operations may materially and adversely be affected

We cooperate with various third-party online platforms, including social media platforms and mobile payment platforms. These online platforms enable us to reach, acquire and interact with consumers, and engage online marketing and branding campaigns. Our accounts on these online platforms release appealing and engaging content to promote our products and member activities from time to time. We collaborate with entertainers and KOLs on social commerce platforms, such as Instagram and Facebook, and adopt new forms of marketing approaches, such as short-form videos featuring our brand and products, to reach a broader potential consumer base, engage interactions with targeted consumers, and enhance brand recognition. If we fail to establish our presence on more channels, or if we are not able to renew our cooperative relationships with the existing online channels in a timely manner, on reasonable commercial terms or at all, our competitiveness of acquiring consumers through online channels at a relatively low cost may be compromised, and our sales and brand visibility may be adversely affected. If our cooperation with the online channels is discontinued, our business strategy may fail, which in turn, may materially and adversely affect our long-term development plans.

We had net liabilities as at 31 March 2023 and net current liabilities as at 31 March 2023, 2024 and 2025 and we cannot assure you that we will not continue to record net liabilities and net current liabilities

We had net liabilities as at 31 March 2023 and net current liabilities as at 31 March 2023, 2024 and 2025, and we cannot assure you that we will not continue to record net liabilities and net current liabilities. As at 31 March 2023, we recorded net liabilities of HK$1.76 million and as at 31 March 2023, 2024 and 2025, we recorded net current liabilities of HK$27.5 million, HK$3.7 million and HK$4.3 million, respectively. Having net current liabilities could constrain our operational flexibility and could adversely affect our ability to expand our business. If we do not generate sufficient cash inflow from our operations to meet our present and future financial needs, we may need to continue to use and rely on external financial resources. If adequate external financial resources are not available in a timely manner on commercially acceptable terms or at all, we may encounter liquidity issue and our business, financial condition and results of operations may adversely be affected.

Our Group relies on Independent Third Party logistics service providers to deliver our products

During the Track Record Period, we relied on Independent Third Party logistics service providers to handle the transportation and delivery of our products. We believe that timely and reliable delivery of products is crucial for satisfying customer demands and maintaining a good reputation of our Group. If the logistics service providers fail to transport or deliver products with the agreed transportation arrangements in a timely manner or at all, it can lead to customer dissatisfaction or cancelled orders. In the event that our existing logistics service providers fail to fulfil their delivery obligations, we may be held liable for any losses suffered by customers. This could include costs associated with delayed timeline, damaged products, or missed opportunities. Such liabilities can have a significant financial impact, affecting our profitability and overall financial performance. Identifying and establishing relationships with new logistics service providers that meet the required standards may take time, causing further delays in product delivery, which may in turn causing disruptions and negative impact on the overall operations of our business.

Any operational breakdowns, natural disaster or other event affecting our warehouses may disrupt our business

Our two warehouses are located at the same floor in a single building in Hong Kong, which may face the risk of operational breakdowns caused by accidents. In the event of fire, flood and/or any other natural disaster, or other event beyond our control that limits our ability to operate our warehouses, we may need to incur substantial additional expenses to evacuate the current premises and relocate to an alternative location. Any interruption in, or prolonged suspension of any part of operation at, or any damage to or destruction of, any of our warehouses arising from operational breakdowns, unexpected or catastrophic events or otherwise may prevent us from supplying products to our customers, which in turn may materially and adversely affect our business, financial condition or results of operations.

Further, our products stored in the warehouses are also subject to risks such as theft, which could severely disrupt our operations. Although we maintain insurance coverage for our properties, we cannot assure you that such insurance will adequately compensate us for any loss arising from damage to our warehouses or disruptions to our operations. Any such losses could materially and adversely affect our business, financial condition or results of operations.

Our business collects and processes a large amount of customer data, and any improper use or disclosure of or unauthorised access to such data may harm our business and reputation and may result in threats of lawsuits, administrative penalty and related liabilities

We rely on our computer systems and network infrastructure across our operations to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our computer systems or network infrastructure that causes an interruption to our operations could have a material adverse effect on our business and results of operations. Our Directors therefore consider that we may face risks and challenges in the handling and securing of these large volumes of data, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behaviour by our employees;

- addressing concerns related to personal data privacy and sharing of data, safety, security and other factors;
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data; and
- ensuring the compliance of third-party service providers with the data protection related clauses in agreements with us.

Any security breach that results in the release of user data could harm our reputation and brand and, consequently, our business and results of operations, in addition to exposing us to potential legal liability. We cannot assure you that our current measures will be sufficient to prevent all third-party intrusions, cyber-attacks, information or data theft, or data leakage due to the wrongful acts of service providers, or other similar activities.

Various approvals, licences and permits are required to operate our business and the loss or failure to obtain or renew any or all of these approvals, licences and permits could materially and adversely affect our business and results of operations

In accordance with the laws and regulations of Hong Kong or any other relevant jurisdiction where we operate business, we are required to maintain various approvals, licences and permits to operate our business in Hong Kong. From time to time, we may be required to make additional efforts to follow the laws and regulations in relation to necessary approvals, licences and permits. These approvals, licences and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations in relation to food safety, hygiene, environmental protection and fire safety. They are also subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance.

Due to inadvertent oversight, Herb Standard HK and Marvel Pro did not register as a food importer/distributor prior to 21 November 2023 and 29 August 2025, respectively, which constituted a breach of Section 4(1) and Section 5(1) of the Food Safety Ordinance. For Further details, please refer to "Business – Licences, Approvals and Permits" and "Business – Legal Proceedings and Compliance – Compliance – Food Importer/Distributor Registration" in this Document.

We cannot assure you that we will be able to maintain the various approvals, licences and permits to operate our business in Hong Kong or the relevant jurisdiction at all times. In particular, we may experience difficulties, delays or failures in obtaining the necessary approvals, licences and permits for new stores. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licences and permits required for our existing business operations in a timely manner or at all. If any of these occurs, our ongoing business could be interrupted and our expansion plan may be delayed.

Our Group is subject to risks in relation to leased properties

Our warehousing facilities and office spaces are located at leased premises. Therefore, we are subject to a number of risks in relation to the leased properties in the ordinary course of our business, including but not limited to the following:

- Because the lease agreements generally have short lease terms, the ability to renew existing lease agreements at reasonable commercial terms is crucial to our continuous operations and profitability. At the end of each lease term, we may not be able to negotiate an extension of the lease with the landlord and may therefore be forced to vacate the leased premises and move to a less favourable location; and

- We may also be exposed to risks of unexpected early lease termination at the request of the lessors or other reasons out of our control, and the relevant offices and warehouses need to be temporarily closed if we are not able to identify suitable premises on acceptable terms to relocate in a timely manner.

Due to the above reasons, we may need to find alternative locations with equal or similar commercial attractiveness as the original locations, and at commercially favourable terms in a timely manner. Failure to do so would have adverse impacts on our operation and our results of operations.

Failure to comply with any restrictive covenants of our indebtedness could have an adverse effect on our cash flows and liquidity

During the Track Record Period, Herb Standard HK breached the covenants (the "**Breaches**") in relation to bank borrowings with carrying amounts of approximately HK$10.2 million, HK$21.8 million, HK$22.7 million and HK$27.5 million, respectively, for maintaining the minimum amount of net tangible net worth of the subsidiary and declaring dividends to its shareholders without prior written consents (the "**Covenants**") from the relevant bank (the "**Bank**"). For further details, please refer to "Financial Information – Indebtedness – Interest-bearing borrowings" in this Document.

If our Group is in breach of any covenant under our bank loan agreements, in which case the relevant bank requests immediate repayment of the relevant loan prior to maturity, in the future, we may not have sufficient cash to timely repay the borrowings and repayments may disrupt our cash flow and liquidity plans. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our Group is exposed to the risk related to our products that may be sold by parallel traders

During the Track Record Period, we sold our products to various wholesale customers, including parallel traders. Our products may be further sold by parallel traders at a lower price than our recommended retail price owing to their lower operational and promotional costs as well as their business strategies. As we could not identify the identities and background of our walk-in wholesale customers, to the best knowledge of our Directors, we sold our products to no less than three parallel traders during the Track Record Period and our revenue generated from the sales to these parallel traders amounted to nil, approximately HK$6.6 million, nil and nil, representing nil, approximately 6.0%, nil and nil of our total revenue, respectively.

As advised by our Hong Kong Legal Counsel, our Directors note that re-selling by parallel traders in Hong Kong is not illegal provided that the physical appearance and quality of these goods have not been altered from their authorised counterparts or these products have not deteriorated or been tampered with and the original condition has not been changed or impaired or the packaging or any printed materials of such products would not infringe the copyright of the brand owners of these products. If that happens, our Group, being the brand owner, has to take legal actions against the parallel traders based on the provisions of the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong), Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and under common law, which will be costly and time consuming.

RISKS RELATING TO THE INDUSTRY

Slowdown in health and beauty supplements and products industry and any changes in consumer preferences and demand may materially and adversely affect our business prospects and results of operations

Our products are subject to the level of growth of health and beauty supplements and products industry and any changes in consumer preferences, demand and spending habits. Our performance depends on factors which may affect the level and pattern of consumer spending in general, and on health and beauty supplements and products in particular. Consumer preferences and demand may shift away from such products for various reasons, including but not limited to:

- changes in consumer belief that such products may be effective in achieving their claimed benefits;
- decline in consumer confidence and consumer perceptions of such products due to negative publicity; and

- a general decrease in consumer preferences for health and beauty supplements and products as compared to other types of products that claim similar benefits, such as Chinese medications.

Moreover, a general decline in the consumption of our products may occur as a result of a slowdown in the health and beauty supplements and products industry or any changes in industry trends, consumer preferences and spending habits at any time and our future success will depend partly on our ability to anticipate and adapt to such changes. If we are unable to anticipate or respond to such changes in a timely manner or develop products that could successfully meet the constantly changing market trend and demand, our competitiveness and our sales may decrease. Any of these events could adversely affect our competitive advantage and market share, resulting in a material adverse effect on our business, financial condition and results of operations.

A range of geopolitical, economic and business-related risks beyond our control may have a material and adverse effect on our business, results of operations and financial condition

Geopolitical risks, political instability, international trade disputes, armed conflicts, terrorism and other disruptions could impair global commerce and economic stability, negatively impacting our Group, our customers, suppliers, partners, affiliates and associates. Notably, the ongoing U.S.-China trade conflict has introduced significant uncertainty into global markets, contributing to financial market volatility, dampened business sentiment, and slowed investment and trade. The U.S. government has imposed measures such as export controls, economic sanctions, tariffs and heightened regulatory scrutiny on a number of the PRC entities. These actions, alongside threats of further restrictions, exacerbate geopolitical uncertainties, potentially straining economic growth in the PRC and globally, which could materially affect our business, financial condition and results of operations.

Our business is closely related to the economic condition of Hong Kong, global economic and market conditions. Slowing economic growth or a recession could have a material adverse effect on our business, financial condition and results of operations as well as affecting our expansion strategies. Any deterioration of the economy, decrease in disposable consumer income or public perception that a slowdown or recession may occur, may affect consumer preferences and spending, which will in turn decrease the demand for our products, thereby adversely affecting our sales and profitability. For example, during periods of slowing growth or recession, consumers will tend to become more budget conscious and sensitive to the amount they are willing to spend on non-essential items. As our products are ultimately sold to the general public consumers in the retail market, a drop in consumer spending power may lead to a drop in the amount of purchases of our products.

The global economy has experienced, and continues to experience, uncertainty brought by geopolitical factors such as the new administration in the United States and its policies towards trade and other aspects of the relationship between the PRC and the United States, political instability and conflicts in Europe, the Middle East, South Asia, and various other parts of the Asia-Pacific region. Such geopolitical risks on the countries or regions where our customers and suppliers locate, including Hong Kong, Taiwan and Japan, could have a material adverse effect on the economies of our key markets, resulting in lower growth and purchasing power. These developments could also have potential inflationary effects, affect global supply chains, and result in the reduction of manufacturing and export capacity and loss of employment in our key markets and regions where our customers and suppliers locate, and could have a material adverse effect on our business, financial condition and results of operations.

It is difficult to predict how long these conditions will exist. These developments may continue to present risks for an extended period of time for the business, including a potential slowdown in the sales to wholesale customers. If this economic downturn continues, our business, financial condition and results of operations may be adversely affected.

Political and economic risks associated with conducting business in Hong Kong

Substantially all of our business operations are conducted in Hong Kong, and substantially all of our revenue derives from sales in Hong Kong. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in Hong Kong. Hong Kong is a special administrative region of the PRC and the basic policies of the PRC regarding Hong Kong are reflected in the Basic Law, Hong Kong's constitutional document, which provides Hong Kong with a high degree of autonomy and executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems". However, there is no assurance that there will not be any changes in the economic, political and legal environment in Hong Kong in the future. Our business and operations may be affected should there be any material adverse change in the stability and development of the economy, and political and legal environment of Hong Kong.

The e-commerce markets in Hong Kong and the PRC are highly competitive and our Group may face intense competition

In our retail business, we sell our products via various online platforms. In addition to our self-operated online platforms at our Company's websites, we also directly sell our products to end-customers on our online stores established on third-party online platforms including Tmall.hk (天貓國際) and Xiaohongshu (小紅書). Our Directors consider that the e-commerce markets in Hong Kong and the PRC are highly competitive with a large number of online stores selling health and beauty supplements and products. The online stores operated by our competitors may have higher visibility and heavier web traffic that can capture a wider customer base. We cannot assure you that we will be able to compete effectively or cost-efficiently against current and future competitors. Increased competition may result in price reduction and loss of market share, any of which could have a material adverse impact on our business, financial condition or results of operations.

Any outbreak of any communicable disease or occurrence of any similar adverse public health developments may severely disrupt the business and operations of our Group

Any outbreak of any communicable disease or occurrence of any adverse public health developments could have a material and adverse effect on the overall business environment in Hong Kong and overseas, which in turn may have a material adverse effect on the consumer preferences and spending habit, thereby resulting in decrease in demand for our products. In June 2009, the World Health Organisation declared the outbreak of H1N1 influenza to be a pandemic. In April 2013, there were outbreaks of highly pathogenic avian flu caused by the H7N9 virus in certain parts of Hong Kong. In December 2019, the COVID-19 was first reported and was subsequently declared a pandemic by the World Health Organisation in March 2020. The business in Hong Kong has been significantly affected by the COVID-19 outbreak which forced the temporary closures of many stores from early 2020 to 2022. Our results of operations were also significantly affected by the COVID-19 pandemic and the relevant restrictive measures imposed by the government in 2022. Further, if our employees or any of our suppliers are affected by any communicable disease outbreaks, there may be shortage or delay in supply of products. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in the PRC and Hong Kong. In recent years, there have also been seasonal outbreaks of the influenza A virus worldwide which is prevalent during winter season. Any of the above could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO INTELLECTUAL PROPERTY

Our brands and products may be subject to counterfeiting or imitation, which may adversely impact our business, financial condition and results of operations

Counterfeit products are usually sold at much lower prices than the authentic products and are very similar in appearance to the authentic products, which can easily cause confusion to the general public consumers. Any occurrence of counterfeiting or imitation of our products may adversely affect our reputation and brand name, resulting in loss of consumer confidence in our brands, which in turn has an adverse impact on our business, financial condition and results of operations. For example, if consumers purchase counterfeit products that are in direct competition with our authentic products, we may suffer loss of sales for those affected products. In the event that counterfeit products illegally sold under our brand name cause any side effects or injuries to the general public consumers, we may be associated with negative publicity resulting from such incidents. Furthermore, any legal actions relating to counterfeiting or imitation of our products may be expensive and will divert our management's attention as well as other resources away from our business.

Our Group has not in the past experienced counterfeiting and imitation of our products. However, we cannot assure the **[REDACTED]** that counterfeiting or imitation of our products will not occur in the future, and there is a possibility that we may not be able to detect or address the problem effectively.

Third parties may assert or claim that our Group has infringed their intellectual property rights, which may damage our reputation, disrupt our business and/or cause our Group to incur substantial legal costs

Intellectual property rights such as trademarks are important to our Group as they protect brand images and other valuable rights. Our competitors or other third-parties may have intellectual property rights and interests which could potentially come into conflict with our intellectual property rights and interests. In addition, we may not be aware of intellectual property applications or registrations relating to our products or business operations that may give rise to potential infringement claims against us. Legal action involving intellectual property claims is expensive and time-consuming and could divert management's attention from our business. Please refer to "Business – Intellectual Property Rights" in this Document.

If any trademark or other intellectual property claims against our Group are successful, we may be required to pay substantial damages, cease manufacturing, distributing or selling products that are adjudicated to have infringed third-parties' intellectual property rights or expend significant resources to redesign our products so that they do not infringe third-parties' intellectual property rights or obtain relevant licences to avoid further infringements. As a result, our business and operations could be significantly disrupted and a substantial part of our financial resources could be used to defend such actions. Any intellectual property claims or litigation, whether our Group ultimately wins or loses, could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

The [REDACTED] can be terminated

Prospective **[REDACTED]** of the **[REDACTED]** should note that the **[REDACTED]** are entitled to terminate its obligations under the **[REDACTED]** by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) giving notice in writing to our Company upon the occurrence of any of the events stated in "**[REDACTED]** – **[REDACTED]** Arrangements and Expenses – Grounds for Termination" of this Document at any time prior to 8:00 a.m. on the **[REDACTED]**. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out.

There has been no previous public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the completion of the **[REDACTED]**, the Shares have not been **[REDACTED]** or quoted on any stock exchange or open market. The market price of the Shares to be traded on the Stock Exchange may differ from the **[REDACTED]**. Accordingly, **[REDACTED]** should not treat the **[REDACTED]** as an indicator of the market price of the Shares to be traded on the Stock Exchange.

In addition, the market price and trading volume of the Shares may be affected or influenced by various factors upon **[REDACTED]**, including but not limited to, variations in our operating results, income, profit and cash flow, the regulatory development in Hong Kong affecting our Group, our wholesale customers or our competitors, strategic alliances or acquisitions, fluctuations in the market prices for our products or raw materials our manufacturers use, litigation, changes of our senior management, the depth and liquidity of the market for the Shares and general economic conditions. There is no assurance that such factors will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares.

There is no assurance that an active trading market of the Shares will develop

There has been no public market for any of the Shares prior to the **[REDACTED]**. There is no assurance that an active trading market for the Shares on the Stock Exchange will develop, or, if it does develop, that it will be sustained following completion of the **[REDACTED]**, or that the market price of the Shares will not fall below the **[REDACTED]**.

The interests of the Controlling Shareholder(s) may not always coincide with the interests of our Company and those of our other Shareholders

Immediately upon the completion of the **[REDACTED]**, our Company anticipates that our Controlling Shareholder(s) will indirectly own, in the aggregate, approximately **[REDACTED]** of the Shares. Therefore, the Controlling Shareholder will be in a position to control matters requiring approval by Shareholders and thereby exercise significant influence over the operations and business strategy of our Group, and may have the ability to require our Group to effect corporate transactions irrespective of the desires of our other Shareholders, including but not limited to approval of potential mergers or acquisitions, asset sales, election of directors, making of investment decisions and payment of dividends and other distributions. The interests of the Controlling Shareholder(s) may not always coincide with our Group's or our other Shareholders' best interests and the Controlling Shareholder(s) have no obligation to consider the interests of our Group or our other Shareholders. If the interests of the Controlling Shareholder(s) conflict with the interests of our Group or our other Shareholders, or if the Controlling Shareholder(s) choose to cause our business to pursue strategic objectives that conflict with the interests of our Group or our other Shareholders, our Group or those other Shareholders may be disadvantaged as a result.

Certain statistics and facts in this Document are derived from publicly available official sources and have not been independently verified and should not be unduly relied upon

Certain statistics and facts set out in this Document have been extracted from various official government sources and publications. We believe the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. We, however, cannot guarantee the quality or reliability of these materials. Also, while we have exercised reasonable care in reproducing the statistics and facts contained in this Document, these statistics and facts have not been independently verified by our Group, the Sole Sponsor, the **[REDACTED]**, any of their respective directors, advisers, officers, employees, agents or representatives or any other party involved in the **[REDACTED]** and therefore, our Group makes no representation as to the accuracy of these statistics and facts.

Sales or perceived sales by existing Shareholders of a substantial number of the Shares in the public market after the [REDACTED] may materially and adversely affect the prevailing market price of the Shares

Our Company cannot assure the **[REDACTED]** that our Controlling Shareholder(s) or other Shareholders will not dispose of the Shares held by them after the **[REDACTED]**. We cannot predict the effect, if any, of any future sales of our Shares by any of our Controlling Shareholder(s) or other Shareholders may have on the market price of the Shares. Sales of a substantial amount of the Shares by any of our Controlling Shareholder(s) or other Shareholders or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, may materially and adversely affect the prevailing market price of the Shares.

Historical dividends may not be indicative of the amount of future dividend payments or our future dividend policy

Total dividends of approximately HK$14.4 million, HK$10.2 million, HK$37.1 million and nil were declared during the Track Record Period, respectively. However, our ability to pay dividends or make other distributions to our Shareholders is subject to our future operations and earnings, capital requirements and surplus, cash flow position and any other factors which our Directors may consider relevant. We may not be able to distribute dividends to our Shareholders as a result of the abovementioned factors. Therefore, our historical dividend distribution should not be used as a reference to our dividend policy, nor as a basis to determine the level of dividends that may be declared and paid in the future. There is no assurance that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. We may not be able to record profits or have sufficient funds above our funding requirements, other obligations and business plans to declare dividends to our Shareholders after **[REDACTED]**.

Granting awards under the Post-[REDACTED] Share Award Scheme may affect our result of operations and dilute our Shareholders' percentage of ownership

Our Company may grant awards under the Post-**[REDACTED]** Share Award Scheme in the future. The fair value of the awards on the date on which they are granted may adversely affect our results of operations. Issuance of the Shares for the purpose of satisfying any award made under the Post-**[REDACTED]** Share Award Scheme will also increase the number of the Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of our Shareholders and the net asset value per Share. For a summary of the terms of the Post-**[REDACTED]** Share Award Scheme, please refer to "Statutory and General Information – D. Post-**[REDACTED]** Share Award Scheme" in Appendix IV to this Document.

Forward-looking statements contained in this Document are subject to risks and uncertainties

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information in this Document. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

[REDACTED] should read this entire Document carefully and should not consider any particular statements in this Document or in published media reports without carefully considering the risks and other information contained in this Document

Prior to the publication of this Document, there may be coverage in the media regarding us and the **[REDACTED]**, which may contain among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Document. Accordingly, prospective **[REDACTED]** are cautioned to make their **[REDACTED]** decisions on the basis of the information contained in this Document only and should not rely on any other information.

There may be difficulties in protecting your interests under the laws of the Cayman Islands

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to us under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.