You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Brand erosion for one or more of our products could materially and adversely affect our business, financial condition and results of operations

We market and sell branded healthcare products and our success is attributable to the well-established brands of our products and our ability to manage the brands effectively. As at March 31, 2020, we carried a total of 20 principal brands, including 11 third-party brands and 9 own brands, which together accounted for 94.3% of our total revenue for that financial year. We have devoted significant resources in brand marketing, promotion and management to enhance their appeal and recognition. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our advertising and promotion cost amounted to HK$32.5 million, HK$32.6 million, HK$31.8 million and HK$8.1 million, or 12.3%, 10.6%, 8.3% and 6.8% of our total revenue, respectively. However, our marketing and promotional initiatives may not always be successful. If a major advertising campaign fails to yield the desired sales results, our profitability may be materially and adversely affected. In addition, the success of a brand could be affected if our marketing and promotional initiatives do not have the desired impact on the brand's image or its ability to attract consumers. Furthermore, our business could be negatively impacted if any of our products suffers substantial harm to its brand reputation due to a product recall, product-related litigation, defects or impurities in the product, product misuse, changing consumer perceptions of the product or its ingredients, allegations of product tampering or the impact of counterfeit products. In addition, negative or inaccurate reports, postings or comments on social media or websites about any of the product brands or about our Company and its affiliates by the general public or KOLs and influencers we collaborate with could generate negative publicity that could damage the reputation of our product brands or our Group. If we are unable to effectively manage our product brands or address actual or perceived issues that could result in brand erosion, we could experience a decline in demand for our products and our business, financial condition and results of operations could be materially and adversely affected.

The COVID-19 outbreak may have a material adverse impact on our business, financial condition and results of operations

The outbreak of COVID-19 has caused, and may continue to cause, an adverse and prolonged impact on both economic and social conditions in Hong Kong and other parts of the world, which may in turn interrupt our business operations. In general, the COVID-19 outbreak has weakened consumer sentiment and adversely impacted retail spending in Hong Kong as local economic activities and the number of visitors declined as a result of various social distancing measures and travel restrictions implemented from time to time. As we sell the majority of our products through retail channels, such as major modern trade chain stores, registered pharmacies and drug stores, the COVID-19 outbreak has negatively affected the sales of many of our branded healthcare products since 2020. Although we were able to respond to the sharp market changes by introducing personal hygiene products, such as face masks and antiseptic hand rubs, to the market which were in high demand amid the COVID-19 outbreak, and recorded higher revenue for the year ended March 31, 2020 as compared to the year ended March 31, 2019, any further prolonged outbreak of COVID-19 may materially and adversely impact on our business and financial performance going forward.

We have implemented various measures to reduce the potential operational impact of the COVID-19 outbreak on our business and have closely tracked the health status of our staff. However, there is no assurance that the employees of our Group or our business partners, including third-party brand owners, third-party manufacturers and customers, will not be infected in the future, in which event we might have to suspend our operations or discard products that may have been contaminated. The extent to which the COVID-19 outbreak will affect us or our business partners is uncertain and may change significantly in the future. There is no assurance that the overall economic performance of Hong Kong and other affected countries will improve shortly even after the containment of COVID-19 and the withdrawal of relevant policies and recommendations by the governments of Hong Kong and other countries. Furthermore, it is uncertain whether and when another major outbreak of COVID-19 or other diseases will happen in the future. If any of these events occurs, our business, financial condition and results of operations may be materially and adversely affected. For further details of the impact of COVID-19 outbreak, see the sections headed "Industry Overview — Potential Market Impact from the Outbreak of COVID-19," "Financial Information — Factors Affecting Our Results of Operations — COVID-19 Outbreak" and "Financial Information — Recent Developments."

We face intense market competition for the sale of branded healthcare products

Our branded healthcare products typically compete in three market segments, namely the branded medicines, health and wellness and proprietary Chinese medicine markets, which are highly competitive and rapidly evolving with frequent introduction of new brands and products and high consumer expectations on quality and value. We face intense competition from existing competitors and new entrants, including multinational companies, as well as domestic manufacturers and distributors of products that have competing market positioning or similar efficacies that can be used as substitutes for our products.

The competitiveness of our products depends on a number of factors, including product quality, brand positioning, price, effectiveness of our marketing activities, breadth and depth of our distribution and sales networks and other factors. Some of our existing and potential competitors may have greater business resources, financial resources or experience in developing and marketing branded healthcare products than we do. In addition, such competitors may have greater brand recognition, more established or extensive distribution networks, or more extensive knowledge of our target consumers and target markets. There is no assurance that our competitors will not introduce products that are or are perceived to be comparable or superior to those of ours, or adapt more quickly than us to changes in industry trends, market preferences and requirements or consumer behaviors and habits. It is also unpredictable whether our competitors will substantially increase their advertising expenditures and promotional activities or engage in irrational or predatory pricing behavior, or whether there will be consolidation or cooperative arrangements among our competitors that could negatively affect our competitive position. If we are unable to compete effectively or otherwise respond to competitive pressure promptly or adequately, our product prices and sales may be hampered, which could result in lower profitability and materially and adversely affect our financial condition and results of operations.

Our business is subject to changing consumer preferences and perception

Consumer demand may shift away from our products due to a number of factors, including consumer preferences, confidence, income, perception of the safety and quality of our products and changes in economic and social conditions. Any failure to adapt our product offering to respond to changes in consumer preferences may result in decline in our sales, put pressure on pricing or lead to increased levels of selling and advertising expenses. Media coverage regarding the safety or quality of, or diet or health issues relating to, branded healthcare products or the raw materials, ingredients or processes involved in their manufacturing, may also affect consumer confidence in us and our products and lead consumers to switch to competing products, even if such issues are unfounded. Any changes in consumer preferences and perceptions at any time may affect the demand for our products, which could negatively impact our profitability and materially and adversely affect our financial condition and results of operations.

Our future growth depends on our ability to source and successfully commercialize third-party brand products

A substantial proportion of our consumer healthcare products are sourced from third-party brand owners. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, 77.9%, 79.2%, 80.7% and 81.3% of the number of consumer healthcare products in our portfolio was sourced from third-party brand owners, respectively. The growth of our product portfolio hinges on our ability to source quality third-party brand products with market potential. However, there is no assurance that we will be able to successfully source new third-party brand products or renew the existing arrangements for the third-party brand products we carry in the future. In addition, the successful commercialization of a product is subject to a number of factors, including market trends, our ability to obtain the necessary licenses, permits and approvals for the sales and distribution of the products in our targeted geographical regions, branding and marketing efforts, management of downstream sales and distribution channels and other factors. Resources and costs will be incurred for the identification, sourcing (such as initial licensing fee as an upfront payment for in-licensing arrangements) and the marketing and promotional initiatives for our third-party brand products, which may place substantial strain on our managerial, operational and financial resources. There is no assurance that each new third-party brand product we secure and carry will be profitable. If we are unable to successfully source or commercialize third-party brand products, the growth of our business may be impeded and our financial condition and results of operations could be materially and adversely affected.

Third-party brand owners could early terminate our distribution rights with cause or refuse to renew our distributorship or in-licensing agreements upon expiration

We have grown and will continue to seek expansion of our business through, among other means, engagement of third-party brands. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, sales of third-party brand products accounted for 21.0%, 24.9%, 28.1% and 27.6% of our revenue, respectively. We have entered into distributorship or in-licensing agreements with most third-party brand owners, under which we are granted the right to sell their selected products in the relevant geographic markets for an agreed term typically ranging from 3 to 15 years, subject to renewal. These agreements however generally provide that the brand owner may early terminate our distribution rights in the event of our failure to perform any of our obligations under the agreements and with prior written notice of one to three months. Poor sales performance in a certain geographic market may affect our ability to maintain the right to distribute the products in other authorized territories granted to us under the same agreement. If a third-party brand owner terminates its agreement with us for cause or otherwise, if we fail to renew the agreement upon expiration of a term, or if a third-party brand owner discontinues any of the products that are under distributorship or in-licensing arrangement with us, we will cease to sell the relevant products, and there is no assurance that we will be able to source other products of comparable or better quality or popularity, or on comparable or better commercial terms, or at all. The distribution rights of the relevant products may also fall into the hands of our competitors or a third-party brand owner may deem the engagement of brand operators like us to be redundant in light of the growing popularity of online retail and e-commerce, which provide a viable channel for direct sales by brand owners. If any of these events occurs, the sales of our existing or replacement products, our business, financial condition and results of operations could be materially and adversely affected.

The distribution rights granted to us by some of our third-party brand owners are non-exclusive in nature

The distribution rights granted to us by some of our third-party brand owners are non-exclusive in nature. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our sales of third-party brand products not under exclusive distribution arrangement accounted for 8.2%, 9.1%, 20.0% and 26.8% of our revenue from sales of third-party brand products, respectively. Without exclusive arrangements, third-party brand owners are not restricted from appointing other additional distributors for the distribution of their products in the territories where we engage sales and distribution of these products. In such circumstances, we may have to compete with additional distributors in the distribution of these third-party brand products, which may lead to a decrease in purchase orders placed by our customers if there is no corresponding increase in market demand for these products. Our revenue may decrease as a result, and our business, financial condition and results of operations may be adversely affected.

Defective products may expose us to liability and damage our reputation

The nature of our business exposes us to the risk of product liability, personal injury or wrongful death claims that are inherent in the development, manufacture and sales of consumer products. Manufacturers or vendors of defective products could be subject to civil liability for loss or physical injury to any affected person. In Hong Kong, manufacturers of defective products could also be subject to criminal liability and have their business licenses revoked. In the event a lawsuit is brought against us, we may have to incur substantial costs to defend the lawsuit or be held liable for significant damages, and we may be unable to seek full indemnification from our suppliers, third-party manufacturers or third-party brand owners or be fully covered by our insurance for our liability and costs. Lawsuits could also divert management attention from the development and implementation of our business strategies. In addition, the brand image or reputation of us and our products could be harmed if our products are found or perceived to be defective, and any negative publicity drawn from such lawsuits and litigations. As a result, any of the forgoing could materially and adversely affect our business, financial position and results of operations.

Our insurance coverage may not completely cover the risks related to our business and operations

We maintain limited insurance coverage such as material damage insurance, product liability insurance, public liability insurance, marine cargo insurance, money insurance, motor insurance, employees' compensation insurance, employees' life insurance and loss of profit insurance. If any claims for injury or damages are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance.

For example, we may face product liability claims on the grounds that the use of our products or third-party brand products distributed by us has resulted in their bodily injuries, property damage or other losses. While we maintain product liability insurances covering, among others, bodily injury, property damage, advertising injury, personal injury, financial injury that happens within specified territories in connection with our business, damages awarded in a product liability action could be substantial and may require us to pay significant monetary damages should our product liability insurance limit be inadequate. Furthermore, although we may have legal recourse against third-party brand owners, an attempt to enforce our rights against a third-party brand owner may be expensive, time-consuming and ultimately futile.

In addition, there are certain types of losses, such as from war, acts of terrorism and certain natural disasters, for which we cannot obtain insurance at a reasonable cost, or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, as well as damage to our reputation, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. Any material uninsured loss could have a material adverse effect on our business, financial position and results of operations.

Our brand-building efforts may not yield the desired results

A cornerstone of our success lies in our capability in brand management and marketing. For products that are new to a market, we employ a consumer-driven approach to analyze the landscape of the target market and end-consumer base to clarify our brand value proposition and formulate integrated branding strategies to increase sales and reinforce brand loyalty. Meanwhile, for our heritage household brands, we strive to rejuvenate their brand positioning to adapt to the changing demographics and consumer behaviors. Brand-building can be time-consuming, expensive and may divert attention away from our daily operations. We may not be able to successfully popularize a brand due to reasons beyond our control, including sufficient amount of retail demand for our products, correct brand positioning, or the popularity of competing brands and products. There is no assurance that any brand-building activities conducted by us will succeed or will be completed within the anticipated time frame or that the costs of such activities can be fully or partially recovered. If our brand-building activities do not yield the desired results, our business, financial position and results of operations could be materially and adversely affected.

Market receptiveness of proprietary Chinese medicines may change

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, proprietary Chinese medicines accounted for 45.1%, 47.2%, 48.2% and 53.8% of our revenue, respectively. Popularity of and demand for proprietary Chinese medicines is therefore expected to have an impact on our continued business success. However, consumer preferences and demand may shift away from proprietary Chinese medicines for various reasons, including but not limited to:

- a change in consumers' belief that proprietary Chinese medicines may be effective in achieving their claimed benefits;
- a general change in consumer preferences for proprietary Chinese medicines as compared to other types of products that claim similar benefits, such as western medications; and
- negative scientific research, findings or publicity regarding proprietary Chinese medicines or other associated services.

We believe that the proprietary Chinese medicine market is highly dependent on consumer perception regarding the safety, efficacy, level of side effects and quality of proprietary Chinese medicines. Consumer perception of our proprietary Chinese medicines can be significantly influenced by scientific research or findings, media attention and other publicity regarding related Chinese medicine products. We cannot guarantee that future scientific research, findings or publicity will be favorable to any of our proprietary Chinese medicines, or consistent with existing research or findings which are favorable to our products. Future research reports, findings or publicity that are perceived as less favorable to our proprietary Chinese medicines could have a negative impact on the demand for our products, and consequently our business, financial condition and results of operations could be materially and adversely affected. Furthermore, scientific research reports, findings or publicity, whether or not accurate, may associate illness or other adverse effects with the consumption of Chinese medicine products in general or that of our products or any similar products distributed by other companies, question the safety, efficacy or benefits of our or similar products, or claim that any of such products are unsafe or ineffective. Negative publicity could also arise even if the adverse effects associated with a product resulted from consumers' failure to consume the product appropriately or as directed. Any such reports, findings or publicity may have a material adverse effect on the demand for our products and our business, financial condition and results of operation.

The registration and renewal of our branded medicines and proprietary Chinese medicines may be challenging in different markets

Product registration is required for certain of our products before they can be sold and supplied in Hong Kong, China and selected overseas markets. Such products include certain of our existing products, mainly branded medicines and proprietary Chinese medicines, and may include certain new products that we seek to commercialize in the future. The registration requirements for these products vary by jurisdiction. Complying with these product registration and product license requirements for the requisite existing and new products may require sophisticated facilities and significant initial investments and on-going costs. In addition, regulatory regimes and their implementations are becoming increasingly stringent and there is no assurance that we can continue to comply with such requirements.

In particular, the State Administration for Market Regulation and the NMPA have imposed certain requirements for the renewal of drug licenses. For example, the Measures for the Administration of Drug Registrations promulgated by the NMPA stipulates that a drug license cannot be renewed if the applicant (i) fails to apply for the renewal before the drug license expires; (ii) fails to continuously inspect the quality, efficacy and adverse reaction of the drug; (iii) fails to complete the research work required by the drug approval document and the drug regulatory authority within the prescribed time limit without reasonable reasons; or (iv) applies for renewal of drug license for a drug that is classified as having inaccurate curative effect, large adverse reaction or endangering human health due to other reasons in post-market evaluation. If the drug license holder files a supplementary application simultaneously with the renewal application, the renewal process could involve, for example, (i) new quality specifications for active ingredients and poisonous substances that require more quantitative analysis, and (ii) additional stability testing based on the quality specifications. Meeting these requirements may require the performance of additional quantitative analytical tests. As of July 31, 2020, we had two proprietary Chinese medicines (namely Puji Pills and Flying Eagle Woodlok Oil) registered with the NMPA, due to be expired on April 20, 2022 and January 14, 2024, respectively. There is no assurance on the successful or timely renewal of these licenses when we apply for renewal in the future. If we fail to successfully renew these registrations and licenses or if we experience significant delays in such renewals, our business, financial condition and results of operation could be materially and adversely affected.

Our e-commerce initiatives may not yield desired results

Consumer purchasing behavior has increasingly shifted away from offline to online. As a result, we have been actively deploying efforts and resources to develop our e-commerce channels, including the distribution of products through our own online platform, GoSmart and selected third-party online platforms such as Big Big Shop and HKTVmall, and the implementation of our cross-border e-commerce initiatives. For further details, see the section headed "Business — Sales and Distribution." The growing popularity of online retail and e-commerce have changed consumer shopping behavior, facilitated the growth of new business models and eased the way for entrepreneurs and direct sales by brand owners, which brought new competitive pressure on businesses founded on traditional transaction models and created pressure on such businesses to change and adapt to a new business ecosystem. The e-commerce market in Hong Kong and China is highly competitive with a large number of online stores selling branded healthcare products. Some of our competitors may have been involved in the e-commerce channels longer than we have, more adequately staffed with employees with relevant experience and know-how and may have substantially more financial, marketing and other resources than we do. Competing online stores may also have higher visibility and heavier web traffic that can capture a wider customer base. If we fail to cater to or grow our business through the development of online retail and e-commerce and cannot compete effectively or cost-efficiently against current and future competitors, our market share may decrease and our results of operations may be adversely affected. Our ability to implement our e-commerce initiatives successfully will depend on a variety of factors, some of which are beyond our control, including changes in policy and regulations, weakening of general market conditions in the market segments in which we operate, popularity of the third-party e-commerce platforms among end consumers where we or our distributor operate our online stores, and ability of the e-commerce platforms, logistics service providers or third-party payment service providers we rely on for our cross-border e-commerce initiatives to maintain the requisite approvals or licenses as required by PRC laws and regulations. Our e-commerce initiatives may incur substantial efforts and divert the attention of our management from our business operations. In addition, they may not always be successful and may fail to yield the desired sales results, which could materially and adversely affect our profitability.

Our product development efforts may not result in the successful development and commercialization of new products

We believe that product development is key to maintain competitive product offerings, as well as to adapt to new and evolving consumer demands and regulatory requirements. The majority of our own brand products are OTC proprietary medicines and OTC proprietary Chinese medicines with long established proprietary formulations based on ancient prescriptions, pharmacopeia prescriptions or customary Chinese prescriptions. Tailored to the characteristics of our own brand product portfolio, we focus our product development efforts on product line extensions, formulation variations and formulation refinements for overseas markets and expansion into new markets, and our future growth and prospects are dependent on our ability to successfully develop our portfolio. However, our research and development efforts may not lead to successful outcomes due to reasons beyond our control, including failure to meet safety, efficacy or other standards and requirements during testing, or failure to obtain regulatory approvals in targeted geographical market on a timely basis or at all. The process of obtaining regulatory approval from the relevant government authorities in various markets can also be lengthy and expensive and the regulatory authorities may impose certain standards on safety, manufacturing, packaging and distribution of new products. Complying with such standards may be time-consuming and expensive and could result in difficulties and delays in obtaining regulatory approval and such approval may be subject to certain conditions or limitations, which could lower the profitability of the relevant products. There is no assurance that any product development activities conducted or commissioned by us will succeed or will be completed within the anticipated time frame or that the costs of such product development activities can be fully or partially recovered. Our product development activities may not yield products that can pass regulatory hurdles. Pursuit of some of our product development activities may require purchasing specialized equipment or other additional costs. If our product development activities do not result in the successful development of a new product extensions or varied or refined product formulations, we will need to write-off the relevant capitalized development costs relating to that product. Furthermore, there is no assurance that we will be able to successfully commercialize our self-developed products. If any of our self-developed products fails to achieve market acceptance after gaining regulatory approval, or if the market size and market demand for our self-developed products remain limited after product launch, our business, financial position and results of operations could be materially and adversely affected.

Failure to maintain the quality of our products could materially and adversely affect the level of market recognition of, and trust, in our products

We place great emphasis on product quality and adherence to stringent quality assurance and control measures. See the section headed "Business — Quality Management" for more details. Failure to maintain an effective quality assurance and control system may result in quality issues in our products, which could result in a decrease in demand for our products or product return or cancelation or loss of purchase orders from our customers. If we are unable to obtain or renew our quality standards certifications, we may suffer a decrease in market recognition of our products. In addition, in the event of allegations that any of our products have quality issues or severe adverse side effects or are otherwise harmful, we may need to recall our products from the market. For further details, see the section headed "Business — Sales and Distribution — Product Returns, Recalls and Warranties." Any negative publicity or adverse associations with our products, including with respect to their efficacy or side effects, may negatively affect our reputation. Furthermore, the discovery of severe side effects of products manufactured or sold by other companies may also dampen the sales of our products that have the same active ingredients. Any of the forgoing could materially and adversely affect our business, financial position and results of operations.

Failure to maintain stable relationships with our distributors and wholesalers may have a material adverse effect on our business, financial position and results of operations

We sell selected products through a third-party distributor, our Hong Kong Distributor, who then on-sells our products to their customers, mainly chain retailers and end consumers through third-party e-commerce platforms. Outside of Hong Kong, we generally engage one to two overseas distributors or wholesalers per country or region for the distribution of our selected products. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, sales to distributors and wholesalers accounted for 13.8%, 20.2%, 15.3% and 12.2% of our revenue, respectively. Our relationships with our distributors and wholesalers depend on our ability to deliver on their purchase requests in a timely manner and in accordance with their pricing, quality and other requirements. To the extent that we cannot meet their requirements or effectively monitor their performance, we may damage or lose our relationships with these distributors and wholesalers. In cases where agreements with our distributors are terminated, we may need to incur additional costs to increase our sales and marketing footprint and we may need to look for appropriate alternative or replacement distributors or wholesalers to distribute and on-sell our products. Finding appropriate alternative distributors and wholesalers involves a significant investment of time and resources, and such replacements may not be as effective and capable in on-selling our products in their respective local regions, which in turn would reflect negatively in the demand and accordingly the volume of product purchases from us. As a result, our failure to maintain stable relationships with our distributors and wholesalers could have a material adverse effect on our business, financial position and results of operations.

We may be unable to effectively manage our network of distributors

We may not be able to manage the activities of our distributors, who are independent from us. Our distributors may fail to comply with or breach the terms of our distribution agreements, or engage in activities that, while not restricted by our agreed terms but nonetheless results in competing interests with us, including, among other things:

- failing to meet minimum sales targets;
- selling our products outside their designated territories or channels in violation of any requisite agreed terms;
- failing to provide proper training and other services to end customers;
- failing to adequately promote our products;
- selling products that compete with ours;
- failing to comply with regulatory requirements when selling our products; or
- violating applicable laws or otherwise engaging in illegal practices in relation to their sales and marketing of our products.

Identifying underperforming distributors and finding appropriate alternative distributors involve a significant investment of time and resources, and there is no assurance that replacement distributors will comply with the terms of our distribution agreements or generate satisfactory level of sales or refrain from engaging in activities that we consider as having competing interests with us. Failure to adequately manage our network of distributors could harm our corporate reputation and disrupt our sales and consequently have a material adverse effect on our revenue, profitability, business, financial position and results of operations.

The existence of products sold by trading companies or other sellers without proper authorization from us or the relevant brand owners in our markets may negatively affect our sales

We have exclusive distribution rights for most of the principal third-party brand products in the relevant markets as authorized by the brand owners. Nonetheless, some of our products are also available in the same market for various reasons beyond our control, such as the illegal importation from countries where market dynamics result in lower prices, from trading companies who have procured or imported such products without proper authorization from the brand owners, or from other sellers who have procured such products through e-commerce channels and re-sell them at lower prices. Any of these unauthorized sales may have quality or service issues that may give rise to negative publicity in respect of our products and consequently damage the reputation of our products in the market in general. In addition, such unauthorized sellers may sell the products at lower prices than us and exert pricing pressure on our sales. Regardless, sales of our products by unauthorized sellers in our markets could materially and adversely affect our business, financial condition and results of operations.

The actions of our distributors, wholesalers and trading company customers may adversely impact our business, financial condition and results of operations

We sell our products to distributors, wholesalers and trading companies, which then on-sell our products to their customers. We generally do not impose any control over their on-selling activities or their respective downstream customers and have limited control over the ultimate retail sales of our products. We only monitor the sales and inventory of our distributors, wholesalers and trading company customers by communicating with them regularly or reviewing the sales and inventory reports of our distributors and their sales targets, as applicable. We cannot guarantee that the downstream customers of our distributors, wholesalers and trading company customers will not compete with each other for market share in respect of our products. If any of them carries out actions which are inconsistent with our business strategy, it may affect our brand and reputation and consumers' perception of our products may also be tarnished, which may in turn hamper our sales and our business, financial condition and results of operations may be materially and adversely affected.

We may be negatively impacted by quality and supply issues with products sourced from third-party brands or manufactured by third-party manufacturers

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest finished good suppliers (namely third-party brand owners and third-party manufacturers) accounted for 91.8%, 88.6%, 58.7% and 63.3% of our total purchases of finished goods, respectively. As we are not involved in the manufacture of third-party brand products and certain own brand products manufactured by third-party manufacturers, we cannot guarantee that there will not be any unexpected interruption of their supply of products to us or any increase in the manufacturing costs for any reason beyond our control or expectation, such as introduction of new regulatory requirements, import restrictions, loss of their certifications or licenses, power interruptions, fires or other events. If any of these events occurs, in particular to any of our major suppliers, this could result in disruption to our supply of products and generate negative publicity that could damage our reputation and cause consumers to switch to competing products, which could have a material adverse impact on our business operations and profitability.

In addition, we have limited control over the manufacturing process of third-party brand owners and third-party manufacturers, and we cannot guarantee that the products sourced from third-party brands or manufactured by third-party manufacturers are free from defects or other quality issues. The risks of such products not being produced in accordance with our manufacturing or product specifications, in the necessary volume or at the appropriate quality levels are higher than if we manufacture these products by ourselves. In addition, third-party brand owners and third-party manufacturers may fail to maintain the necessary licenses, permits and certificates to carry out the manufacture of our products, breach their obligations to manufacture and deliver our products on a timely basis, or fail to abide by the requisite manufacturing protocols or our quality control requirements. Quality issues related to products which our third-party manufacturers manufacture for third parties may also be imputed to the products they manufacture for us and adversely affect our reputation. We are also exposed to the risks of increased pricing for our outsourced manufacturing and that we may be unable to appoint or re-appoint third-party manufacturers in commercially acceptable terms. Any of the above situations could negatively impact our business operations, profitability and reputation.

We may encounter inadequate supply or oversupply if we fail to accurately project demand for our products

Our distributors and customers typically order our products on an order-by-order basis. We project demand for our products based on, among other things, our marketing plan, sales targets as agreed with our distributors (if any), our sales reports and our internal database of historical customer orders. We may fail to accurately forecast demand and coordinate our procurement and production to meet demand on a timely basis. If we underestimate demand, we may not have sufficient raw materials for manufacturing our own brand products or sufficient third-party brand products to meet the demand and capture the sales. If we overestimate such demand, we may purchase more raw materials or source more products than required, or we may have resolved and incurred substantial costs and efforts in developing new product extensions or varied or refined product formulations or expanding the production capacity for a product that will not provide the anticipated returns. Our inability to accurately predict market demand and to timely meet such demand could materially and adversely affect our business, financial position and results of operations.

If our products and inventories become obsolete, our business, financial position and results of operations will be materially and adversely affected

We believe that the consumer healthcare and proprietary Chinese medicine industries are both characterized by changes in technologies, constant enhancement of industry know-how and constant emergence of new products. Future technological improvements, rapid changes in industry standards and continual product developments may lead to the emergence of new or substitute products that compete directly or indirectly with our existing products. Consequently, this may affect the viability of our products and render our existing products obsolete. Our products and inventories, including our raw materials, packaging materials and finished goods, may also become obsolete as a result of adverse changes in demands and consumer preference or overstock due to overestimation of demand. Furthermore, as our health and wellness product portfolio grows, we may carry more products with shorter shelf lives. Thus, if we fail to respond to these changes by adjusting our product portfolio, procurement or production amount or manage our inventory effectively in a timely fashion, or if future products we carry do not achieve adequate market acceptance, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our business, financial condition and results of operations.

We may have difficulty managing our manufacturing operations or our production capacity, and our manufacturing facilities are exposed to risks of substantial disruption

Our manufacturing operations are an important part of our business. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, sales of our self-manufactured products accounted for 77.7%, 73.6%, 53.4% and 40.9% of our revenue, respectively. Any damage or malfunction to our manufacturing equipment may affect our ability to fulfill product orders. In addition, operation of our manufacturing equipment requires employees with experience, technical know-how and qualifications. Any failure to effectively manage our manufacturing operations due to loss of employees or otherwise could have a material adverse effect on our business, financial position and results of operations.

Management of production capacity is also critical to our manufacturing operations and results of operations. If our production capacity is insufficient for satisfying all sale orders, our customer relationships and reputation could be materially and adversely affected. If we do not have sufficient demand for our products, we may suffer under utilization of our capacity and accordingly higher average cost of production. We cannot guarantee that our forecasted or anticipated product demand will materialize. If our manufacturing facilities are underutilized, we may suffer a decrease in profitability and our results of operations could be materially and adversely affected.

Our manufacturing operations are also subject to a number of risks, such as fire, theft, machinery breakdowns, sub-standard performance of our manufacturing equipment, raw material contamination, natural disasters, power outages or water shortages. The occurrence of any of these may severely disrupt our manufacturing operations. Our manufacturing facilities may also be subject to repairs, upgrades, refurbishments or modifications from time to time which may require suspension in operations. For example, in conjunction with our Reorganization, we suspended the operation of one of our GMP-accredited manufacturing facilities in Tai Po, Hong Kong, which has been used principally for our production of Flying Eagle Woodlok Oil, and commenced renovation works in February 2020 for a planned expansion and upgrade. We have since completed the renovation works and received the updated manufacturer license and GMP certificate and have gradually resumed basic operations of the said facility from late September 2020. For further details, see the section headed "Business — Development and Manufacture of Own Brand Products — Manufacturing Facilities — Adjustment and upgrade of manufacturing facility." In addition, the operations of a manufacturing facility can be substantially interrupted due to a suspension or loss of licenses, certifications or permits, or changes in governmental planning for the land underlying these facilities and regulatory changes. If the operation of our manufacturing facilities is substantially disrupted, we may not be able to replace or repair the damaged equipment or facilities, or use a different facility to continue our production in a timely and cost-effective manner, or at all. As a result, we may fail to fulfill contractual obligations or meet market demands for our products, and our business, financial condition and results of operations could be adversely affected.

Failure to obtain a steady supply of raw materials and packaging materials of our required quality could materially and adversely affect our business, financial position and results of operations

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our five largest raw material or packaging material suppliers accounted for 72.9%, 66.4%, 67.3% and 78.3% of our total purchases of raw materials and packaging materials, respectively. There is no assurance that we will be able to maintain our relationships with our suppliers. In addition, to the extent that suppliers of our raw materials face quality issues, we may need to discard and write off any inventory from those suppliers. Meanwhile, importation of certain of our raw materials is subject to import approval, and there is no assurance that we will be able to obtain such approval. Failure to obtain the approval may limit our ability to access these raw materials. The supplies and prices of raw materials and packaging materials may also be impacted, which may affect our cost of sales. In particular, our proprietary Chinese medicines are made with natural ingredients, which originate from raw materials of a suitable quality whose properties are related to the regions and climatic conditions in which they are grown. In addition, there have been historical instances in the proprietary Chinese medicine industry of raw materials being adulterated or contaminated, causing harm to the persons consuming them. 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.

Furthermore, notwithstanding our strict quality control system for the procurement of our raw materials and packaging materials, it cannot be assured that our suppliers will not inadvertently contaminate the raw materials or provide us with substandard raw materials or packaging materials that would adversely impact on the quality of our products. If we experience any quality or safety problems in relation to our raw materials, our reputation and business may suffer, which could materially and adversely affect our financial position and results of operations.

Any increase in the prices of raw materials and packaging materials may have a negative impact on our business and profitability

We are exposed to the risk of price increase in raw materials and packaging materials. For March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our cost of raw materials and packaging materials accounted for 30.3%, 32.1%, 18.3% and 9.5% of our cost of sales, respectively. The availability and prices of raw materials and packaging materials required for the production of our products may be impacted by factors such as general market conditions, including increased demand or reduced supply of such materials within in a specific period, weather conditions and the occurrence of natural disasters, many of which are beyond our control. We may also be unable to respond to increases in the prices for raw materials and packaging materials, and unable to pass on such price increases to our customers due to competitive conditions or other reasons. Increases in the prices of raw materials and packaging materials could therefore result in lower margins for our products. In the event that we are unable to obtain supply of the raw materials and packaging materials necessary for the production of our products at commercially acceptable prices, we may be forced to reduce, suspend or cease production or sale of certain of our products, as a result of which our business operations and financial results could be adversely affected.

We are exposed to increases in compliance costs and uncertainties due to GMP and PIC/S GMP requirements

Our two manufacturing facilities for proprietary Chinese medicines in Tai Po, Hong Kong are GMP-accredited and our manufacturing facility for branded medicines is PIC/S GMP-accredited. We are required to comply with the respective standards when manufacturing products in these facilities, which contain minimum requirements for the quality controls used in manufacturing, processing, and packaging of a drug product. Complying with these standards is a costly, time-consuming and highly technical process. Furthermore, regulatory changes may require us to upgrade our facilities and modify our manufacturing process, resulting in increases in compliance costs. For example, since January 1, 2016, Hong Kong has started to adopt more stringent requirements under PIC/S GMP, which is applicable to new registration or renewal of our currently registered branded medicines manufactured in our PIC/S GMP-accredited facility. A determination that we are in violation of or not in compliance with GMP or PIC/S GMP standards or other regulations could lead to an interruption of our production output and the imposition of civil penalties, including fines, contractual damages, product recalls or product seizures and criminal sanctions. Any such instances may result in import bans, regulatory proceedings and criminal lawsuits, all of which will require us to devote significant resources and attention to address, and will materially and adversely affect our business, reputation, financial position and results of operations.

We are exposed to risks relating to commercial real estate rental market

Our headquarters and certain manufacturing facilities, among others, are situated on leased properties as set forth in the section headed "Business — Properties — Leased Properties." If we are unable to reach an agreement with our landlords for the renewal of these lease agreements upon their expiration on terms and conditions acceptable by us, we may have to relocate. Relocation involves a significant investment of time and resources and, in the case of manufacturing facilities, may lead to temporary suspension of production, which may result in material negative impact on our financial condition and results of operations.

Delays, losses or damages in delivery by logistics providers may adversely affect our reputation

We rely on a number of logistics providers for the transportation and delivery of products. The services provided by these logistics providers could be interrupted by various reasons beyond our control, such as poor handling provided by these logistics service providers, natural disasters, pandemics, adverse weather conditions, social unrest, labor strikes and mishandling of products. Any delays, losses or damages in delivery may result in loss of customers, sales and turnover, which may materially and adversely affect our reputation, business, financial condition and results of operations.

We may not be able to successfully identify, consummate and integrate future acquisitions

We have historically experienced significant growth through a series of strategic acquisitions and we intend to continue to pursue suitable opportunities in key markets. However, acquisition of any large target would require significant financial resources, resulting in significant cash outflow, increased debt financing, or all of the above. Acquisitions may also increase our indebtedness through existing indebtedness of the acquired company, which could significantly reduce or eliminate the headroom under existing bank loans or facilities and make it more difficult for us to incur additional indebtedness.

Acquisitions involve various risks, including:

- we may not be able to identify suitable targets or acquire companies on favorable terms;
- we compete with other companies that may have stronger financial positions and are therefore may not be able to win over them in acquisition of target product lines or companies;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential transactions;
- we may not be able to obtain the necessary regulatory approvals, including the approval of antitrust regulatory bodies, in any of the countries in which we may seek to consummate potential transactions;
- we may ultimately fail to complete a transaction after we announce that we plan to acquire a product line or a company;
- we may not succeed in integrating the acquired assets and businesses into our existing platform, or managing these assets and businesses to draw benefits and synergies from them;
- the acquired businesses or assets may not perform as expected or incur losses, or may subsequently be found to be over-valued;
- transactions may require significant management resources and divert attention away from our daily operations, result in the loss of key customers and personnel, and expose us to unanticipated liabilities; and
- we may be adversely affected by any negative publicity that is associated with the companies, businesses or products we have acquired or may acquire in the future.

Any of the above could materially and adversely affect our business, financial position and results of operations.

We recorded net current liabilities during the Track Record Period, and such positions may continue after the Listing

We recorded net current liabilities of HK$593.9 million and HK$668.6 million as of March 31, 2018 and 2019, respectively. These net current liabilities were primarily attributable to large trade and other payables and contract liabilities, in particular, amounts due to an intermediate holding company and fellow subsidiaries mainly for the payment for various acquisitions (including the brands of Tong Tai Chung Woodlok Oil and Ho Chai Kung) completed prior to the Track Record Period. Net current liabilities expose us to liquidity risk. Payment of trade and other payables, our capital expenditure plans and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. In addition, if we encounter any liquidity issues in the future, we may curtail or defer our business expansion plans based on the availability of sufficient funds. If we continue to have net current liabilities in the future, our working capital for operations or business expansion plans could be limited and our business, financial position and results of operations could be materially and adversely affected.

We are exposed to risks relating to the recoverability of trade receivables

Trade receivables comprise the outstanding amounts due from our customers from the purchase of our products. Payment terms granted to our customers generally range from prepayment of partial deposits to credit terms of 108 days upon delivery depending on the product type and type and credit worthiness of the customers. As of March 31, 2018, 2019 and 2020 and July 31, 2020, trade receivables amounted to HK$37.9 million, HK$64.1 million, HK$72.1 million and HK$62.8 million, respectively.

For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, our average trade receivables turnover days were 46 days, 61 days, 65 days and 69 days, respectively. We incurred an impairment loss on trade receivables of HK$2.6 million in the year ended March 31, 2019 for a trading company customer with significant doubt on collection that was individually impaired. For further details of our trade receivables, see the section headed "Financial Information — Principal Consolidated Statements of Financial Position Items — Trade and Other Receivables." We cannot guarantee that we will be able to recover our trade receivables on a timely manner or in full. Any default or delay in payment by our customers or our failure to collect trade receivables from them may cause allowance for impairment loss on trade receivables to be made in the future. All of these may result in untimely and significant cash flow shortcomings in the future and adversely affect our cash position and results of operations.

The carrying amount of our intangible assets is substantial and is subject to potential impairment

We have a substantial amount of intangible assets. As of July 31, 2020, the carrying amount of our intangible assets was HK$864.5 million, which represented 60.6% of our total assets, while we had net assets attributable to equity shareholders of our Company of HK$848.2 million, as a result of which we reported net tangible liabilities attributable to equity shareholders of our Company of HK$16.3 million. Intangible assets consisted of HK$260.5 million of goodwill, HK$1.2 million of club memberships, HK$367.1 million of trade marks, HK$29.2 million of unpatented drugs, HK$189.8 million of customer relationship and HK$16.7 million of distribution rights as of July 31, 2020. In particular, goodwill, trade marks and customer relationship related to our historical acquisitions of certain cash-generating units, namely the business units of Ho Chai Kung (totaling HK$475.4 million), the Orizen Group (totaling HK$267.2 million), Po Chai Pills (totaling HK$61.7 million) and Tong Tai Chung (totaling HK$13.1 million). Distribution rights primarily related to the 15-year in-licensing arrangement with a European brand owner (HK$15.8 million) as described in the section headed "Business — Sourcing and Representation of Third-Party Brand Products — In-licensing."

Intangible assets are reviewed and tested for impairment either individually or at the cash-generating unit level in accordance with the relevant accounting standards. An impairment loss is recognized in profit or loss if the carrying amount of the intangible asset or the relevant cash-generating unit exceeds its recoverable amount. The recoverable amount of a cash-generating unit is determined by using cash flow projections of that cash-generating unit based on financial forecasts of three or five years prepared by our management, and involve substantial management judgements, estimates and assumptions. When making these forecasts and projections, our management would typically take into account our historical and forecast financial performance indicators, particularly revenue, cost of sales, advertising and promotion cost, staff costs and other expenses, which could be affected by general market conditions, our brand management and sales capabilities, cost of materials and labor, and other factors beyond our control. Consequently, any material decline in our actual performance may negatively impact our forecasts and projections (which we apply to determine the recoverable amounts of our intangible assets for impairment testing), which in turn may lead to a decline in our assessed recoverable amount to below the carrying amount of our intangible assets and result in impairment. These forecasts and projections may also be materially different from the actual results, and our periodic assessment on the impairment of our intangible assets may turn out to be inaccurate. During the Track Record Period, we did not record any impairment losses on our intangible assets. However, there is no guarantee that we will not incur impairment losses in the future. Any significant impairment losses could materially and adversely affect our profitability and result in net liabilities.

Potential increase in finance costs may impact our cash flows and profitability and burden our future financial performance

We incurred finance costs of HK$1.7 million, HK$1.4 million, HK$0.8 million and HK$3.1 million for the three years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, which consisted of interest expense on borrowings and interest on lease liabilities. While we had fully repaid our bank loans as of July 31, 2020, we (i) obtained in November 2020 a secured banking facility of HK$250.0 million; and (ii) had lease liabilities of HK$12.5 million as of November 30, 2020, which may further increase as we have entered into agreements with Jacobson Pharma (on behalf of its subsidiaries) for the use of two manufacturing facilities mainly for the production of Po Chai Pills and Flying Eagle Woodlok Oil, and have entered into agreements with certain subsidiaries of Jacobson Pharma for the use of two warehousing facilities commencing December 1, 2020, as set forth in the section headed "Relationship with Jacobson Pharma — Independence from the Remaining Parent Group — Operational Independence — Manufacturing facilities." Accordingly, going forward we expect to incur finance costs substantially higher than those borne by us during the Track Record Period, which will inevitably exert increasing pressure on our ability to manage our liquidity effectively and require us to deliver sufficiently strong business performance to sustain our overall financial performance. Any significant negative change in the interest or credit environment or any failure in satisfactorily managing our liquidity and business performance therefore could materially and adversely affect our cash flows and profitability and cause a significant burden on our business, financial condition and results of operations.

We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all

We believe our current cash and cash equivalents will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to meet our continued operating cash requirements further in the future, such as to finance expansion of existing business or develop new businesses through business collaborations, licensing arrangements, other forms of organic growth or mergers and acquisitions. If the financial resources available to us after the Listing are insufficient to satisfy our cash requirements, we may seek additional funding through equity offerings and debt financings. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all. If we were not able to obtain additional capital to meet our cash requirements in the future, our ability to expand may be constrained, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our interest income from a fellow subsidiary is non-recurring in nature

In accordance with the Jacobson Pharma Group's centralized treasury management policies, we provided and received advances to and from Jacobson Treasury which acted as the treasury center in managing the free cash flow, liquidity requirements and external financing within the Jacobson Pharma Group during the Track Record Period. During the Track Record Period, we recorded HK$1.1 million, HK$2.3 million, HK$5.8 million and nil for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively, in interest income in connection with the aforementioned amounts due from a fellow subsidiary of Jacobson Pharma. These amounts were non-recurring in nature and were discontinued as we have discontinued this centralized treasury management practice following completion of the Reorganization and therefore are not indicative of future results of operations.

Fluctuations in the changes in fair value of equity securities designated at fair value through other comprehensive income may affect our financial position

An investment in equity securities other than investments in subsidiaries and associates and joint ventures that is not held for trading purposes is initially recognized as investment at fair value through other comprehensive income ("**FVOCI**") (non-recycling). As subsequent changes in fair value are recognized in other comprehensive income, any significant decrease in fair value could result in a significant decrease in our reserves and net assets. Further details of our policies for such investments are set forth in Note 2(g) to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. We believe that equity investments at FVOCI are subject to the uncertainties of accounting estimates. HKFRS 13, fair value measurement categorizes fair value measurements into a three-level hierarchy: (i) level 1 valuations, namely fair value measured to unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

(ii) level 2 valuations, namely fair value measured observable inputs which fail to meet level 1, and not using significant unobservable inputs (namely inputs for which market data are not available); and (iii) level 3 valuations, namely fair value measured using significant unobservable inputs. As of March 31, 2018, 2019 and 2020 and July 31, 2020, equity securities designated at FVOCI (non-recycling) under HKFRS 9 amounted to nil, nil, HK$36.0 million (level 2 asset) and HK$36.0 million (level 2 asset), respectively.

We have conditionally adopted the Share Award Scheme effective from the Listing Date, which may lead to share-based compensation expenses that may negatively impact our profitability

We conditionally adopted the Share Award Scheme effective from the Listing Date to recognize and reward the contribution of eligible persons for our growth and development and to provide them with incentives in order to retain them for our continual operation, development and long-term growth and to attract suitable personnel for our further development. We therefore expect to incur expenses based on the fair value of share-based compensation measured at the date of grant under the Share Award Scheme, which will be recorded in our consolidated financial statements for the relevant future periods. Any significant share-based compensation expenses may result in a material and adverse impact on our results of operations. If new Shares are allotted and issued by our Company for the Share Award Scheme, it may have a dilutive impact on investors' investment. For further details, see "D. Share Award Scheme" in Appendix IV to this prospectus.

Our business depends on the continuing efforts of our executive directors and our key personnel

We believe that our success largely depends on the continued contributions, and our ability to retain the services, of our key personnel, including our executive Directors. Our executive Directors possess expertise and experience in our industry, operations and business that are difficult to replace. We also depend on other members of our management team, our product development personnel and other key personnel. Failure to retain our product development personnel could increase our product development costs, delay the product development process and reduce our efficiency to commercialize potential new products. Furthermore, pursuant to the requirements under the PIC/S GMP regime, we must have an authorized person, a production manager and a quality control manager that have been approved by the Pharmacy and Poisons (Manufacturers Licensing) Committee for our manufacturing facility for branded medicines to be able to manufacture. For more details, see the section headed "Business — Quality Management."

If one or more of our executive Directors or key personnel are unable or unwilling to continue in their present positions, and we are not able to find suitable replacements, our business may be severely disrupted and we may incur additional expenses to recruit and retain replacements. There are only a limited number of authorized persons and product development personnel in Hong Kong. In addition, if any of our executive Directors or key personnel leaves and joins a competitor or forms a competing company, we may lose some of our customers or other business partners, which could materially and adversely affect our business, financial position and results of operations. There is no assurance that the services of our executive Directors and our key personnel will continue to be available to us or that we will be able to replace any executive Director or key personnel with persons who have similar knowledge or experience. The loss of our executive Directors' or key personnel's services without suitable replacement or which is not covered or sufficiently covered by our insurance coverage would have a material adverse effect on our business, financial position and results of operations.

We are exposed to fluctuations in foreign currency exchanges rates

Our functional currency is Hong Kong dollar and a majority of our sales are made in Hong Kong dollars. We also sell our products in select overseas markets, including Southeast Asia, where payments are settled in U.S. dollars and we are therefore exposed to fluctuations in the exchanges rates of U.S. dollars and local currencies. We cannot guarantee that significant appreciation or depreciation of the local currencies against the U.S. dollar will not occur. Any substantial depreciation of local currencies may impact the local product prices and consumer demand for our products, which may materially and adversely impact our results of operation. In addition, we source third-party brand products mainly from Europe, procure certain raw materials for proprietary Chinese medicines from suppliers in China and engage select third-party manufacturers in China for the manufacturing of our own brand CCMG products. We pay Euros and Renminbi for a large amount of our purchases and are therefore exposed to fluctuations in the exchange rates of Euros and Renminbi. For further details of our exposure to currency risk and its sensitivity, see Note 27(D) to our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus. Accordingly, fluctuations in any of these foreign currencies against the Hong Kong dollar may affect our cost of sales and consequently our profit margin and our results of operations.

We are unable to prevent or detect all incidents of wrongdoings committed by our employees or other third parties

Employee wrongdoings at different operational levels could reduce the operational efficiency and business performance and may even result in violations of laws, third-party claims and regulatory actions against us causing reputational or financial damage to us. We cannot guarantee that all our employees will conduct their duties at all times in good faith and in a manner which is in full compliance with the laws and our policies. In addition, we have limited ability to thoroughly investigate the backgrounds of our business partners, such as third-party brand owners, suppliers, marketing and advertising agencies, distributors and landlords, or monitor their conduct. We are unable to prevent or detect all incidents of wrongdoings, including corruption, violations of relevant laws and regulations (such as non-compliance of building orders) or other improper conduct, committed by such third parties. If any of our employees or other third parties in which we have business dealings are engaged or alleged to have engaged in any such activities, our business, financial position, results of operations and reputation could be materially and adversely affected.

We may be exposed to infringement claims, which may lead to monetary damages, the forfeiture of intellectual property and disruptions to our business

In the course of developing new products, we may be unaware that some third parties have patented similar processes or obtained regulatory protection of similar products and, as a result, unknowingly infringe on some third-party proprietary or intellectual property rights. We may also enter into agreements with third parties to acquire or use their technologies or methods for the production of new products. We may be exposed to infringement claims by third parties in our business pursuits. We also purchase APIs, active substances or other raw materials from third parties for our manufacturing operations and undertake the sales and distribution of third-party brand products. If such APIs, active substances, raw materials or third-party brand products infringe on the intellectual property rights of other third parties, we could also be exposed to infringement claims. If we are subject to claims relating to infringement of intellectual property rights or wrongful use or disclosure of trade secrets, we would need to defend ourselves and could become involved in litigation. Even if we are successful in defending against these claims, litigation could result in substantial costs and divert the attention of our management from our business operations and may draw negative publicity or negatively impact our reputation and industry standing. If we fail to defend such claims, we may pay monetary damages or lose valuable intellectual property rights. Any of these could adversely affect our business, financial position and results of operations.

We may not be able to adequately protect our intellectual property rights and prevent the existence of counterfeit products on the market

Our success depends in part on our ability to protect our intellectual property rights. We rely primarily on trade marks, unpatented proprietary technologies, processes and know-how and other contractual provisions to protect our intellectual property rights. However, these may not be adequate to protect our rights to our existing products as well as those products under development.

Our third-party manufacturers or other third parties could imitate or use our intellectual property rights without authorization, or register our trade marks in jurisdictions where we have not done so, and policing such uses of intellectual property can be difficult, time consuming and expensive. In addition, when our employees leave our company, they may take with them certain trade secrets, know-how or other intellectual property. If they provide such information to a competitor, our business may be less competitive as a result. Our third-party manufacturers, competitors or other third parties may also independently develop proprietary technologies similar to ours, introduce counterfeits of our products, misappropriate our proprietary information or infringe on our brand names or trade marks. Counterfeit consumer healthcare products and proprietary Chinese medicines are generally sold at lower prices than their authentic counterparts due to their low manufacturing costs and may cause confusion to our customers because, in some cases, they have a very similar appearance and use very similar packaging as authentic consumer healthcare products or proprietary Chinese medicines. Although government authorities have generally been increasingly active in policing counterfeit consumer healthcare products or proprietary Chinese medicines, there is not yet an effective counterfeit regulation control and enforcement system for consumer healthcare products or proprietary Chinese medicines in any of our key markets. The proliferation of counterfeit consumer healthcare products and proprietary Chinese medicines has grown in recent years and may continue to grow in the future. Any increase in the sales and production of counterfeit products or the technological capabilities of the counterfeiters could negatively impact our business, financial position and results of operations. In addition, any misappropriation of our intellectual property rights may impair the pricing for our products and materially and adversely affect our brand and reputation. Our efforts to protect our intellectual property may not be adequate and we may not be able to identify any unauthorized use of our intellectual property or to take appropriate steps to enforce our rights on a timely basis. The resulting diversion of financial and management resources to enforce our intellectual property rights or the proliferation of counterfeit products could have a material adverse effect on our business, financial position and results of operations.

Our operations are subject to environmental regulations and may be exposed to liability and potential costs for environment compliance

We operate manufacturing facilities for the manufacture of certain of our branded medicines and proprietary Chinese medicines, which are subject to various environmental regulations in Hong Kong. These include regulations concerning the discharge of effluent water and general waste during our manufacturing processes and the controlled use, storage, handling and disposal of hazardous materials and chemicals. See the section headed "Regulatory Overview — Laws and Regulations Relating to Our Business Operations in Hong Kong." Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. Furthermore, the cost of complying with current and future environmental protection laws, rules and regulations and the liabilities which may potentially arise from meeting various requirements may increase our costs significantly and lower our profitability.

Our internal control system may not fully protect us against various risks inherent in our business and financial reporting

Internal controls are essential to the integrity of our business and financial results. Effective internal control is necessary for us to produce reliable financial reports and prevent fraud. However, due to the inherent limitations in the design and implementation of any internal control system, we cannot guarantee that our internal control system will be able to identify, prevent and manage all risks arising from our business and financial reporting, or that we will be able to timely and effectively refine or enhance our internal control systems to adapt to evolving business and operational environments. Our management may need to invest significant time and we may incur additional costs if we identify any deficiency in the implementation of our internal control procedures. Failure to address such deficiency in a timely and effective manner may undermine the effectiveness of our internal control system and may cause investors to lose confidence in the reliability of our financial statements, which in turn may materially and adversely affect our business, financial position, results of operations and reputation.

Our information systems may experience failure or breakdown and cause interruptions to our business

We use our information systems in the daily operations of our business. Our information systems record various operational data, including but not limited to sales information, payment records as well as inventory records, which allow us to analyze our business performance, and make timely business and financial decisions. Any system setback or failure, or other damage from unforeseen events, which causes delays or interruptions to the input, retrieval and transmission of data, could disrupt our operations. We cannot guarantee that our information system recovery plan can effectively resolve all system failures, or that we will be able to restore our operational capacity in a timely manner to avoid disrupting our business. In addition, if the capacity of our information systems fail to meet the increasing needs of our expanding operations, our ability to expand may be constrained, or we may need to invest substantial financial and human resources to upgrade and expand our information systems capacity. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

We may be liable for our consumers' privacy being compromised which may materially and adversely affect our reputation and business

We collect, receive, store and process personal information and other data from users of our own online platform, GoSmart. For example, visitors may register for an account on GoSmart and we also collect our online consumers' personal details such as address for the delivery of products. In addition, our information technology system monitors visitors' activities on our webpages so as to collect certain data such as consumer preference. Our privacy policy is stated on GoSmart and our internal control procedure aims to ensure compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) or other applicable laws in relation to the proper collection, use and storage of the personal date we collected.

Despite our efforts to employ security features to safeguard user information, there is no guarantee that we can successfully keep our users free from inappropriate behavior, offensive contact or other acts of third parties that violate the privacy of our users. Similar to other providers of Internet content services and operators of Internet platforms, we are subject to risks of hacking. Unauthorized users may gain access to or control of other users' personal accounts and their personal data for malicious purposes. Any failure or perceived failure by us to (i) prevent our users' exposure to such infiltration and (ii) comply with our privacy policies, our privacy-related obligations to users or other third parties, or any privacy laws or regulations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or users' personal data, may result in governmental enforcement actions, litigation or public statements against us by our users, consumer advocacy groups or others, which could detrimentally affect our reputation, and materially and adversely affect our business.

Unexpected business interruptions resulting from epidemics, natural disasters, social unrests or terrorist acts could materially adversely affect our business, financial position and results of operations

An outbreak of COVID-19, avian influenza, severe acute respiratory syndrome or any communicable disease or epidemic, or increase in the severity of any such epidemic could, depending on their scale of outbreak, lead to serious disruption to business and general activities which could materially and adversely impact the national and local economies in our markets. Any of these incidents and episodes could have a severe impact on consumer sentiment and tourism, leading to a decline in retail sales of our products. In addition, such outbreaks and other unexpected business interruptions, such as natural disasters, social unrest or terrorist acts, especially in the places in which we, third-party brand owners, our suppliers or customers operate, may lead to quarantines, temporary closures of offices and manufacturing or other facilities, reduced economic activities, travel restrictions or the sickness or death of key personnel, which could cause material disruptions to our operations, and in turn, have a material adverse effect on our business, financial position and results of operations.

RISKS RELATING TO OUR GEOGRAPHIC MARKETS

We generate the majority of our revenue in Hong Kong and thus are susceptible to developments and the state of political environment in Hong Kong

Our operations are based in Hong Kong and we generate the majority of our revenue in Hong Kong. During the Track Record Period, sales in Hong Kong accounted for 81.1%, 76.0%, 74.9% and 87.7% of our revenue for the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, respectively. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a general economic and political conditions, social unrest, natural disasters, contagious disease outbreaks or terrorist attacks, if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, or if import or export restrictions are imposed on Hong Kong by other countries, our overall business, financial position and results of operations may be materially and adversely affected. For example, in the second half of 2019 there had been a series of protests, strikes and social unrests, which impacted the willingness to spend of local residents in Hong Kong and tourist arrivals to Hong Kong, and in turn led to a prolonged market downturn and an adverse impact on the retail industries in Hong Kong. In addition, the COVID-19 situation has impacted Hong Kong in various aspects thus far. In an effort to contain the outbreak, the Hong Kong government has imposed travel restrictions and mandatory 14-day quarantine to people entering Hong Kong from other countries. The government has also implemented temporary compulsory closure of certain retail businesses and encouraged employers to make arrangements for their employees to work from home. If such social unrest or pandemic persists or if there is any deterioration in the economic, political and regulatory environment in Hong Kong, our business, financial position and results of operations may be materially and adversely affected.

Failure to comply with overseas regulatory requirements could materially and adversely affect our business, financial condition and results of operations

Our manufacturing facilities are required to have precise and reliable controls in line with Hong Kong, China, Macau and other applicable overseas regulations (depending on sales of our products to these jurisdictions). Such jurisdictions have imposed regulatory requirements and compliance obligations on manufacturers of branded medicines and proprietary Chinese medicines. For example, all facilities and manufacturing techniques used for the manufacture of certain branded medicines must be operated in conformity with these standards and manufacturing facilities may be subject to periodic announced and unannounced inspections by the Department of Health, the NMPA, the Macau Health Bureau and other regulatory authorities. Complying with such regulatory requirements and obligations may result in increased costs or delays in our manufacturing operations. Any determination that we have failed to comply with such regulatory requirements and obligations could result in the loss of relevant licenses to conduct manufacturing activities, which may halt or restrict operations at our manufacturing facilities or prohibit sales of our products to such relevant regions, which would have a material adverse effect on our business, financial position and results of operations.

Regional expansion may be costly, time consuming and difficult, and our entry into regional markets may expose us to certain risks

An increasing portion of our revenue may be generated from outbound sales in the longer run. For the years ended March 31, 2018, 2019 and 2020 and the four months ended July 31, 2020, outbound sales accounted for 18.9%, 24.0%, 25.1% and 12.3% of our revenue, respectively. It is one of our business strategies to grow our business through expansion and further penetration in the Asia region. We intend to enter new geographical markets by cultivating new distributor relationships in select regions. In expanding our business geographically, we have entered and intend to continue to enter markets in which we have limited or no experience and in which our company may not be recognized. Our target countries may withhold approval for the sale of our products due to differences in regulatory standards or protectionist trade policies. We may be unable to attract a sufficient number of distributors or at all in such markets, and our selected distributors may not be suitable for selling our products. Furthermore, we may fail to anticipate competitive conditions in markets that are different from those in our home market. These competitive conditions may make it difficult or impossible for us to effectively operate in these markets. If our expansion efforts in existing and new markets are unsuccessful, our profitability and prospects will be materially and adversely affected.

In addition, we are exposed to other risks associated with businesses involving outbound markets, including but not limited to:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to consumer healthcare and proprietary Chinese medicine products;
- poor financial condition, expertise and performance of local distributors in these regions;
- difficulty in collecting accounts receivable;
- exposure to increased litigation risks;
- social, political, regulatory and economic instabilities;
- imposition of restrictions on imports from the PRC or other trade barriers by overseas countries to which we export our products;
- unauthorized re-export of our products;
- unfamiliarity with local operating and market conditions;
- competition from local companies;
- potentially adverse tax consequences;
- inability to effectively enforce contractual or legal rights;
- environment, safety and labor regulatory compliance;
- unfamiliarity with overseas labor markets and difficulty in attracting local talents; and
- potential disputes and difficulty in managing relationships with local customers and distributors in these regions.

Any of the foregoing and other risks and uncertainties could adversely affect our sales and operations in these regions, which in turn could adversely affect our financial condition and results of operations.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiary's ability to distribute profits or restrict our overseas and cross-border investment activities and subject us to liability under PRC laws

In July 2014, the State Administration of Foreign Exchange ("**SAFE**") promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles ("**SAFE Circular 37**"). SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to individuals or entities who are PRC residents and hold interest in us, if any.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles (the "**SPVs**"), will be required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE. If any PRC shareholder of such SPV fails to make the required registration or to update the previously filed registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiary in China. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment ("**SAFE Notice 13**"), which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at a practical level. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations, however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. We cannot provide any assurance that all PRC residents holding interest in us will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of the PRC residents holding interest in us to comply with the registration procedures set forth in these regulations may result in restrictions on the foreign exchange activities of our PRC subsidiary and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

Changes in the economic, political, legal and social developments and conditions in China and policies adopted by the PRC government may materially and adversely affect our business, financial position and results of operations

China's economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in China are still state-owned. The PRC government also continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue a consistent policy of economic reform.

Our business, financial position and results of operations could be materially and adversely impacted by changes in economic, political, legal and social developments and conditions in China and the policies adopted by the PRC government, such as changes in laws and regulations (or the interpretation thereof). Our financial position and results of operations could also be materially and adversely affected by changes in measures introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion, the imposition of additional import restrictions and other state-driven changes. Moreover, although the PRC economy has grown significantly in recent years, there is no assurance that the economy will continue to grow, or that its growth will be steady or occur in geographical regions or economic sectors from which we benefit. A downturn in China's economic growth or a decline in its economic condition may have a material adverse effect on our business, financial position and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business, financial position and results of operations

The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior court decisions may be cited for reference but have limited precedential value. As the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us and could subject us to unexpected liabilities. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, third-party brand owners, contract manufacturers, distributors, customers and suppliers. In addition, such uncertainties, including the inability to enforce our contracts, could have a material adverse effect on our business, financial position and results of operations.

Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the PRC consumer healthcare and proprietary Chinese medicine industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

RISKS RELATING TO THE PUBLIC OFFER

Future sale of the Shares or major divestment of Shares by any substantial Shareholder may have an adverse effect on our Share price

Any future sale or availability of the Shares can have an adverse effect on the Share price. The sale of a significant amount of Shares in the public market after the Public Offer, or the perception that such sales may occur, could adversely affect the market price of Shares. Except as otherwise described in the section headed "Underwriting," there are no restrictions imposed on the Controlling Shareholders to dispose of their shareholdings. Any major disposal of Shares by any of the Controlling Shareholders after the expiry of six months after the Listing may cause the market price of our Shares to fall. Between the seventh and twelfth months after Listing, the Controlling Shareholders may not dispose of their Shares to the extent that would cause them to cease to be "controlling shareholders" under the Listing Rules. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise capital.

The Share price may fluctuate, which could result in substantial losses for investors purchasing Shares

Following completion of the Public Offer, the market price of our Shares could be subject to significant fluctuations due to various external factors and events as a result of including, without limitation, the following factors, some of which are beyond our control:

- the liquidity of our Shares in the market;
- difference between our actual financial position or results of operations and those expected by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- investors' perceptions of our Group and the general investment environment;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- negative publicity concerning us or the industry or market or product segment we are involved in;
- fluctuations in stock market prices and volume;
- changes in pricing policies adopted by us or our competitors;
- additions or departures of key personnel;
- involvement in litigation;
- any unexpected business interruptions;
- liability claims brought against us based on matters such as product liability;
- forced discontinued sale of our products;
- our ability to obtain or maintain regulatory licenses and approvals concerning our manufacturing activities and sales of our products;
- outbreak or resurgence of diseases that impact economic activities and conditions to a material degree; and
- general political, economic, financial, social development and stock market conditions.

In recent years, stock markets in general have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

The interests of our Controlling Shareholders may differ from those of our other Shareholders

As of the Latest Practicable Date, Jacobson Pharma, through its wholly-owned subsidiary, JBM Group BVI, holds an indirect interest of approximately 85.0% in our Company. Immediately following the Spin-off, (i) our Company will be owned as to approximately 53.7% by JBM Group BVI and (ii) JBM Group BVI will continue to be wholly-owned by Jacobson Pharma. Mr. Sum is one of the founders of the Jacobson Pharma Group and is interested in, through Kingshill and Queenshill, an aggregate of approximately 58.9% of the Shares of Jacobson Pharma as of the Latest Practicable Date. Upon the Listing, each of Mr. Sum, Jacobson Pharma, JBM Group BVI, Kingshill, Queenshill, and Lincoln's Hill will be a Controlling Shareholder of our Company and our Company will remain as a subsidiary of Jacobson Pharma. Our Controlling Shareholders may be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings on matters that are significant to us and our other Shareholders. The interests of the Controlling Shareholders may not be the same as, and may differ from, the interests of our other Shareholders. Accordingly, the Controlling Shareholders may take action that favor their own interests over our interests or those of our other Shareholders.

We cannot guarantee when, if and in what form dividends will be paid in the future

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends will be formulated by our Board of Directors at their discretion and will be subject to our Shareholders' approval. The actual amount of any dividends to be declared or distributed will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, our Articles of Association, any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant. As a result, we cannot guarantee when, if and in what form dividends will be paid in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See the section headed "Financial Information — Dividends" for further information.

Since there will be a gap of several days between closing of application lists and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins

The Offer Price of our Shares is HK$1.20. However, there will be a gap of several days between the closing of application lists and trading of our Offer Shares. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur before trading begins.

There has been no prior public market in Hong Kong for our Shares and their liquidity and market price may be volatile

Prior to the Spin-off, no public market existed for our Shares. The Offer Price to the public for our Shares has been agreed between us and the Underwriters, and the Offer Price may differ significantly from the market price of the Shares following the completion of the Spin-off. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. We cannot guarantee that an active and liquid trading market for our Shares will develop following the Spin-off or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the Offer Price. In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including, but not limited to:

- variations in our financial position and results of operations;
- changes in financial estimates by securities analysts;
- announcements and other publicity made by or concerning us or our competitors;
- regulatory developments affecting us, our customers or our competitors;
- developments in the consumer healthcare and proprietary Chinese medicine industries;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- addition or departure of our key personnel;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or perceived sales of additional Shares; and
- the general economy and other factors.

Moreover, it is possible that our Shares may be subject to changes in price not directly related to our performance.

New investors will incur immediate dilution and may experience further dilution

The Offer Price is higher than our audited net asset value attributable to equity shareholders of our Company per Share based on our issued share capital after the completion of this Public Offer. Furthermore, we have unaudited pro forma adjusted net tangible assets per Share in the amount of HK$0.01, which is arrived at after the adjustments and on the basis referred to in Appendix II to this prospectus. You will therefore experience immediate dilution if you invest in subscription for Offer Shares. In addition, in order to expand our business, we may consider offering and issuing additional Shares in the future. Investors of the Shares may experience further dilution in their interest if we issue additional Shares in the future at a price which is lower than the net asset value attributable to equity shareholders of our Company per Share.

Shareholders and investors may face difficulties in protecting their interests because our Company is incorporated under the laws of the Cayman Islands which may be different from the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and our Company's affairs are governed by the Memorandum of Association, the Articles of Association, the Cayman Companies Act and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minorities is set forth in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

Certain facts, forecasts and other statistics with respect to Hong Kong, China and other countries, their economies and the consumer healthcare and proprietary Chinese medicine industries contained in this prospectus have not been independently verified

Facts, forecasts and other statistics in this prospectus relating to Hong Kong, China and other countries in their economies and the consumer healthcare and proprietary Chinese medicine industries have been derived from various sources. Such information has not been prepared or independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Public Offer, and therefore no representation is made as to the accuracy of such facts, forecasts and statistics contained in such official government publications. Due to the possibility of flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may be incomparable to facts and statistics produced to the extent of other economies. Furthermore, we cannot guarantee that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other publications or jurisdictions. Therefore, you should not rely unduly upon such facts and statistics contained in this prospectus.

The entire prospectus should be read carefully and any information contained in press articles, media or research reports regarding us, our business, our industry or the Public Offer not contained in this prospectus should not be relied upon

There may be certain coverage in the press or media regarding us, our business, our industry and the Public Offer. There has been, and subsequent to the date of this prospectus there may be, press or media coverage regarding us, our business, our industry and the Public Offer containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Public Offer. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information disseminated in the articles or media and that such information was not sourced from or authorized by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any such information, publication or underlying assumptions. To the extent that any of the information in the media or publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, you should read the entire prospectus carefully and should make investment decisions about us on the basis of the information contained in this prospectus only and should not rely on any other information.