

Herbs Generation Group Holdings  
Limited

Underlying Financial Statements  
for the years ended 31 December 2021, 2022 and  
2023 and six months ended 30 June 2024



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## Independent auditor's report to the directors of Herbs Generation Group Holdings Limited *(incorporated in the Cayman Islands with limited liability)*

### Opinion

We have audited the consolidated financial statements of Herbs Generation Group Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 4 to 60, which comprise the consolidated statements of financial position of the Group as at 31 December 2021, 31 December 2022, and 31 December 2023 and 30 June 2024 and the statement of financial position of the Company as at 30 June 2024, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2021, 31 December 2022, and 31 December 2023 and the six months ended 30 June 2024 and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 and the Company's financial position as at 30 June 2024 and of the Group's consolidated financial performance and the Group's consolidated cash flows for each of the years ended 31 December 2021, 31 December 2022, and 31 December 2023 and the six months ended 30 June 2024 in accordance with the basis of preparation and presentation set out in note 1 to the consolidated financial statements.

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Emphasis of Matter – Basis of Preparation and Presentation**

We draw attention to note 1 to the consolidated financial statements, which describes the basis of preparation and presentation. The consolidated financial statements are prepared for the purpose of the preparation of a prospectus by the directors of the Company in connection with the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

## **Other matter**

We draw attention to the fact that the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2023 and any of the related notes have not been audited.

## **Responsibilities of the directors for the consolidated financial statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the consolidated financial statements and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.



As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
11 December 2024

## Consolidated statements of profit or loss and other comprehensive income

*(Expressed in Hong Kong dollars)*

	Note	Year ended 31 December			Six months ended 30 June	
		2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
<b>Revenue</b>	4	188,638	208,028	251,224	121,741	117,811
Cost of sales		(52,836)	(58,442)	(65,780)	(32,767)	(30,385)
<b>Gross profit</b>		135,802	149,586	185,444	88,974	87,426
Other income	5	397	3,970	522	117	1,310
Selling and distribution costs		(86,821)	(93,907)	(106,598)	(52,490)	(49,104)
Administrative and other operating expenses		(21,047)	(25,843)	(31,116)	(14,469)	(18,604)
Listing expenses		-	-	-	-	(9,855)
<b>Profit from operations</b>		28,331	33,806	48,252	22,132	11,173
Finance costs	6(a)	(812)	(1,020)	(970)	(457)	(479)
<b>Profit before taxation</b>	6	27,519	32,786	47,282	21,675	10,694
Income tax	7(a)	(4,338)	(4,814)	(7,780)	(3,380)	(3,211)
<b>Profit and total comprehensive income for the year/period</b>		23,181	27,972	39,502	18,295	7,483

The accompanying notes form part of the consolidated financial statements.

## Consolidated statements of financial position

(Expressed in Hong Kong dollars)

	Note	At 31 December 2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	At 30 June 2024 HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	11	22,372	21,956	28,239	31,347
Deferred tax assets	19(b)	154	432	765	905
		<u>22,526</u>	<u>22,388</u>	<u>29,004</u>	<u>32,252</u>
<b>Current assets</b>					
Inventories	12	27,133	31,625	38,020	34,608
Trade and other receivables	13	35,537	39,397	46,371	47,161
Amounts due from related companies	22(c)	49	116	-	-
Amount due from a controlling shareholder	22(c)	24,629	17,647	5,176	-
Cash and cash equivalents	14(a)	4,197	12,934	22,482	26,546
		<u>91,545</u>	<u>101,719</u>	<u>112,049</u>	<u>108,315</u>
<b>Current liabilities</b>					
Trade and other payables	15	13,753	14,093	12,741	11,867
Contract liabilities	16	1,133	1,644	2,258	1,941
Bank loans and overdrafts	17	16,064	10,467	6,473	6,015
Lease liabilities	18	8,088	9,647	12,566	12,342
Current tax payable	19(a)	7,405	6,820	4,629	6,753
Amounts due to related companies	22(c)	1,481	1,320	720	-
Amounts due to the controlling shareholders	22(c)	872	198	-	19,993
Amount due to a director	22(c)	3,405	635	-	320
		<u>52,201</u>	<u>44,824</u>	<u>39,387</u>	<u>59,231</u>
<b>Net current assets</b>		<u>39,344</u>	<u>56,895</u>	<u>72,662</u>	<u>49,084</u>
<b>Total assets less current liabilities</b>		<u>61,870</u>	<u>79,283</u>	<u>101,666</u>	<u>81,336</u>


## Consolidated statements of financial position (continued)

(Expressed in Hong Kong dollars)

	Note	At 31 December			At 30 June
		2021	2022	2023	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current liabilities</b>					
Lease liabilities	18	9,664	8,129	9,944	11,898
Other payables and accruals	15	591	1,053	1,081	1,318
Deferred tax liabilities	19(b)	-	14	7	3
		10,255	9,196	11,032	13,219
<b>NET ASSETS</b>		51,615	70,087	90,634	68,117
<b>CAPITAL AND RESERVES</b>					
Share capital	20	1,510	1,510	1,510	-*
Reserves		50,105	68,577	89,124	68,117
<b>TOTAL EQUITY</b>		51,615	70,087	90,634	68,117

\* The balance represents amount less than HK\$500.

Approved and authorised for issue by the board of directors on 11 December 2024

Kwok Chi Yan, Gammy		)	
		)	
		)	
Li Yat Sing, Petras		)	Directors
		)	

The accompanying notes form part of the consolidated financial statements.



## Statement of financial position of the Company

(Expressed in Hong Kong dollars)

	Note	At 30 June 2024 HK\$'000
<b>Non-current assets</b>		
Investment in a subsidiary	23(a)	_*
<b>Current assets</b>		
Prepayments		3,001
<b>Current liabilities</b>		
Other payables		1,609
Amount due to a subsidiary	23(b)	11,247
		12,856
<b>Net current liabilities</b>		(9,855)
<b>NET LIABILITIES</b>		(9,855)
<b>CAPITAL AND RESERVE</b>		
Share capital	20(a)	_*
Accumulated losses		(9,855)
<b>TOTAL EQUITY</b>		(9,855)

\* The balance represents amount less than HK\$500.

Approved and authorised for issue by the board of directors on 11 December 2024

Kwok Chi Yan, Gammy		)	
		)	
Li Yat Sing, Petras		)	
		)	
		)	Directors
		)	

The accompanying notes form part of the consolidated financial statements.



## Consolidated statements of changes in equity

*(Expressed in Hong Kong dollars)*

	<i>Share capital (note 20(c)) HK\$'000</i>	<i>Capital reserve (note 20 (d)) HK\$'000</i>	<i>Retained profits HK\$'000</i>	<i>Total HK\$'000</i>
<b>At 1 January 2021</b>	1,510	-	26,924	28,434
Profit and total comprehensive income for the year	-	-	23,181	23,181
<b>At 31 December 2021 and 1 January 2022</b>	1,510	-	50,105	51,615
Profit and total comprehensive income for the year	-	-	27,972	27,972
Dividends declared in respect of the current year (note 20(b))	-	-	(9,500)	(9,500)
<b>At 31 December 2022 and 1 January 2023</b>	1,510	-	68,577	70,087
Profit and total comprehensive income for the year	-	-	39,502	39,502
Dividends declared in respect of the current year (note 20(b))	-	-	(18,955)	(18,955)
<b>At 31 December 2023 and 1 January 2024</b>	1,510	-	89,124	90,634
Profit and total comprehensive income for the period	-	-	7,483	7,483
Dividends declared in respect of the current period (note 20(b))	-	-	(30,000)	(30,000)
Issuance of new shares (note 20(c))	-*	-	-	-*
Arising from the Reorganisation (note 20(d))	(1,510)	1,510	-	-
<b>At 30 June 2024</b>	-*	1,510	66,607	68,117
<b>(Unaudited)</b>				
<b>At 1 January 2023</b>	1,510	-	68,577	70,087
Profit and total comprehensive income for the period	-	-	18,295	18,295
Dividends declared in respect of the current period (note 20(b))	-	-	(11,250)	(11,250)
<b>At 30 June 2023</b>	1,510	-	75,622	77,132

\* The balances represent amounts less than HK\$500.

The accompanying notes form part of the consolidated financial statements.

## Consolidated cash flow statements

(Expressed in Hong Kong dollars)

	Note	Year ended 31 December			Six months ended 30 June	
		2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
<b>Operating activities</b>						
Cash generated from operations	14(b)	24,903	38,383	47,686	15,883	24,795
Tax paid		-	(5,663)	(10,311)	(6,146)	(1,231)
<b>Net cash generated from operating activities</b>		<u>24,903</u>	<u>32,720</u>	<u>37,375</u>	<u>9,737</u>	<u>23,564</u>
<b>Investing activities</b>						
Bank interest income received		17	18	78	33	109
Proceed from disposal of property, plant and equipment		160	-	-	-	-
Payment for purchase of property, plant and equipment		(4,182)	(2,196)	(4,702)	(1,712)	(3,157)
(Advance to)/repayment from related companies		(49)	(67)	116	34	-
Repayment from a controlling shareholder		616	4,982	-	-	1,012
<b>Net cash (used in)/ generated from investing activities</b>		<u>(3,438)</u>	<u>2,737</u>	<u>(4,508)</u>	<u>(1,645)</u>	<u>(2,036)</u>
<b>Financing activities</b>						
Proceeds from new bank loans	14(c)	6,000	9,500	-	-	-
Repayment of bank loans	14(c)	(15,645)	(14,399)	(3,994)	(2,603)	(458)
Interests paid	14(c)	(513)	(491)	(293)	(165)	(105)
Capital element of lease rentals paid	14(c)	(5,977)	(9,299)	(11,673)	(5,310)	(7,683)
Interest element of lease rentals paid	14(c)	(299)	(529)	(677)	(292)	(374)
Dividends paid		(5,000)	(10,130)	(6,484)	(1,491)	(5,843)
Payment for listing expenses		-	-	-	-	(3,001)
Increase/(decrease) in amounts due to the controlling shareholders	14(c)	3	(674)	(198)	136	-
<b>Net cash used in financing activities</b>		<u>(21,431)</u>	<u>(26,022)</u>	<u>(23,319)</u>	<u>(9,725)</u>	<u>(17,464)</u>

## Consolidated cash flow statements (continued)

*(Expressed in Hong Kong dollars)*

	Note	Year ended 31 December			Six months ended 30 June	
		2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
<b>Net increase/(decrease) in cash and cash equivalents</b>		34	9,435	9,548	(1,633)	4,064
<b>Cash and cash equivalents at the beginning of the year/period</b>	14(a)	<u>3,465</u>	<u>3,499</u>	<u>12,934</u>	<u>12,934</u>	<u>22,482</u>
<b>Cash and cash equivalents at the end of the year/period</b>	14(a)	<u>3,499</u>	<u>12,934</u>	<u>22,482</u>	<u>11,301</u>	<u>26,546</u>

### Major non-cash transactions

- (i) During the year ended 31 December 2022, dividend of approximately HK\$2,000,000 payable to a controlling shareholder was used to set off against the current account with the controlling shareholder.
- (ii) During the year ended 31 December 2023, dividend of approximately HK\$12,471,000 payable to a controlling shareholder was used to set off against the current account with the controlling shareholder.
- (iii) During the six months ended 30 June 2023, dividend of approximately HK\$9,759,000 (unaudited) payable to a controlling shareholder was used to set off against the current account with the controlling shareholder.
- (iv) During the six months ended 30 June 2024, dividend of approximately HK\$4,164,000 payable to a controlling shareholder was used to set off against the current account with the controlling shareholder.

The accompanying notes form part of the consolidated financial statements.

# Notes to the consolidated financial statements

## **1 Basis of preparation and presentation of the consolidated financial statements**

Herbs Generation Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 22 March 2024 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation. As at the date of this report, no audited financial statements have been prepared for the Company, as it has not carried on any business since the date of incorporation and is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the development and sales of health supplements and cosmetics and skincare products (“Listing Business”). The Group was jointly controlled by Ms. Kwok Chi Yan, Gammy (“Ms. Gammy Kwok”) and Mr. Li Yat Sing, Petras (“Mr. Petras Li”) (together, the “Controlling Shareholders”).

Prior to the incorporation of the Company, the Listing Business was mainly carried out by Herbs Generation International Limited (“Herbs Generation”) with the support of Broadcast HR Management Limited (“Broadcast HRM”). The management has determined that Herbs Generation controlled Broadcast HRM during the years ended 31 December 2021, 31 December 2022, and 31 December 2023 and the six months ended 30 June 2024 (the “Track Record Period”), with Mr. Petras Li holding the equity interests in Broadcast HRM as an in-substance agent of Herbs Generation before the reorganisation (the “Reorganisation”) as detailed in the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 11 December 2024.

To rationalise the corporate structure in preparation of the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation as a result of which the Company became the holding company of the Listing Business. The Reorganisation was completed on 13 May 2024.

As the Reorganisation in substance involved inserting newly formed entities with no substantive operations as the new holding companies of Herbs Generation and Broadcast HRM, and there were no changes in the economic substance of the ownership and the business of the Group. Accordingly, the Reorganisation has been accounted for applying a principle similar to that for a reverse acquisition, and the consolidated financial statements have been prepared and presented as a continuation of the consolidated financial information of Herbs Generation (which consolidated Broadcast HRM) with the assets and liabilities of Herbs Generation and Broadcast HRM recognised and measured at their historical carrying amounts prior to the Reorganisation.

## 1 Basis of preparation and presentation of the consolidated financial statements (continued)

The consolidated statements of profit or loss and comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period (or where the Company and its subsidiaries were incorporated/established at a date later than 1 January 2021, for the period from date of incorporation/establishment to 30 June 2024) of this report include the results of operations of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 June 2024 of this report have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

All intra-group balances and transactions are eliminated in full in preparing the consolidated financial statements.

As at the date of this report, the Company has direct interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

<i>Name of company</i>	<i>Place and date of incorporation/ establishment</i>	<i>Particulars of issued shares</i>	<i>Proportion of ownership interest</i>		<i>Principal activities</i>	<i>Statutory financial statements</i>
			<i>held by the Company</i>	<i>held by a subsidiary</i>		
Herbs Health Group Limited	British Virgin Islands ("BVI") 26 March 2024	1 ordinary share	100%	-	Investment holding	Note 1
Herbs Generation International Limited	Hong Kong 17 May 2000	1,000,000 ordinary shares	-	100%	Development and sales of health supplements and cosmetics and skincare products	Note 2
Broadcast HR Management Limited	Hong Kong 29 December 2004	10,000 ordinary shares	-	100%	Provision of marketing services	Note 2
ZINO INTERNATIONAL LIMITED	Hong Kong 18 July 2001	500,000 ordinary shares	-	100%	Leasing	Note 2

### Notes:

- No statutory financial statements have been prepared for this entity as it has not carried on any business since the date of incorporation and is investment holding company which is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.
- The statutory financial statements of these entities for the years ended 31 December 2021, 2022 and 2023 were audited by ALBERT Y K LAU & CO.

## **1 Basis of preparation and presentation of the financial statements (continued)**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). As the Group's first consolidated financial statements prepared in accordance with HKFRSs, HKFRS 1 “First-time Adoption of Hong Kong Financial Reporting Standards” has been applied save for certain presentation and disclosure provisions therein. The date of transition to HKFRSs was 1 January 2021. Further details of the material accounting policy information are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the consolidated financial statements, the Group has adopted all applicable new and revised HKFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretation issued but not yet effective for the Track Record Period are set out in note 25.

The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

The stub period corresponding financial information of the Group comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2023 and other explanatory information (the “Stub Period Corresponding Financial Information”).

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the consolidated financial statements.

## **2 Material accounting policy information**

### **(a) Basis of measurement**

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), rounded to the nearest thousand unless otherwise indicated. The measurement basis used in the preparation of financial statements is the historical cost basis.

### **(b) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

### **(c) Business combination**

The consolidated financial statements have been prepared and presented as a continuation of the financial information of the Listing Business. The net assets of the combining entities are combined using the existing book values from the controlling party’s perspective. No amount is recognised with respect to goodwill or any excess of acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over its cost at the time of reverse acquisition, to the extent of the contribution of the controlling party’s interest.

The consolidated statements of profit or loss and comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements include the results of operations of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

## **2 Material accounting policy information (continued)**

### **(d) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

### **(e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(g)(iii)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Properties leased for own use	Over the unexpired lease term
- Leasehold improvements	Over the unexpired lease term
- Furniture, fixtures and office equipment	5 years
- Computer equipment	5 years
- Motor vehicles	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.



## **2 Material accounting policy information (continued)**

### **(f) Leased assets**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(g)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## **2 Material accounting policy information (continued)**

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

### **(g) Credit losses and impairment of assets**

#### **(i) Credit losses from financial instruments**

The Group recognises a loss allowance for expected credit losses ("ECL"s) on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and the expected amounts.

The expected cash shortfalls for trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

## **2 Material accounting policy information (continued)**

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## **2 Material accounting policy information (continued)**

### Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

### Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## **2 Material accounting policy information (continued)**

### **(ii) Credit losses from financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(g)(i) apply.

### **(iii) Impairment of other non-current assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

## **2 Material accounting policy information (continued)**

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(h) Inventories**

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **(i) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(g)(i)).

### **(j) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements. Cash and cash equivalents are assessed for ECL in accordance with note 2(g)(i).

## **2 Material accounting policy information (continued)**

### **(k) Trade and other payables**

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

### **(l) Contract liabilities**

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(i)).

### **(m) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(s).

### **(n) Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### **(o) Income tax**

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year/period and any adjustments to the tax payable or receivable in respect of previous years/period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

## 2 Material accounting policy information (continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### (p) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(g)(iii)).



## **2 Material accounting policy information (continued)**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

### **(g) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

#### **(i) Revenue from contracts with customers**

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the product before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

Revenue from retail business and wholesale business is recognised when the Group's products are sold to (i) end-customers directly or (ii) wholesale customers, while revenue from consignment arrangements is recognised when the Group's products are sold to end-customers by the consignees, as these are when the control over the Group's products has been transferred.

## **2 Material accounting policy information (continued)**

### **(ii) Interest income**

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### **(iii) Government grants**

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### **(r) Translation of foreign currencies**

Foreign currency transactions during the Track Record Period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

### **(s) Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

## **2 Material accounting policy information (continued)**

### **(t) Related parties**

- (1) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
  
- (2) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (1).
  - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## **2 Material accounting policy information (continued)**

### **(u) Segment reporting**

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## **3 Accounting judgements and estimates**

In the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates:

### **(i) Net realisable value of inventories**

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses, projections of expected future saleability of goods and, management experience and judgement. Based on this review, a write-down of inventories will be made when the estimated net realisable value of inventories decline below their carrying amounts. Due to changes in customers' preferences, actual saleability of goods may be different from estimation and the statement of profit or loss in future accounting periods could be affected by differences in this estimation.

### **(ii) Impairment of non-current assets**

The Group assesses whether there are any indicators of impairment for all non-current assets (including the right-of-use assets) at the end of each reporting period. Non-current assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## 4 Revenue and segment reporting

### (a) Revenue

The principal activities of the Group are the development and sales of health supplements and cosmetics and skincare products.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major sales channels as follows:

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by sales channels					
- Retail business	84,231	105,163	125,282	59,063	69,035
- Wholesale business	93,756	94,130	117,961	58,545	45,555
- Consignment arrangements	10,651	8,735	7,981	4,133	3,221
	<u>188,638</u>	<u>208,028</u>	<u>251,224</u>	<u>121,741</u>	<u>117,811</u>

All of the revenue of the Group is recognised at a point in time as customer takes possession of and accepts the products.

All of the Group's revenue either have contracts with an original expected duration of one year or less or is recognised in the amount to which the Group has a right to invoice by applying the practical expedient in paragraph B16 of HKFRS 15. Accordingly, the Group has elected to apply the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the aggregate amount of transaction price allocated to the unsatisfied performance obligations in these contracts.

The Group's customer base is diversified and includes one customer with whom transactions had exceeded 10 percent of the Group's revenues for the Track Record Period presented as below:

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Customer A	<u>90,294</u>	<u>90,182</u>	<u>110,651</u>	<u>54,688</u>	<u>43,768</u>

Details of concentration of credit risk arising from customers are set out note 21(a).

## 4 Revenue and segment reporting (continued)

### (b) Segment reporting

The Group has one reportable segment which is the development and sales of health supplements and cosmetics and skincare products. The Group's chief operating decision maker, which has been identified as the Board of Directors, reviews the consolidated results of the Group for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment information has been presented.

#### Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets by geographical market are not presented as the Group's operations and assets for the Track Record Period are mainly located in Hong Kong.

## 5 Other income

	Year ended 31 December			Six months ended 30 June	
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
Bank interest income	17	18	78	33	109
Government grants (note)	155	3,813	291	-	1,080
Gain on disposal of property, plant and equipment	13	-	-	-	-
COVID-19-related rent concessions received	125	34	-	-	-
Others	87	105	153	84	121
	<u>397</u>	<u>3,970</u>	<u>522</u>	<u>117</u>	<u>1,310</u>

Note: In 2022, the Group successfully applied for funding support of approximately HK\$3,519,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Special Administrative Region Government. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 6 Profit before taxation

Profit before taxation is arrived at after charging:

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>				
<b>(a) Finance costs</b>					
Interest on bank loans (note 14(c))	513	491	293	165	105
Interest on lease liabilities (note 14(c))	299	529	677	292	374
	<u>812</u>	<u>1,020</u>	<u>970</u>	<u>457</u>	<u>479</u>
<b>(b) Staff costs</b>					
Salaries, wages and other benefits	53,334	61,511	69,280	33,371	33,386
Contributions to defined contribution retirement plan	1,999	2,319	2,542	1,236	1,401
	<u>55,333</u>	<u>63,830</u>	<u>71,822</u>	<u>34,607</u>	<u>34,787</u>

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(unaudited)</i>				
<b>(c) Other items</b>					
Depreciation charge					
- owned property, plant and equipment	1,535	2,414	2,900	1,253	1,964
- right-of-use assets	6,622	9,674	12,194	5,512	7,718
	<u>8,157</u>	<u>12,088</u>	<u>15,094</u>	<u>6,765</u>	<u>9,682</u>
Net foreign exchange loss/(gain)	60	175	141	72	(31)
Cost of inventories (note 12)	52,836	58,442	65,780	32,767	30,385
Auditors' remuneration	43	43	60	30	500
Listing expenses	-	-	-	-	9,855
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,855</u>

## 7 Taxation in the consolidated statements of profit or loss and other comprehensive income

### (a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>					
Provision for the year/period	4,259	5,078	8,120	3,495	3,355
<b>Deferred tax</b>					
Origination and reversal of temporary differences (note 19(b))	79	(264)	(340)	(115)	(144)
	<u>4,338</u>	<u>4,814</u>	<u>7,780</u>	<u>3,380</u>	<u>3,211</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The provision for Hong Kong Profits Tax for the Track Record Period takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the years of assessment 2021/22, 2022/23 and 2023/24 subject to a maximum reduction of HK\$10,000, HK\$6,000 and HK\$3,000 for each business.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
Profit before taxation	27,519	32,786	47,282	21,675	10,694
Notional tax on profit before taxation	4,375	5,245	7,637	3,411	1,599
Tax effect of non-deductible expenses	33	184	160	24	1,681
Tax effect of non-taxable income	(61)	(608)	(13)	(56)	(70)
Tax effect of unused tax losses not recognised	1	1	2	1	1
Statutory tax concession	(10)	(8)	(6)	-	-
Income tax expense	<u>4,338</u>	<u>4,814</u>	<u>7,780</u>	<u>3,380</u>	<u>3,211</u>



## 8 Directors' emoluments

For the directors as at the date of this report, their emoluments for the Track Record Period are as follows:

	<i>Year ended 31 December 2021</i>				
	<i>Directors' fee</i> HK\$'000	<i>Salaries, allowances and benefits in kind</i> HK\$'000	<i>Discretionary bonuses</i> HK\$'000	<i>Retirement scheme contributions</i> HK\$'000	<i>Total</i> HK\$'000
Ms. Gammy Kwok (note (i))	-	1,109	95	18	1,222
Mr. Petras Li (note (i))	-	754	65	18	837
Ms. Young Yuen Pik, ("Ms. Young") (note (i))	-	635	142	18	795
Mr. Kwok Chun On ("Mr. Roger Kwok") (note (ii))	-	640	-	-	640
	-	<u>3,138</u>	<u>302</u>	<u>54</u>	<u>3,494</u>

	<i>Year ended 31 December 2022</i>				
	<i>Directors' fee</i> HK\$'000	<i>Salaries, allowances and benefits in kind</i> HK\$'000	<i>Discretionary bonuses</i> HK\$'000	<i>Retirement scheme contributions</i> HK\$'000	<i>Total</i> HK\$'000
Ms. Gammy Kwok (note (i))	-	1,166	98	18	1,282
Mr. Petras Li (note (i))	-	798	66	18	882
Ms. Young (note (i))	-	723	66	18	807
Mr. Roger Kwok (note (ii))	-	640	-	-	640
	-	<u>3,327</u>	<u>230</u>	<u>54</u>	<u>3,611</u>

	<i>Year ended 31 December 2023</i>				
	<i>Directors' fee</i> HK\$'000	<i>Salaries, allowances and benefits in kind</i> HK\$'000	<i>Discretionary bonuses</i> HK\$'000	<i>Retirement scheme contributions</i> HK\$'000	<i>Total</i> HK\$'000
Ms. Gammy Kwok (note (i))	-	1,170	98	18	1,286
Mr. Petras Li (note (i))	-	804	67	18	889
Ms. Young (note (i))	-	875	75	18	968
Mr. Roger Kwok (note (ii))	-	640	-	-	640
	-	<u>3,489</u>	<u>240</u>	<u>54</u>	<u>3,783</u>

## 8 Directors' emoluments (continued)

	<i>Six months ended 30 June 2023 (unaudited)</i>				<i>Total</i> HK\$'000
	<i>Directors' fee</i> HK\$'000	<i>Salaries, allowances and benefits in kind</i> HK\$'000	<i>Discretionary bonuses</i> HK\$'000	<i>Retirement scheme contributions</i> HK\$'000	
Ms. Gammy Kwok (note (i))	-	690	49	9	748
Mr. Petras Li (note (i))	-	444	33	9	486
Ms. Young (note (i))	-	422	38	9	469
Mr. Roger Kwok (note (ii))	-	320	-	-	320
	-	<u>1,876</u>	<u>120</u>	<u>27</u>	<u>2,023</u>

	<i>Six months ended 30 June 2024</i>				<i>Total</i> HK\$'000
	<i>Directors' fee</i> HK\$'000	<i>Salaries, allowances and benefits in kind</i> HK\$'000	<i>Discretionary bonuses</i> HK\$'000	<i>Retirement scheme contributions</i> HK\$'000	
Ms. Gammy Kwok (note (i))	-	480	-	9	489
Mr. Petras Li (note (i))	-	360	-	9	369
Ms. Young (note (i))	-	452	38	9	499
Mr. Roger Kwok (note (ii))	-	320	-	-	320
	-	<u>1,612</u>	<u>38</u>	<u>27</u>	<u>1,677</u>

### Notes:

- (i) Ms. Gammy Kwok, Mr. Petras Li and Ms. Young were appointed as executive directors of the Company on 7 May 2024. They were the directors and senior management of the companies now comprising the Group during the Track Record Period and the emoluments shown above represent the remuneration they have received in the capacity as employees of the Group.
- (ii) Mr. Roger Kwok was appointed as a non-executive director of the Company on 7 May 2024. The emoluments shown above represent the remuneration he has received in the capacity as the brand ambassador of the Group.
- (iii) Professor Chan Chi Fai Andrew, Mr. Lam Yiu Por and Dr. Tsang Hing Lim were appointed as independent non-executive directors of the Company on 7 May 2024 with effect upon listing. The independent non-executive directors did not receive any fees, salaries or other compensations during the Track Record Period.

During the Track Record Period, no director has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

## 9 Individuals with highest emoluments

Of the five individuals with the highest emoluments of the Group during the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, one, one, two, two (unaudited) and two of these are directors respectively, whose emoluments are disclosed in note 8.

The aggregate of the emoluments in respect of the remaining four, four, three, three (unaudited) and three individuals during the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024 respectively are as follows:

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries and other emoluments	3,933	4,076	3,370	1,626	1,706
Discretionary bonuses	178	115	40	20	28
Retirement scheme contributions	72	72	54	27	27
	<u>4,183</u>	<u>4,263</u>	<u>3,464</u>	<u>1,673</u>	<u>1,761</u>

The emoluments of the remaining individuals with the highest emoluments are within the following bands:

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals (unaudited)</i>	<i>Number of individuals</i>
HK\$Nil – HK\$1,000,000	2	1	1	3	3
HK\$1,000,001 – HK\$1,500,000	<u>2</u>	<u>3</u>	<u>2</u>	<u>-</u>	<u>-</u>

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

## 10 Earnings per share

Earnings per share information is not presented as its inclusion for the purpose of the consolidated financial statements is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period on the basis as disclosed in note 1 above.

## 11 Property, plant and equipment

### (a) Reconciliation of carrying amount

	<i>Properties leased for own use</i> HK\$'000	<i>Leasehold improvements</i> HK\$'000	<i>Furniture, fixtures and office equipment</i> HK\$'000	<i>Computer equipment</i> HK\$'000	<i>Motor vehicles</i> HK\$'000	<i>Total</i> HK\$'000
<b>Cost:</b>						
At 1 January 2021	14,132	3,778	2,726	1,677	332	22,645
Additions	17,128	2,649	366	1,167	-	21,310
Disposal	(2,481)	(921)	(221)	-	(332)	(3,955)
At 31 December 2021	<u>28,779</u>	<u>5,506</u>	<u>2,871</u>	<u>2,844</u>	<u>-</u>	<u>40,000</u>
<b>Accumulated depreciation:</b>						
At 1 January 2021	7,168	3,100	2,013	666	332	13,279
Charge for the year	6,622	859	242	434	-	8,157
Written-back on disposals	(2,481)	(862)	(133)	-	(332)	(3,808)
At 31 December 2021	<u>11,309</u>	<u>3,097</u>	<u>2,122</u>	<u>1,100</u>	<u>-</u>	<u>17,628</u>
<b>Net book value:</b>						
At 31 December 2021	<u>17,470</u>	<u>2,409</u>	<u>749</u>	<u>1,744</u>	<u>-</u>	<u>22,372</u>
	<i>Properties leased for own use</i> HK\$'000	<i>Leasehold improvements</i> HK\$'000	<i>Furniture, fixtures and office equipment</i> HK\$'000	<i>Computer equipment</i> HK\$'000	<i>Motor vehicles</i> HK\$'000	<i>Total</i> HK\$'000
<b>Cost:</b>						
At 1 January 2022	28,779	5,506	2,871	2,844	-	40,000
Additions	7,258	1,519	190	487	-	9,454
Adjustment from lease modification	2,218	-	-	-	-	2,218
Disposal	(20)	-	-	-	-	(20)
At 31 December 2022	<u>38,235</u>	<u>7,025</u>	<u>3,061</u>	<u>3,331</u>	<u>-</u>	<u>51,652</u>
<b>Accumulated depreciation:</b>						
At 1 January 2022	11,309	3,097	2,122	1,100	-	17,628
Charge for the year	9,674	1,572	275	567	-	12,088
Written-back on disposals	(20)	-	-	-	-	(20)
At 31 December 2022	<u>20,963</u>	<u>4,669</u>	<u>2,397</u>	<u>1,667</u>	<u>-</u>	<u>29,696</u>
<b>Net book value:</b>						
At 31 December 2022	<u>17,272</u>	<u>2,356</u>	<u>664</u>	<u>1,664</u>	<u>-</u>	<u>21,956</u>

## 11 Property, plant and equipment (continued)

	<i>Properties leased for own use</i> HK\$'000	<i>Leasehold improvements</i> HK\$'000	<i>Furniture, fixtures and office equipment</i> HK\$'000	<i>Computer equipment</i> HK\$'000	<i>Motor vehicles</i> HK\$'000	<i>Total</i> HK\$'000
<b>Cost:</b>						
At 1 January 2023	38,235	7,025	3,061	3,331	-	51,652
Additions	14,788	3,524	384	794	-	19,490
Disposal	(2,002)	-	-	-	-	(2,002)
Adjustment from lease modification	1,887	-	-	-	-	1,887
At 31 December 2023	<u>52,908</u>	<u>10,549</u>	<u>3,445</u>	<u>4,125</u>	<u>-</u>	<u>71,027</u>
<b>Accumulated depreciation:</b>						
At 1 January 2023	20,963	4,669	2,397	1,667	-	29,696
Charge for the year	12,194	1,947	311	642	-	15,094
Written-back on disposals	(2,002)	-	-	-	-	(2,002)
At 31 December 2023	<u>31,155</u>	<u>6,616</u>	<u>2,708</u>	<u>2,309</u>	<u>-</u>	<u>42,788</u>
<b>Net book value:</b>						
At 31 December 2023	<u>21,753</u>	<u>3,933</u>	<u>737</u>	<u>1,816</u>	<u>-</u>	<u>28,239</u>
	<i>Properties leased for own use</i> HK\$'000	<i>Leasehold improvements</i> HK\$'000	<i>Furniture, fixtures and office equipment</i> HK\$'000	<i>Computer equipment</i> HK\$'000	<i>Motor vehicles</i> HK\$'000	<i>Total</i> HK\$'000
<b>Cost:</b>						
At 1 January 2024	52,908	10,549	3,445	4,125	-	71,027
Additions	6,624	2,856	104	197	-	9,781
Adjustment from lease modification	3,009	-	-	-	-	3,009
At 30 June 2024	<u>62,541</u>	<u>13,405</u>	<u>3,549</u>	<u>4,322</u>	<u>-</u>	<u>83,817</u>
<b>Accumulated depreciation:</b>						
At 1 January 2024	31,155	6,616	2,708	2,309	-	42,788
Charge for the period	7,718	1,511	118	335	-	9,682
At 30 June 2024	<u>38,873</u>	<u>8,127</u>	<u>2,826</u>	<u>2,644</u>	<u>-</u>	<u>52,470</u>
<b>Net book value:</b>						
At 30 June 2024	<u>23,668</u>	<u>5,278</u>	<u>723</u>	<u>1,678</u>	<u>-</u>	<u>31,347</u>

## 11 Property, plant and equipment (continued)

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	<i>At 31 December</i>		<i>2023</i>	<i>At 30 June</i>
	<i>2021</i>	<i>2022</i>		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties leased for own use, carried at depreciated cost	<u>17,470</u>	<u>17,272</u>	<u>21,753</u>	<u>23,668</u>

The analysis of expense items in relation to leases recognised in the consolidated statements of profit or loss and other comprehensive income is as follows:

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Depreciation charge of right-of-use assets by class of underlying asset:					
Properties leased for own use	<u>6,622</u>	<u>9,674</u>	<u>12,194</u>	<u>5,512</u>	<u>7,718</u>
Interest on lease liabilities (note 6(a))	299	529	677	292	374
Expenses relating to short-term leases	561	761	-	-	-
Variable lease payments not included in the measurement of lease liabilities	1	4	-	-	-
COVID-19-related rent concessions received	<u>(125)</u>	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Additions to right-of-use assets were approximately HK\$17,128,000, HK\$7,258,000, HK\$14,788,000, and HK\$6,624,000 during the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024 respectively, which primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 14(d) and 18 respectively.

The group applied the practical expedient in paragraph 46A of HKFRS 16 to all eligible rent concessions received by the group in 2021 and 2022. Further details are disclosed below.

### Properties leased for own use

The Group has obtained the right to use properties as its office premises, warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of two to three years.

## 11 Property, plant and equipment (continued)

The Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates. In 2021 and 2022, the Group received rent concessions in the form of a discount on fixed payments as a result of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for these retail stores during the Track Record Period is summarised below:

<i>Year ended 31 December 2021</i>				
	<i>Fixed payments HK\$'000</i>	<i>Variable payments HK\$'000</i>	<i>COVID-19 rent concessions HK\$'000</i>	<i>Total payments HK\$'000</i>
Retail stores	4,796	1	(125)	4,672
<i>Year ended 31 December 2022</i>				
	<i>Fixed payments HK\$'000</i>	<i>Variable payments HK\$'000</i>	<i>COVID-19 rent concessions HK\$'000</i>	<i>Total payments HK\$'000</i>
Retail stores	7,559	4	(34)	7,529
<i>Year ended 31 December 2023</i>				
	<i>Fixed payments HK\$'000</i>	<i>Variable payments HK\$'000</i>	<i>COVID-19 rent concessions HK\$'000</i>	<i>Total payments HK\$'000</i>
Retail stores	9,562	-	-	9,562
<i>Six months ended 30 June 2023 (unaudited)</i>				
	<i>Fixed payments HK\$'000</i>	<i>Variable payments HK\$'000</i>	<i>COVID-19 rent concessions HK\$'000</i>	<i>Total payments HK\$'000</i>
Retail stores	4,045	-	-	4,045
<i>Six months ended 30 June 2024</i>				
	<i>Fixed payments HK\$'000</i>	<i>Variable payments HK\$'000</i>	<i>COVID-19 rent concessions HK\$'000</i>	<i>Total payments HK\$'000</i>
Retail stores	6,396	-	-	6,396

## 12 inventories

**(a) Inventories in the consolidated statements of financial position comprise:**

	<i>At 31 December</i>			<i>At 30 June</i>
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Health supplements and cosmetics and skincare products	23,518	26,544	32,214	30,410
Packaging materials and consumables	3,615	5,081	5,806	4,198
	<u>27,133</u>	<u>31,625</u>	<u>38,020</u>	<u>34,608</u>

**(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:**

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Carrying amount of inventories sold	52,816	58,417	65,743	32,746	30,355
Write-down of inventories	20	25	37	21	30
	<u>52,836</u>	<u>58,442</u>	<u>65,780</u>	<u>32,767</u>	<u>30,385</u>

## 13 Trade and other receivables

	<i>Note</i>	<i>At 31 December</i>			<i>At 30 June</i>
		<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	13(a)	26,436	29,893	32,473	29,228
<b>Prepayments, deposits and other receivables</b>					
Prepayments		5,322	5,066	8,055	10,844
Deposits		3,656	4,418	5,837	7,081
Other receivables		123	20	6	8
		<u>9,101</u>	<u>9,504</u>	<u>13,898</u>	<u>17,933</u>
		<u>35,537</u>	<u>39,397</u>	<u>46,371</u>	<u>47,161</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.



### 13 Trade and other receivables (continued)

#### (a) Trade receivables

At the end of each of the reporting period, the ageing analysis of trade receivables, which are included in trade and other receivables, based on the invoice date, is as follows:

	<i>At 31 December</i>		<i>2023</i>	<i>At 30 June</i>
	<i>2021</i>	<i>2022</i>		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	9,685	11,603	21,106	9,291
31 to 60 days	8,205	9,639	11,294	9,491
61 to 90 days	8,436	7,079	53	10,444
Over 90 days	110	1,572	20	2
	<u>26,436</u>	<u>29,893</u>	<u>32,473</u>	<u>29,228</u>

Trade receivables are normally due within 60 to 90 days from date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 21(a).

### 14 Cash and cash equivalents and other cash flow information

#### (a) Cash and cash equivalents comprise:

	<i>At 31 December</i>		<i>2023</i>	<i>At 30 June</i>
	<i>2021</i>	<i>2022</i>		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents in the consolidated statements of financial position	4,197	12,934	22,482	26,546
Bank overdrafts (note 17)	(698)	-	-	-
Cash and cash equivalents in the consolidated cash flow statements	<u>3,499</u>	<u>12,934</u>	<u>22,482</u>	<u>26,546</u>

## 14 Cash and cash equivalents and other cash flow information (continued)

### (b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December			Six months ended 30 June	
		2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
<b>Operating activities</b>						
Profit before taxation		27,519	32,786	47,282	21,675	10,694
Adjustments for:						
Bank interest income	5	(17)	(18)	(78)	(33)	(109)
Depreciation	6(c)	8,157	12,088	15,094	6,765	9,682
Write-down of inventories		20	25	37	21	30
Gain on disposal of property, plant and equipment	5	(13)	-	-	-	-
Finance costs	6(a)	812	1,020	970	457	479
COVID-19-related rent concessions received	5	(125)	(34)	-	-	-
Changes in working capital:						
(Increase)/decrease in inventories		(8,673)	(4,517)	(6,432)	(14,412)	3,382
(Increase)/decrease in trade and other receivables		(2,811)	(3,860)	(6,974)	(231)	2,211
(Decrease)/increase in trade and other payables		(534)	683	(1,592)	2,905	(857)
Increase/(decrease) in amounts due to related companies		234	(161)	(600)	(560)	(720)
Increase/(decrease) in amount due to a director		580	(140)	(635)	(396)	320
(Decrease)/increase in contract liabilities		(246)	511	614	(308)	(317)
Cash generated from operations		<u>24,903</u>	<u>38,383</u>	<u>47,686</u>	<u>15,883</u>	<u>24,795</u>

## 14 Cash and cash equivalents and other cash flow information (continued)

### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	<i>Bank loans</i> HK\$'000 (note 17)	<i>Amounts due to the controlling shareholders</i> HK\$'000 (note 22(c))	<i>Lease liabilities</i> HK\$'000 (note 18)	<i>Total</i> HK\$'000
<b>At 1 January 2021</b>	25,011	1,369	7,088	33,468
<b>Changes from financing cash flows:</b>				
Proceeds from new bank loans	6,000	-	-	6,000
Repayment of bank loans	(15,645)	-	-	(15,645)
Interests paid	(513)	-	-	(513)
Capital element of lease rentals paid	-	-	(5,977)	(5,977)
Interest element of lease rentals paid	-	-	(299)	(299)
Dividends paid	-	(500)	-	(500)
Increase in amounts due to the controlling shareholders	-	3	-	3
<b>Total changes from financing cash flows</b>	<b>(10,158)</b>	<b>(497)</b>	<b>(6,276)</b>	<b>(16,931)</b>
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the year	-	-	16,766	16,766
COVID-19-related rent concessions received (note 11(b))	-	-	(125)	(125)
Interest expenses (note 6(a))	513	-	299	812
<b>Total other changes</b>	<b>513</b>	<b>-</b>	<b>16,940</b>	<b>17,453</b>
<b>At 31 December 2021</b>	<b>15,366</b>	<b>872</b>	<b>17,752</b>	<b>33,990</b>

## 14 Cash and cash equivalents and other cash flow information (continued)

	<i>Bank loans</i> HK\$'000 (note 17)	<i>Amounts due to the controlling shareholders</i> HK\$'000 (note 22(c))	<i>Lease liabilities</i> HK\$'000 (note 18)	<i>Total</i> HK\$'000
<b>At 1 January 2022</b>	15,366	872	17,752	33,990
<b>Changes from financing cash flows:</b>				
Proceeds from new bank loans	9,500	-	-	9,500
Repayment of bank loans	(14,399)	-	-	(14,399)
Interests paid	(491)	-	-	(491)
Capital element of lease rentals paid	-	-	(9,299)	(9,299)
Interest element of lease rentals paid	-	-	(529)	(529)
Decrease in amounts due to the controlling shareholders	-	(674)	-	(674)
<b>Total changes from financing cash flows</b>	<b>(5,390)</b>	<b>(674)</b>	<b>(9,828)</b>	<b>(15,892)</b>
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the year	-	-	7,139	7,139
Lease modification	-	-	2,218	2,218
COVID-19-related rent concessions received (note 11(b))	-	-	(34)	(34)
Interest expenses (note 6(a))	491	-	529	1,020
<b>Total other changes</b>	<b>491</b>	<b>-</b>	<b>9,852</b>	<b>10,343</b>
<b>At 31 December 2022</b>	<b>10,467</b>	<b>198</b>	<b>17,776</b>	<b>28,441</b>

## 14 Cash and cash equivalents and other cash flow information (continued)

	<i>Bank loans</i> HK\$'000 (note 17)	<i>Amounts due to the controlling shareholders</i> HK\$'000 (note 22(c))	<i>Lease liabilities</i> HK\$'000 (note 18)	<i>Total</i> HK\$'000
<b>At 1 January 2023</b>	10,467	198	17,776	28,441
<b>Changes from financing cash flows:</b>				
Repayment of bank loans	(3,994)	-	-	(3,994)
Interests paid	(293)	-	-	(293)
Capital element of lease rentals paid	-	-	(11,673)	(11,673)
Interest element of lease rentals paid	-	-	(677)	(677)
Decrease in amounts due to the controlling shareholders	-	(198)	-	(198)
<b>Total changes from financing cash flows</b>	<b>(4,287)</b>	<b>(198)</b>	<b>(12,350)</b>	<b>(16,835)</b>
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the year	-	-	14,520	14,520
Lease modification	-	-	1,887	1,887
Interest expenses (note 6(a))	293	-	677	970
<b>Total other changes</b>	<b>293</b>	<b>-</b>	<b>17,084</b>	<b>17,377</b>
<b>At 31 December 2023</b>	<b>6,473</b>	<b>-</b>	<b>22,510</b>	<b>28,983</b>

## 14 Cash and cash equivalents and other cash flow information (continued)

	<i>Bank loans</i> HK\$'000 (note 17)	<i>Amounts due to the controlling shareholders</i> HK\$'000 (note 22(c))	<i>Lease liabilities</i> HK\$'000 (note 18)	<i>Total</i> HK\$'000
<b>At 1 January 2024</b>	6,473	-	22,510	28,983
<b>Changes from financing cash flows:</b>				
Repayment of bank loans	(458)	-	-	(458)
Interests paid	(105)	-	-	(105)
Dividend paid	-	(5,843)	-	(5,843)
Capital element of lease rentals paid	-	-	(7,683)	(7,683)
Interest element of lease rentals paid	-	-	(374)	(374)
<b>Total changes from financing cash flows</b>	<b>(563)</b>	<b>(5,843)</b>	<b>(8,057)</b>	<b>(14,463)</b>
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the period	-	-	6,404	6,404
Lease modification	-	-	3,009	3,009
Interest expenses (note 6(a))	105	-	374	479
Dividend declared (note 20(b))	-	30,000	-	30,000
Offset with amount due from a controlling shareholder	-	(4,164)	-	(4,164)
<b>Total other changes</b>	<b>105</b>	<b>25,836</b>	<b>9,787</b>	<b>35,728</b>
<b>At 30 June 2024</b>	<b>6,015</b>	<b>19,993</b>	<b>24,240</b>	<b>50,248</b>

## 14 Cash and cash equivalents and other cash flow information (continued)

<b>(Unaudited)</b>	<b>Bank loans</b> HK\$'000 (note 17)	<b>Amounts due to the controlling shareholders</b> HK\$'000 (note 22(c))	<b>Lease liabilities</b> HK\$'000 (note 18)	<b>Total</b> HK\$'000
<b>At 1 January 2023</b>	10,467	198	17,776	28,441
<b>Changes from financing cash flows:</b>				
Repayment of bank loans	(2,603)	-	-	(2,603)
Interests paid	(165)	-	-	(165)
Capital element of lease rentals paid	-	-	(5,310)	(5,310)
Interest element of lease rentals paid	-	-	(292)	(292)
Increase in amounts due to the controlling shareholders	-	136	-	136
<b>Total changes from financing cash flows</b>	<b>(2,768)</b>	<b>136</b>	<b>(5,602)</b>	<b>(8,234)</b>
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the period	-	-	7,114	7,114
Lease modification	-	-	1,887	1,887
Interest expenses (note 6(a))	165	-	292	457
<b>Total other changes</b>	<b>165</b>	<b>-</b>	<b>9,293</b>	<b>9,458</b>
<b>At 30 June 2023</b>	<b>7,864</b>	<b>334</b>	<b>21,467</b>	<b>29,665</b>

### (d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	<i>Year ended 31 December</i>			<i>Six months ended 30 June</i>	
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
Within operating cash flows	562	765	-	-	-
Within financing cash flows	6,276	9,828	12,350	5,602	8,057
	<u>6,838</u>	<u>10,593</u>	<u>12,350</u>	<u>5,602</u>	<u>8,057</u>

These amounts are related to lease rental payments.

## 15 Trade and other payables

	<i>Note</i>	<i>At 31 December</i>			<i>At 30 June</i>
		<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	15(a)	3,573	2,934	1,703	2,705
<b>Other payables and accruals</b>					
Accrued employee benefits		4,141	5,076	4,509	1,926
Advertising and promotion expenses payables		3,296	3,430	4,003	2,974
Other payables		3,334	3,706	3,607	5,580
		<u>10,771</u>	<u>12,212</u>	<u>12,119</u>	<u>10,480</u>
Less: Amounts included in "Other payables and accruals" under non-current liabilities		(591)	(1,053)	(1,081)	(1,318)
		<u>10,180</u>	<u>11,159</u>	<u>11,038</u>	<u>9,162</u>
		<u>13,753</u>	<u>14,093</u>	<u>12,741</u>	<u>11,867</u>

Except for the amounts included in "Other payables and accruals" under non-current liabilities, all other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

### (a) Trade payables

At the end of each of the reporting period, the ageing analysis of trade payables, which are included in trade and other payables, based on the invoice date, is as follows:

	<i>At 31 December</i>			<i>At 30 June</i>
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	1,689	2,034	1,076	1,507
31 to 90 days	1,774	811	343	1,040
91 to 180 days	76	7	152	51
Over 180 days	34	82	132	107
	<u>3,573</u>	<u>2,934</u>	<u>1,703</u>	<u>2,705</u>



## 16 Contract liabilities

Contract liabilities represent the Group's obligation to transfer performance obligation to customers for which the Group has received consideration from the customers.

Typical payment term which impacts on the amount of contract liabilities recognised is as follows:

### Customer loyalty programme

The Group operates a customer loyalty programme where customers accumulate reward points for purchases made over certain amount which entitle them to discount on future purchases. A contract liability for the reward points is recognised at the time of sale. Revenue is recognised when the reward points are redeemed or expired.

Movements of contract liabilities are as follows:

	2021 HK\$'000	At 31 December 2022 HK\$'000	2023 HK\$'000	At 30 June 2024 HK\$'000
At the beginning of the year/period	1,379	1,133	1,644	2,258
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(1,379)	(1,133)	(1,644)	(2,258)
Increase in contract liabilities as a result of granting award credits to customers during the year/period	1,133	1,644	2,258	1,941
At the end of the year/period	<u>1,133</u>	<u>1,644</u>	<u>2,258</u>	<u>1,941</u>

All of the contract liabilities are expected to be recognised as income within one year.

## 17 Bank loans and overdrafts

An analysis of the carrying amount of bank loans and overdrafts is as follows:

	2021 HK\$'000	At 31 December 2022 HK\$'000	2023 HK\$'000	At 30 June 2024 HK\$'000
Current portion of bank loans and overdrafts	4,738	3,132	969	1,009
Non-current portion of bank loans with repayable on demand clause	11,326	7,335	5,504	5,006
	<u>16,064</u>	<u>10,467</u>	<u>6,473</u>	<u>6,015</u>

## 17 Bank loans and overdrafts (continued)

Notwithstanding the specified repayment schedules as stated in the facilities which allow the loans to be repaid over a period of more than one year, all banking facilities granted to the Group include a clause that gives the banks the unconditional right to call the bank loans at any time. These bank loans as at 31 December 2021, 2022 and 2023 and 30 June 2024 were classified as current liabilities in the consolidated statements of financial position. All bank loans and overdrafts are repayable on demand or within one year.

Bank loans and overdrafts were analysed as follows:

	2021 HK\$'000	At 31 December 2022 HK\$'000	2023 HK\$'000	At 30 June 2024 HK\$'000
Unsecured bank overdrafts (note 14)	698	-	-	-
Secured bank loans	15,366	10,467	6,473	6,015
	<u>16,064</u>	<u>10,467</u>	<u>6,473</u>	<u>6,015</u>

As at 31 December 2021, 2022 and 2023 and 30 June 2024, secured banking facilities of HK\$27,000,000, HK\$43,500,000, HK\$27,000,000 and HK\$14,000,000, were granted to the Group and were utilised to the extent of approximately HK\$15,366,000, HK\$10,467,000, HK\$6,473,000 and HK\$6,015,000 by the Group respectively.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Controlling Shareholders provided personal guarantees for bank loans of approximately HK\$15,366,000, HK\$10,467,000, HK\$6,473,000 and HK\$6,015,000 respectively.

As at the date of this report, all above guarantees have been released.

## 18 Lease liabilities

At the end of each of the reporting period, the lease liabilities were repayable as follows:

	2021 HK\$'000	At 31 December 2022 HK\$'000	2023 HK\$'000	At 30 June 2024 HK\$'000
Within 1 year	8,088	9,647	12,566	12,342
After 1 year but within 2 years	6,268	6,865	7,150	8,709
After 2 years but within 5 years	3,396	1,264	2,794	3,189
	<u>9,664</u>	<u>8,129</u>	<u>9,944</u>	<u>11,898</u>
	<u>17,752</u>	<u>17,776</u>	<u>22,510</u>	<u>24,240</u>

## 19 Income tax in the consolidated statements of financial position

### (a) Current taxation in the consolidated statements of financial position represents:

	At 31 December			At 30 June
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000
Provision for Hong Kong Profits Tax for the year/period	4,259	5,078	8,120	3,354
Provisional Profits Tax paid	-	-	(3,491)	-
	<u>4,259</u>	<u>5,078</u>	<u>4,629</u>	<u>3,354</u>
Balance of Profits Tax provision relating to prior periods	3,146	1,742	-	3,399
	<u><u>7,405</u></u>	<u><u>6,820</u></u>	<u><u>4,629</u></u>	<u><u>6,753</u></u>

### (b) Deferred tax assets and liabilities recognised

#### (i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

	Property, plant and equipment HK\$'000	Unused tax losses HK\$'000	Right-of-use assets HK\$'000	Lease liabilities HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2021	(93)	(79)	1,149	(1,169)	(41)	(233)
Charged/(credited) to profit or loss	118	47	1,734	(1,760)	(60)	79
At 31 December 2021	<u>25</u>	<u>(32)</u>	<u>2,883</u>	<u>(2,929)</u>	<u>(101)</u>	<u>(154)</u>
At 1 January 2022	25	(32)	2,883	(2,929)	(101)	(154)
(Credited)/charged to profit or loss	(243)	32	(33)	(4)	(16)	(264)
At 31 December 2022	<u>(218)</u>	<u>-</u>	<u>2,850</u>	<u>(2,933)</u>	<u>(117)</u>	<u>(418)</u>
At 1 January 2023	(218)	-	2,850	(2,933)	(117)	(418)
(Credited)/charged to profit or loss	(271)	-	740	(781)	(28)	(340)
At 31 December 2023	<u>(489)</u>	<u>-</u>	<u>3,590</u>	<u>(3,714)</u>	<u>(145)</u>	<u>(758)</u>
At 1 January 2024	(489)	-	3,590	(3,714)	(145)	(758)
(Credited)/charged to profit or loss	(137)	-	315	(286)	(36)	(144)
At 30 June 2024	<u>(626)</u>	<u>-</u>	<u>3,905</u>	<u>(4,000)</u>	<u>(181)</u>	<u>(902)</u>

## 19 Income tax in the consolidated statements of financial position (continued)

### (ii) Reconciliation to the consolidated statements of financial position

	2021 HK\$'000	At 31 December 2022 HK\$'000	2023 HK\$'000	At 30 June 2024 HK\$'000
Net deferred tax assets recognised in the consolidated statements of financial position	(154)	(432)	(765)	(905)
Net deferred tax liabilities recognised in the consolidated statements of financial position	-	14	7	3
	<u>(154)</u>	<u>(418)</u>	<u>(758)</u>	<u>(902)</u>

As at December 2021, 2022 and 2023 and 30 June 2024, the directors are of the view that it is probable that future taxable profits will be available to utilise the deferred tax assets.

## 20 Capital, reserves and dividend

### (a) Movements in component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 22 March 2024 (date of incorporation)	-	-	-
Issuance of new shares	-*	-	-*
Loss and total comprehensive income for the period	-	(9,855)	(9,855)
At 30 June 2024	<u>-*</u>	<u>(9,855)</u>	<u>(9,855)</u>

\* The balances represent amounts less than HK\$500.

### (b) Dividend

During the year ended 31 December 2021, no dividend was declared by any of the companies now comprising the Group.

During the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, Herbs Generation International Limited, the company now comprising the Group, declared dividends in cash totalling HK\$9,500,000, HK\$18,955,000, HK\$11,250,000 (unaudited) and HK\$30,000,000, respectively, to their then shareholders.

## 20 Capital, reserves and dividend (continued)

### (c) Share capital

	<i>Number of shares</i>	<i>Amount HK\$'000</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each at 22 March 2024 (date of incorporation) and 30 June 2024	39,000,000	390
<b>Ordinary share, issued and fully paid:</b>		
At 22 March 2024 (date of incorporation) and 30 June 2024	10	-*

\* The balance represents amount less than HK\$500.

The Company was incorporated on 22 March 2024 with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01. Upon its incorporation, 10 ordinary shares of the Company were allotted and issued. For the purpose of this report, share capital as at 31 December 2021, 2022 and 2023 represents the aggregate share capital of the subsidiaries of the Group which existed at the respective dates.

Pursuant to the Reorganisation completed on 13 May 2024, the Company became the holding company of the companies now comprising the Group. The share capital of the Group as at 30 June 2024 represents the share capital of the Company.

### (d) Capital reserve

The capital reserve represents the difference between the total consideration paid by the Group in relation to the Reorganisation for acquiring Herbs Generation International Limited, Broadcast HR Management Limited and ZINO INTERNATIONAL LIMITED and the share capital of these three subsidiaries upon the completion of the Reorganisation.

### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## **21 Financial risk management and fair values of financial instruments**

Exposure to credit, liquidity and interest rate risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### **(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

The Group has assessed that no material ECLs are recognised on the financial assets measured at amortised cost, including trade and other receivables, as at 31 December 2021, 2022 and 2023 and 30 June 2024.

#### Trade and other receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers located in Hong Kong. As at 31 December 2021, 2022 and 2023 and 30 June 2024, 86%, 85%, 87% and 81% of the total trade receivables was due from the Group's largest customer and 86%, 85%, 87% and 83% of the total trade receivables was due from the Group's the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix or based on the probability of default where reference to available market information. As the Group's historical credit loss experience indicates different loss patterns for different customer segments, the loss allowance is calculated based on past due status from the Group's different customer bases which are grouped with similar patterns (i.e. by customer type). 12-month ECLs are used to measure the loss allowance for other receivables. The Group has assessed that no material lifetime and 12-month ECLs are recognised as at 31 December 2021, 2022 and 2023 and 30 June 2024.

## 21 Financial risk management and fair values of financial instruments (continued)

### (b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each of the reporting period) and the earliest date the Group can be required to pay.

As the directors do not expect the banks would exercise the rights to demand repayment, the bank loans subject to repayment on demand clause are expected to be repayable based on the specific repayment terms. Hence, for these bank loans, the following tables show the cash outflows according to the specific repayment terms and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	At 31 December 2021				Total HK\$'000	Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	Contractual More than 1 year but less than 2 years HK\$'000	Contractual More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000		
Trade and other payables	13,733	-	-	-	13,733	13,733
Amounts due to related companies	1,481	-	-	-	1,481	1,481
Amounts due to the controlling shareholders	872	-	-	-	872	872
Amount due to a director	3,405	-	-	-	3,405	3,405
Bank loans	5,111	2,932	5,918	3,423	17,384	16,064
Lease liabilities	8,491	6,455	3,428	-	18,374	17,752
	<u>33,093</u>	<u>9,387</u>	<u>9,346</u>	<u>3,423</u>	<u>55,249</u>	<u>53,307</u>
Adjustments to present cash flows on interest-bearing borrowings based on lender's right to demand repayment	11,326	(2,932)	(5,918)	(3,423)	(947)	
	<u>44,419</u>	<u>6,455</u>	<u>3,428</u>	<u>-</u>	<u>54,302</u>	

## 21 Financial risk management and fair values of financial instruments (continued)

	<i>At 31 December 2022</i>					<i>Carrying amount</i> HK\$'000
	<i>Within 1 year or on demand</i> HK\$'000	<i>More than 1 year but less than 2 years</i> HK\$'000	<i>More than 2 years but less than 5 years</i> HK\$'000	<i>More than 5 years</i> HK\$'000	<i>Total</i> HK\$'000	
Trade and other payables	13,993	-	-	-	13,993	13,993
Amounts due to related companies	1,320	-	-	-	1,320	1,320
Amounts due to the controlling shareholders	198	-	-	-	198	198
Amount due to a director	635	-	-	-	635	635
Bank loans	3,412	1,345	4,035	2,805	11,597	10,467
Lease liabilities	10,025	6,981	1,276	-	18,282	17,776
	<u>29,583</u>	<u>8,326</u>	<u>5,311</u>	<u>2,805</u>	<u>46,025</u>	<u>44,389</u>
Adjustments to present cash flows on interest-bearing borrowings based on lender's right to demand repayment	7,335	(1,345)	(4,035)	(2,805)	(850)	
	<u>36,918</u>	<u>6,981</u>	<u>1,276</u>	<u>-</u>	<u>45,175</u>	
	<i>At 31 December 2023</i>					<i>Carrying amount</i> HK\$'000
	<i>Within 1 year or on demand</i> HK\$'000	<i>More than 1 year but less than 2 years</i> HK\$'000	<i>More than 2 years but less than 5 years</i> HK\$'000	<i>More than 5 years</i> HK\$'000	<i>Total</i> HK\$'000	
Trade and other payables	12,304	-	-	-	12,304	12,304
Amounts due to related companies	720	-	-	-	720	720
Bank loans	1,188	1,188	3,231	1,719	7,326	6,473
Lease liabilities	13,141	7,384	2,827	-	23,352	22,510
	<u>27,353</u>	<u>8,572</u>	<u>6,058</u>	<u>1,719</u>	<u>43,702</u>	<u>42,007</u>
Adjustments to present cash flows on interest-bearing borrowings based on lender's right to demand repayment	5,504	(1,188)	(3,231)	(1,719)	(634)	
	<u>32,857</u>	<u>7,384</u>	<u>2,827</u>	<u>-</u>	<u>43,068</u>	



## 21 Financial risk management and fair values of financial instruments (continued)

	At 30 June 2024				Total HK\$'000	Carrying amount HK\$'000
	Contractual undiscounted cash outflow	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
	Within 1 year or on demand HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Trade and other payables	11,341	-	-	-	11,341	11,341
Amounts due to the controlling shareholders	19,993	-	-	-	19,993	19,993
Amount due to a director	320	-	-	-	320	320
Bank loans	1,218	1,188	2,538	1,818	6,762	6,015
Lease liabilities	13,036	9,000	3,241	-	25,277	24,240
	<u>45,908</u>	<u>10,188</u>	<u>5,779</u>	<u>1,818</u>	<u>63,693</u>	<u>61,909</u>
Adjustments to present cash flows on interest-bearing borrowings based on lender's right to demand repayment	5,006	(1,188)	(2,538)	(1,818)	(538)	
	<u>50,914</u>	<u>9,000</u>	<u>3,241</u>	<u>-</u>	<u>63,155</u>	

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

#### (i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of each of the reporting period:

	2021		At 31 December 2022		2023		At 30 June 2024	
	Effective interest rate %	Amount HK\$'000	Effective interest rate %	Amount HK\$'000	Effective interest rate %	Amount HK\$'000	Effective interest rate %	Amount HK\$'000
<b>Fixed rate borrowings:</b>								
Lease liabilities	3.1	17,752	3.1	17,776	4.1	22,510	4.1	24,240
<b>Variable rate borrowings:</b>								
Bank loans and overdrafts	2.3 - 3.9	16,064	2.8 - 4.7	10,467	3.5 - 5.2	6,473	3.0 - 3.7	6,015
		<u>33,816</u>		<u>28,243</u>		<u>28,983</u>		<u>30,255</u>

## **21 Financial risk management and fair values of financial instruments (continued)**

### **(ii) Sensitivity analysis**

At 31 December 2021, 2022 and 2023 and 30 June 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased each of the Group's profit after tax and retained profits by approximately HK\$134,000, HK\$87,000, HK\$54,000 and HK\$50,000 respectively.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of each of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the consolidated financial statements. The analysis is performed on the same basis throughout the Track Record Period.

### **(d) Currency risk**

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars.

## **22 Material related party transactions**

The following individuals and companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period:

Name of party	Relationship with the Group
Ms. Gammy Kwok	Director and controlling shareholder of the Group
Mr. Petras Li	Director and controlling shareholder of the Group
Mr. Roger Kwok	Director of the Group
Herbs Generation Biotech Company Limited	A company controlled by Ms. Gammy Kwok
Bomi Art & Creation Limited	A company controlled by Ms. Gammy Kwok
New ImMAX Co Limited	A company controlled by Ms. Gammy Kwok
Herbs Generation (Holdings) Limited	A company controlled by Ms. Gammy Kwok

The Group entered into the following material transactions with its related parties during the Track Record Period.

### **(a) Key management personnel emoluments**

All members of key management personnel are directors of the Group and their compensation is disclosed in note 8.

## 22 Material related party transactions (continued)

### (b) Transactions with related parties

	Year ended 31 December			Six months ended 30 June	
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
Endorsement fee paid to a director					
- Mr. Roger Kwok	640	640	640	320	320

### (c) Balances with related parties

	At 31 December			At 30 June	
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000	2024 HK\$'000
Amount due from a controlling shareholder (note (i))					
- Ms. Gammy Kwok	24,629	17,647	5,176	-	-
Amounts due from related companies (note (iii))					
- Herbs Generation Biotech Company Limited	49	49	-	-	-
- Bomi Art & Creation Limited	-	67	-	-	-
	49	116	-	-	-
Amounts due to the controlling shareholders (note (i))					
- Ms. Gammy Kwok	-	-	-	-	17,173
- Mr. Petras Li	872	198	-	-	2,820
	872	198	-	-	19,993
Amount due to a director (note (ii))					
- Mr. Roger Kwok	3,405	635	-	-	320
Amounts due to related companies (note (iii))					
- New ImMAX Co Limited	919	780	720	-	-
- Herbs Generation (Holdings) Limited	562	540	-	-	-
	1,481	1,320	720	-	-

## 22 Material related party transactions (continued)

Notes:

- (i) The amounts due from/to the controlling shareholders are non-trade in nature, unsecured, interest-free and recoverable/repayable on demand. The amounts due to the controlling shareholders as at 30 June 2024 are fully repaid as at the date of this report.
- (ii) Except for the amount of HK\$2,765,000 as at 31 December 2021 which is non-trade in nature, the remaining amount due to a director is trade in nature. The amount due to a director is unsecured, interest-free and repayable on demand.
- (iii) The amounts due from/to related companies are non-trade in nature, unsecured, interest-free and recoverable/repayable on demand.

### (d) *Guarantee given to related party*

During the Track Record Period, the Group gave guarantees to bank in connection with related company as follows:

	<i>Year ended 31 December</i>			<i>At 30 June</i>
	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to a related company				
- Bomi Art & Creation Limited	-	20,854	20,500	-

As at 31 December 2022 and 2023, the banking facilities granted to the related company subject to guarantees given to the bank by the Group were utilised to the extent of HK\$20,579,000 and HK\$20,481,000 respectively. As at 30 June 2024, all above guarantees were released.

## 23 Investment in a subsidiary and amount due to a subsidiary in the Company's statement of financial position

### (a) *Investment in a subsidiary*

	<i>At 30 June</i>
	<i>2024</i>
	HK\$'000
Investment in a subsidiary	-*

The balance represents amount less than HK\$500.

## **23 Investment in a subsidiary and amount due to a subsidiary in the Company's statement of financial position (continued)**

### **(b) Amount due to a subsidiary**

The amount due to a subsidiary represented the payment advance from Herbs Generation International Limited, which is non-trade in nature, unsecured, interest-free and repayable on demand.

## **24 Subsequent events**

No significant subsequent events have been occurred to the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2024.

## **25 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Track Record Period**

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of new or amended standards and interpretations, which are not yet effective for the Track Record Period and which have not been adopted in the consolidated financial statements. These developments include the following:

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures: Amendments to the classification and measurement of financial instruments</i>	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: Disclosures</i>	1 January 2027
Amendments to HK Int 5, <i>Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause</i>	1 January 2027
Amendments to HKFRS 10, <i>Consolidated financial statements</i> and HKAS 28, <i>Investments in associates and joint ventures: Sale or contribution of assets between an investor and its associate or joint venture</i>	Will be determined at a future date

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group.