



Herbs Generation Group Holdings Limited
草姬集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2593

GLOBAL OFFERING



Sole Sponsor, Sole Overall Coordinator,
Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Herbs Generation Group Holdings Limited

草姬集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 33,333,600 Shares
Number of Hong Kong Offer Shares	: 3,333,600 Shares (subject to reallocation)
Number of International Placing Shares	: 30,000,000 Shares (subject to reallocation)
Maximum Offer Price	: HK\$4.15 plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 2593

Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator,
Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Sole Overall Coordinator, for itself and on behalf of the Underwriters, and our Company on or before 12:00 noon on Tuesday, 17 December 2024. If, for any reason, the Sole Overall Coordinator, for itself and on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by 12:00 noon on Tuesday, 17 December 2024, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK\$4.15 per Share and is expected to be not less than HK\$3.75 per Share. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK\$4.15 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% subject to refund if the Offer Price is lower than HK\$3.75. Further details are set forth in "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in "Risk factors" in this prospectus.

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Sole Overall Coordinators, for itself and on behalf of the Hong Kong Underwriters, has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offer – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, delivered, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except that the Offer Shares may be offered, sold or delivered in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offer.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.herbs.hk. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

11 December 2024

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide any printed copies of this prospectus for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.herbs.hk. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to “How to Apply for Hong Kong Offer Shares” in this prospectus for further details on the procedures through which you can apply for Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 800 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application HK\$
800	3,353.48	12,000	50,302.22	100,000	419,185.28	700,000	2,934,296.93
1,600	6,706.97	16,000	67,069.64	120,000	503,022.34	800,000	3,353,482.20
2,400	10,060.44	20,000	83,837.05	140,000	586,859.39	900,000	3,772,667.48
3,200	13,413.93	24,000	100,604.47	160,000	670,696.45	1,000,000	4,191,852.76
4,000	16,767.41	28,000	117,371.88	180,000	754,533.50	1,100,000	4,611,038.03
4,800	20,120.90	32,000	134,139.29	200,000	838,370.56	1,200,000	5,030,223.30
5,600	23,474.37	36,000	150,906.69	300,000	1,257,555.83	1,300,000	5,449,408.58
6,400	26,827.86	40,000	167,674.11	400,000	1,676,741.10	1,400,000	5,868,593.86
7,200	30,181.34	60,000	251,511.16	500,000	2,095,926.38	1,500,000	6,287,779.13
8,000	33,534.83	80,000	335,348.22	600,000	2,515,111.66	1,666,400 ⁽¹⁾	6,985,303.42

Notes:

- (1) Maximum number of Hong Kong Offer Share you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offer, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.herbs.hk.

Hong Kong Public Offer commences 9:00 a.m. on
Wednesday, 11 December 2024

Latest time for completing electronic applications under the
White Form eIPO service through the designated
website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on
Monday, 16 December 2024

Application lists of the Hong Kong Public Offer open⁽³⁾ 11:45 a.m. on
Monday, 16 December 2024

Latest time for (a) completing payment of
White Form eIPO applications by effecting internet
banking transfer(s) or PPS payment transfer(s) and
(b) giving electronic application instructions to HKSCC⁽⁴⁾ 12:00 noon on
Monday, 16 December 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offer close⁽³⁾ 12:00 noon on
Monday, 16 December 2024

Expected Price Determination Date⁽⁵⁾ On or before 12:00 noon,
Tuesday, 17 December 2024

Announcement of the Offer Price, the level of indications of
interest in the International Placing, the level of applications in
the Hong Kong Public Offer and the basis of allocation of
the Hong Kong Offer Shares to be published on the websites
of the Stock Exchange at www.hkexnews.hk and our Company
at www.herbs.hk⁽⁶⁾ no later than 11:00 p.m. on
Wednesday, 18 December 2024

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offer to be available through a variety of channels, including:

- in the announcement to be posted on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.herbs.hk**⁽⁶⁾ no later than 11:00 p.m. on
Wednesday, 18 December 2024

- from the designated results of allocations website at **www.iporeresults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) on a 24-hour basis from 11:00 p.m. on Wednesday, 18 December 2024 to
12:00 midnight on Tuesday, 24 December 2024

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, 19 December 2024,
Friday, 20 December 2024,
Monday, 23 December 2024 and
Tuesday, 24 December 2024

Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾ Wednesday, 18 December 2024

White Form e-Refund payment instructions / refund cheques in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the final Offer Price is less than the price paid per Offer Share on application (if applicable) to be despatched on or before⁽⁸⁾⁽⁹⁾ . . . Thursday, 19 December 2024

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Thursday, 19 December 2024

Notes:

- (1) All times and dates refer to Hong Kong local times and dates.

- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE

- (3) If there is/are Severe Weather Signal(s) (as defined in the section headed “How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements” in this prospectus) in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 16 December 2024, the application lists will not open or close on that day. Further information is set out in “How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via HKSCC’s FINI system should refer to “How to Apply for Hong Kong Offer Shares – A. Application for Hong Kong Offer Shares” in this prospectus.
- (5) The Price Determination Date is expected to be on or before Tuesday, 17 December 2024, and in any event, not later than 12:00 noon on Tuesday, 17 December 2024. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us by 12:00 noon on Tuesday, 17 December 2024, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates will only become valid evidence of title at 8:00 a.m. on Thursday, 19 December 2024, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated prior to 8:00 a.m. on Thursday, 19 December 2024. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.
- (8) **White Form** e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and in respect of wholly or partially successful applications if the final Offer Price is less than the price paid per Offer Share on application. Part of the applicant’s identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund cheque. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund cheque.
- (9) Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. For each applicant which is a corporation eligible for personal collection, its authorised representative who will collect on its behalf must bear a letter of authorisation from the corporate applicant stamped with its company chop. All such individual applicants and authorised representatives of corporate applicants must produce evidence of identity acceptable to the Hong Kong Share Registrar at the time of collection.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to their bank account in the form of **White Form** e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider in the form of refund cheques by ordinary post at their own risk.

Any uncollected Share certificates will be despatched by ordinary post, at their own risk, to the addresses specified in the relevant applications. For further information, applicants should refer to “How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies”.

Applicants who have applied for Hong Kong Offer Shares through the **HKSCC eIPO** channel should refer to “How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus for details.

EXPECTED TIMETABLE

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus, respectively.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Global Offering.

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SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in “Definitions” and “Glossary of Technical Terms” in this prospectus.

OVERVIEW

Established for over 20 years, we are a provider of a variety of health supplements and cosmetics and skincare products in Hong Kong. We focus on the development, sales and marketing of products under our own brands through a multi-channel sales model. Since the founding of our Group in 1999, we have been actively building our own brands by selling a wide variety of products. As at the Latest Practicable Date, we carried a total of eight own brands, namely (i) “Herbs (草姬)”; (ii) “ZINO”; (iii) “Classic (正統)”; (iv) “Umeya (梅屋)”; (v) “Energie (男補)”; (vi) “Men’s INFiNiTY (男極)”; (vii) “Regal Green (綠康營)”; and (viii) “Herbs Pet (恩寵)”:



SUMMARY

According to the F&S Report, our Group ranked the fifth in terms of retail sales value of immune system health supplements with a market share of approximately 4.9%, and the tenth in terms of retail sales value of health supplements with a market share of approximately 3.6%, among all international and local health supplement providers in Hong Kong in 2023. All of our products falling under the “health supplements” category are considered as “health supplements” in the “Industry Overview” section, while our products falling under the “immune system and post-Covid care” category are considered as “immune system health supplements” in the “Industry Overview” section. For further details of our major products, please refer to “Business – Our Products – Major Products under Our Own Brands” in this prospectus.

We have experienced steady growth from FY2021 to FY2023. Our revenue increased from approximately HK\$188.6 million in FY2021 to approximately HK\$208.0 million in FY2022 and further increased to approximately HK\$251.2 million in FY2023, representing a CAGR of approximately 15.4% from FY2021 to FY2023. Our revenue decreased slightly from HK\$121.7 million in 6M2023 to HK\$117.8 million in 6M2024. We recorded a relatively stable gross profit margin of approximately 72.0%, 71.9% and 73.8% for FY2021, FY2022 and FY2023, respectively, and approximately 73.1% and 74.2% for 6M2023 and 6M2024, respectively. Our net profit for the year increased from approximately HK\$23.2 million in FY2021 to approximately HK\$28.0 million in FY2022 and further increased to approximately HK\$39.5 million in FY2023, representing a CAGR of approximately 30.5% from FY2021 to FY2023. Our net profit decreased from HK\$18.3 million in 6M2023 to HK\$7.5 million in 6M2024, which is primarily attributable to the expenses incurred in connection with the Listing of HK\$9.9 million.

OUR BUSINESS

Our Business Model

We focus on the development, sales and marketing of health supplements and cosmetics and skincare products under our own brands through a multi-channel sales model. During the Track Record Period, we sold products under our own brands and certain third-party brands through the following sales channels:

- **Retail Business:** we sold our products directly to end-customers, primarily through our self-operated stores, brand experience centres, our own e-commerce platform Zinomall, and our self-operated account and store on third-party online platforms including HKTVmall and Tmall.hk;
- **Wholesale Business:** we sold our products to wholesale customers, primarily consist of chain retailers such as large-scale local health and beauty product chain retailers, as well as non-chain retailers such as pharmacies and trading companies, for onward sale to end-customers; and
- **Consignment Arrangements:** we sold our products at the stores of our consignees to end-customers visiting their stores.

As at the Latest Practicable Date, we had (i) 33 self-operated stores and two brand experience centres across different districts in Hong Kong; (ii) more than 80 wholesale customers; and (iii) two consignees.

SUMMARY

Set forth below is a breakdown of our total revenue by sales channels during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Retail Business	84,231	44.7	105,163	50.6	125,282	49.9	59,063	48.5	69,035	58.6
Wholesale Business	93,756	49.7	94,130	45.2	117,961	47.0	58,545	48.1	45,555	38.7
Consignment Arrangements	10,651	5.6	8,735	4.2	7,981	3.1	4,133	3.4	3,221	2.7
Total	188,638	100.0	208,028	100.0	251,224	100.0	121,741	100.0	117,811	100.0

Our Own Brands and Products

As at the Latest Practicable Date, we carried a total of eight own brands, namely (i) “Herbs (草姬)”; (ii) “ZINO”; (iii) “Classic (正統)”; (iv) “Umeya (梅屋)”; (v) “Energie (男補)”; (vi) “Men’s INFiNiTY (男極)”; (vii) “Regal Green (綠康營)”; and (viii) “Herbs Pet (恩寵)”. In particular, “Herbs Pet (恩寵)” is a new brand of health supplements for pets launched in April 2024.

Our product portfolio in respect of brands consists of: (i) products under our own brands, which are supplied to us primarily by our manufacturers on an OEM basis; and (ii) products under third-party brands, which mainly include health supplements and personal care products that are supplied to us primarily by brand owners or other trading companies. During the Track Record Period, nearly all of our total revenue was attributable to products under our own brands, while third-party brand products accounted for less than 1% of the revenue for each of FY2021, FY2022, FY2023 and 6M2024.

Our products are primarily categorised into (i) health supplements, mainly referring to orally consumed health products which generally take the forms of pills, tablets or liquids for oral intake, intending to supplement the diet and enhance the general physical health or specific body functions; (ii) cosmetics and skincare products, which mainly include beauty and skincare beauty products for external use for maintenance and/or improvement of skin conditions; and (iii) health supplements for pets, which mainly include orally consumed health products for pets, such as health supplements for the digestive health and anti-allergy function of pets. As at the Latest Practicable Date, we had 50 health supplements, 21 cosmetics and skincare products and two health supplements for pets under our own brands. Set forth below is a breakdown of our

SUMMARY

revenue by product categories and functions under our own brands and certain third-party brands during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Health										
Supplements	165,975	88.0	191,423	92.0	228,411	90.9	109,613	90.0	109,017	92.6
– Immune System and Post-Covid Care	61,805	32.8	70,958	34.1	83,403	33.2	42,107	34.6	34,006	28.9
– Metabolic Syndrome Care	35,469	18.8	35,783	17.2	47,453	18.9	21,928	18.0	24,841	21.1
– Men's/Women's Health	25,907	13.7	26,905	12.9	29,013	11.5	15,181	12.5	13,429	11.4
– Anti-Ageing	9,402	5.0	20,600	9.9	28,895	11.5	11,974	9.8	14,716	12.5
– Other Health Supplements ⁽¹⁾	33,392	17.7	37,177	17.9	39,647	15.8	18,423	15.1	22,025	18.7
Cosmetics and Skincare Products, Pet Products and Other Products^(2, 3)	22,663	12.0	16,605	8.0	22,813	9.1	12,128	10.0	8,794	7.4
Total	188,638	100.0	208,028	100.0	251,224	100.0	121,741	100.0	117,811	100.0

Notes:

- (1) Mainly including health supplements for lifestyle-related illness and daily care, skeletal care and detoxing and weight control.
- (2) Our Group began selling pet products in the first half of 2024. For 6M2024, the revenue generated from selling pets products accounted for less than 0.1% of our total revenue for the same period.
- (3) Other products mainly include health-related food which accounted for less than 0.1% of our total revenue during the Track Record Period.

SUMMARY

Set forth below is a breakdown of our products with reference to sales volume and average selling price during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Sales volume ⁽³⁾	Average selling price ⁽⁴⁾	Sales volume ⁽³⁾	Average selling price ⁽⁴⁾	Sales volume ⁽³⁾	Average selling price ⁽⁴⁾	Sales volume ⁽³⁾	Average selling price ⁽⁴⁾	Sales volume ⁽³⁾	Average selling price ⁽⁴⁾
	<i>approximate unit</i>	<i>HK\$</i>	<i>approximate unit</i>	<i>HK\$</i>	<i>approximate unit</i>	<i>HK\$</i>	<i>approximate unit</i>	<i>HK\$</i>	<i>approximate unit</i>	<i>HK\$</i>
Health Supplements	1,248,000	132.9	1,372,000	139.6	1,592,000	143.5	768,000	142.7	762,000	143.1
- Immune System and Post-Covid Care	457,000	135.4	532,000	133.4	618,000	135.0	304,000	138.5	266,000	127.8
- Metabolic Syndrome Care	249,000	142.5	251,000	142.4	336,000	141.0	156,000	140.6	177,000	140.3
- Men's/Women's Health	166,000	155.6	177,000	151.8	191,000	151.8	99,000	153.3	89,000	150.9
- Anti-Ageing	26,000	354.7	43,000	480.6	58,000	501.7	25,000	479.0	27,000	545.0
- Other Health Supplements ⁽¹⁾	350,000	95.4	369,000	100.9	389,000	101.9	184,000	100.1	203,000	108.5
Cosmetics and Skincare Products, Pet Products and Other Products⁽²⁾	194,000	116.9	153,000	108.5	178,000	128.6	96,000	126.3	72,000	122.0
Total/Overall	<u>1,442,000</u>	<u>130.8</u>	<u>1,525,000</u>	<u>136.4</u>	<u>1,770,000</u>	<u>142.0</u>	<u>864,000</u>	<u>140.9</u>	<u>834,000</u>	<u>141.3</u>

Notes:

- (1) Mainly including health supplements for lifestyle-related illness and daily care, skeletal care and detoxing and weight control.
- (2) Other products mainly include health-related food.
- (3) Each unit is equivalent to a package of a product.
- (4) Revenue generated from the sales of a product divided by sales volume of such product.

From FY2021 to FY2023, our sales volume has increased steadily as a result of, among others, (i) the increase in health awareness of the public following the outbreak of COVID-19 as well as the improvement of the local economy after the easing of COVID-19 restrictions in 2023; (ii) our increased efforts on marketing and promotional activities, especially on our popular products such as health supplements for immune system and post-Covid care, resulting in an increase in sales; (iii) our dedication to upgrade existing products and to launch newly developed products; and (iv) our continuous effort in expanding sales network, including the opening of new self-operated stores during the Track Record Period.

Our sales volume decreased from 864,000 units in 6M2023 to 834,000 units in 6M2024, primarily attributable to (i) the decrease in sales of our cosmetics and skincare products and other products of 24,000 units; and (ii) the decrease in sales of our health supplements products for immune system and post-Covid care as well as men's and women's health mainly due to the reduction in our advertising and promotion effort, partially offset by the increase in sales of our health supplements products targeting metabolic syndrome care and anti-aging.

SUMMARY

During the Track Record Period, our overall average selling price, which is generally affected by our product mix and discount and provisions of our products, remained relatively stable.

We recorded significant growth in terms of sales volume of our anti-ageing products during the Track Record Period mainly due to the increase in sales volume of our “Herbs NMN10000+ (草姬NMN10000+)” and “Herbs NMN24000+ (草姬NMN24000+)” products. The “Herbs NMN24000+” was launched in 2023, which is an upgraded version of the “Herbs NMN10000+” and contains 2.4 times of NMN in each packing. We recorded sales of approximately 4,000 units and 16,000 units of “Herbs NMN10000+” in FY2021 and FY2022, respectively and approximately 23,000 units of “Herbs NMN24000+” in FY2023. We also recorded approximately 14,000 units of “Herbs NMN24000+” in 6M2024, as compared to approximately 8,000 units in 6M2023. Due to the higher selling prices of such products under this category, which in average exceed HK\$900 per unit at the material time during the Track Record Period, the increase in sales of our “Herbs NMN10000+” and “Herbs NMN24000+” products during the Track Record Period has led to an increase in the average selling price of our anti-ageing products.

Set forth below is a breakdown of the gross profit and gross profit margin of our products by product categories and functions during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000 (unaudited)	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Health Supplements	119,864	72.2	138,171	72.2	169,596	74.3	80,656	73.6	81,541	74.8
– Immune System and Post-Covid Care	42,916	69.4	48,397	68.2	59,040	70.8	29,589	70.3	23,889	70.2
– Metabolic Syndrome Care	26,623	75.1	26,290	73.5	36,378	76.7	16,729	76.3	19,288	77.6
– Men’s/Women’s Health	19,203	74.1	19,717	73.3	21,539	74.2	11,279	74.3	9,935	74.0
– Anti-Ageing	7,679	81.7	17,409	84.5	24,447	84.6	10,068	84.1	12,489	84.9
– Other Health Supplements ⁽¹⁾	23,443	70.2	26,358	70.9	28,192	71.1	12,991	70.5	15,940	72.4
Cosmetics and Skincare Products, Pet Products and Other Products⁽²⁾	15,938	70.3	11,415	68.7	15,848	69.5	8,318	68.6	5,885	66.9
Total/Overall	135,802	72.0	149,586	71.9	185,444	73.8	88,974	73.1	87,426	74.2

Note:

- (1) Mainly including health supplements for lifestyle-related illness and daily care, skeletal care and detoxing and weight control.
- (2) Other products mainly include health-related food.

SUMMARY

Our Self-operated Stores

During the Track Record Period, the number of our self-operated stores increased from four as at 1 January 2021 to 29 as at 30 June 2024. As at the Latest Practicable Date, we had a total of 33 self-operated stores, across different districts in Hong Kong. The operating performance of our major stores during the Track Record Period is influenced by various factors, including changes in consumer spending patterns, variations in rent for individual stores, regional competition, and macroeconomic conditions.

Over the Track Record Period, we opened a total of 28 new self-operated stores, of which (i) 26 stores broke even under three months; (ii) one store broken even in seven month; and (iii) one store did not achieve its breakeven due to lower than expected foot traffic and was subsequently closed in 2022.

Among the 28 newly opened self-operated stores during the Track Record Period, as at the end of the Track Record Period, (i) 16 stores achieved investment payback targets under 12 months (ii) one store achieved investment payback target in 17 months; (iii) nine stores were opened within the second half of 2023 and during the six months ended 30 June 2024 and are relatively new, and are expected to achieve investment payback targets within an average period of 12 months; and (iv) the other two stores did not perform as expected given its low foot traffic and were subsequently closed in 2022.

For further details of the operating performance of our self-operated stores, please refer to “Business – Operating Data of Our Self-operated Stores” in this prospectus.

CUSTOMERS AND SUPPLIERS

Our Customers

Due to the nature of our business, our customers consist of (i) end-customers from the general public, who (a) directly purchase from us under our retail business, or (b) purchase from the stores of our consignees where our products are sold under consignment arrangements; and (ii) wholesale customers (including both chain and non-chain retailers) whom we wholesale our products to for onward sales to end-customers from the general public. Revenue generated from our top five wholesale customers for FY2021, FY2022, FY2023 and 6M2024 amounted to approximately HK\$92.1 million, HK\$92.2 million, HK\$113.4 million and HK\$44.7 million, representing approximately 48.9%, 44.3%, 45.1% and 38.0% of our total revenue for each of the corresponding years/period, respectively, while revenue generated from our largest wholesale customer, namely Customer A for FY2021, FY2022 and FY2023 and 6M2024 amounted to approximately HK\$90.3 million, HK\$90.2 million, HK\$110.7 million and HK\$43.8 million, representing approximately 47.9%, 43.3%, 44.0% and 37.2% of our total revenue for each of the corresponding years/period, respectively.

Our Suppliers

We engage Independent Third Party manufacturers to produce products under our own brands on an OEM basis whilst we source third-party brand products from brand owners or trading companies from time to time. We also purchase key raw materials such as cordyceps mycelium (蟲草菌絲體) and ganoderma spore (靈芝孢子) in mixed powder form, packaging materials and engage Independent Third Party suppliers for powder mixing, encapsulation, bottling, labelling, ink jetting and logistics services. During the Track Record Period, our aggregate purchases from suppliers amounted to approximately HK\$60.1 million, HK\$61.6 million, HK\$71.0 million and HK\$26.5 million for FY2021, FY2022, FY2023 and 6M2024,

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respectively. For FY2021, FY2022, FY2023 and 6M2024, aggregate purchases from our five largest suppliers amounted to approximately HK\$27.9 million, HK\$26.8 million, HK\$36.8 million and HK\$12.8 million, representing approximately 46.4%, 43.6%, 51.9% and 48.5% of our total purchases for each of the corresponding years/period, respectively, while purchases from our largest supplier for FY2021, FY2022, FY2023 and 6M2024 amounted to approximately HK\$12.9 million, HK\$9.9 million, HK\$15.1 million and HK\$5.3 million, representing approximately 21.4%, 16.0%, 21.3% and 20.0% of our total purchases for each of the corresponding years/period, respectively. Our Directors confirm that we did not experience any material price fluctuation of semi-finished products, raw materials, packaging materials and services throughout the Track Record Period.

OUR STRENGTHS

We believe that the following strengths set us apart from our peers and allow us to capitalise on the market opportunities to ensure sustained development:

- we are a company with an established brand image in the health supplements market in Hong Kong with about 25 years of history;
- we have established a comprehensive sales network through diversified channels which expanded end-customers reach and strengthened our own brand image;
- we adopt a consumer-oriented product development strategy and possess product control capability to respond swiftly to health trends and consumer demands, which leads to our extensive product portfolio with high quality to meet diversified customer needs;
- we adopt a multifaceted marketing and promotion strategy, by utilising a mix of promotion channels including online advertising, offline advertising and engagement of entertainers (such as actors and singers) and KOLs; and
- we have an experienced and visionary management team.

For further details, please refer to “Business – Competitive Strengths” in this prospectus.

OUR STRATEGIES

We aim to further develop our business through sustainable growth and further strengthen our overall competitiveness and market position by leveraging our Group’s competitive strengths and pursuing our business strategies as set forth below:

- enhancing our marketing and promotional activities to continue to strengthen our own brand;
- expanding, improving and optimising our sales network;
- further diversifying and enhancing our product portfolio by enhancing our existing products and developing new products to satisfy the evolving needs of our customers; and
- recruiting, developing and retaining our talent.

For further details, please refer to “Business – Business Strategies” in this prospectus.

SUMMARY

COMPETITIVE LANDSCAPE

According to the F&S Report, both the health supplements market and the cosmetics and skincare products market we operate in are competitive and evolving. The health supplements market in Hong Kong was relatively concentrated, with the top ten health supplements providers accounting for an aggregate market share of approximately 68.7% in terms of retail sales value in 2023. In particular, according to the F&S Report, our Group ranked the fifth in terms of retail sales value of immune system health supplements with a market share of approximately 4.9%, and the tenth in terms of retail sales value of health supplements with a market share of approximately 3.6%, among all international and local health supplement providers in Hong Kong in 2023. For more information of the competitive landscape of our markets and industries, please refer to “Industry Overview” in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	FY2021 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	FY2023 <i>HK\$'000</i>	6M2023 <i>HK\$'000</i> (unaudited)	6M2024 <i>HK\$'000</i>
Revenue	188,638	208,028	251,224	121,741	117,811
Cost of sales	<u>(52,836)</u>	<u>(58,442)</u>	<u>(65,780)</u>	<u>(32,767)</u>	<u>(30,385)</u>
Gross profit	135,802	149,586	185,444	88,974	87,426
Other income	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	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(9,855)</u>
Profit from operations	28,331	33,806	48,252	22,132	11,173
Finance costs	<u>(812)</u>	<u>(1,020)</u>	<u>(970)</u>	<u>(457)</u>	<u>(479)</u>
Profit before taxation	27,519	32,786	47,282	21,675	10,694
Income tax	<u>(4,338)</u>	<u>(4,814)</u>	<u>(7,780)</u>	<u>(3,380)</u>	<u>(3,211)</u>
Profit and total comprehensive income for the year/period	<u>23,181</u>	<u>27,972</u>	<u>39,502</u>	<u>18,295</u>	<u>7,483</u>

Non-HKFRS Measure

We believe the non-HKFRS measure set out below provides useful information to investors about our operating performance, and enhances the overall understanding of our past performance and future prospects in the same manner as our management. We define adjusted net profit (non-HKFRS measure) as profit for the year or period adjusted by expenses for the Listing. Given such expenses were incurred for the purpose of the Global Offering, the adjustment has been consistently made during the Track Record Period.

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The non-HKFRS measure shall not be considered in isolation from, or as substitute for analysis of, our consolidated statement of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS measure may be defined separately from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The table below sets forth our adjusted net profit (non-HKFRS measure) during the Track Record Period:

	FY2021 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	FY2023 <i>HK\$'000</i>	6M2023 <i>HK\$'000</i>	6M2024 <i>HK\$'000</i>
				(Unaudited)	
Profit for the year/period	23,181	27,972	39,502	18,295	7,483
Adjustment for: Listing expenses	–	–	–	–	9,855
Adjusted net profit for the year/period (non-HKFRS measure)	23,181	27,972	39,502	18,295	17,338

Our adjusted net profit (non-HKFRS measures) decreased from approximately HK\$18.3 million in 6M2023 to HK\$17.3 million for 6M2024, primarily due to increase in administrative and other operating expenses of approximately HK\$4.1 million mainly due to the increase in depreciation of right-of-use assets, which was in line with the increased number of our self-operated stores, partially offset by the decrease in selling and distribution costs of approximately HK\$3.4 million because we adopted a prudent marketing strategy in response to the changing economic landscape in Hong Kong for 6M2024.

Our net profit for the year increased from approximately HK\$23.2 million in FY2021 to approximately HK\$28.0 million in FY2022, which was generally in line with the increase in revenue from our retail business. Such increase was mainly due to (i) the increase in health awareness of the public following the outbreak of COVID-19, resulting in an increase in demand of our products; (ii) our increased efforts on marketing and promotional activities; (iii) our dedication to upgrade existing products and to launch newly developed products; and (iv) our continuous effort in expanding our sales network, including opening four self-operated stores during FY2022.

Our net profit for the year increased from approximately HK\$28.0 million in FY2022 to approximately HK\$39.5 million in FY2023, which was generally in line with the increases in revenue from our wholesale business and retail business. Such increases were mainly due to (i) the increase in health awareness of the public as well as the improvement of local economy after the easing of COVID-19 restrictions, led by events such as the reopening of borders in 2023; (ii) our increased efforts on marketing and promotional activities; (iii) our dedication to upgrade existing products and to launch newly developed products; and (iv) our continuous effort in expanding sales network, including opening seven self-operated stores during FY2023.

Our net profit decreased from HK\$18.3 million in 6M2023 to HK\$7.5 million in 6M2024, which was primary attributable to the expenses incurred in connection with the Listing of HK\$9.9 million.

For detailed analysis, please refer to “Financial Information – Description of Major Components of Our Results of Operations” in this prospectus.

SUMMARY

Selected Items from the Consolidated Statements of Financial Position

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Total non-current assets	22,526	22,388	29,004	32,252
Total current assets	91,545	101,719	112,049	108,315
Total assets	114,071	124,107	141,053	140,567
Total non-current liabilities	10,255	9,196	11,032	13,219
Total current liabilities	52,201	44,824	39,387	59,231
Total liabilities	62,456	54,020	50,419	72,450
Net current assets	39,344	56,895	72,662	49,084
Net assets	<u>51,615</u>	<u>70,087</u>	<u>90,634</u>	<u>68,117</u>
Share capital	1,510	1,510	1,510	—*
Retained profits	50,105	68,577	89,124	68,117
Total equity	<u>51,615</u>	<u>70,087</u>	<u>90,634</u>	<u>68,117</u>

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

Our net assets increased from approximately HK\$51.6 million as at 31 December 2021 to approximately HK\$70.1 million as at 31 December 2022, primarily due to the profit for the year of HK\$28.0 million, partially offset by the declaration of dividend of HK\$9.5 million in FY2022.

Our net assets increased from approximately HK\$70.1 million as at 31 December 2022 to approximately HK\$90.6 million as at 31 December 2023, primarily due to the profit for the year of HK\$39.5 million, partially offset by the declaration of dividend of HK\$19.0 million in FY2023.

Our net assets decreased from approximately HK\$90.6 million as at 30 June 2023 to approximately HK\$68.1 million as at 30 June 2024, primarily due to the declaration of dividend of HK\$30.0 million in 6M2024, partially offset by the profit for the period of HK\$7.5 million.

Our net current assets increased from approximately HK\$39.3 million as at 31 December 2021 to approximately HK\$56.9 million as at 31 December 2022, primarily due to (i) the increase in cash and cash equivalents of approximately HK\$8.7 million; (ii) the increase in inventories of approximately HK\$4.5 million; and (iii) the decrease in bank loans and overdrafts of approximately HK\$5.6 million.

Our net current assets increased from approximately HK\$56.9 million as at 31 December 2022 to approximately HK\$72.7 million as at 31 December 2023, primarily due to (i) the increase in cash and cash equivalents of approximately HK\$9.5 million; (ii) the increase in

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inventories of approximately HK\$6.4 million; and (iii) the decrease in bank loans and overdrafts of approximately HK\$4.0 million, partially offset by an increase in lease liabilities of approximately HK\$2.9 million.

Our net current assets decreased from approximately HK\$72.7 million as at 31 December 2023 to approximately HK\$49.1 million as at 30 June 2024, primarily due to (i) the increase in amounts due to the Controlling Shareholders of HK\$20.0 million which represents the dividend payable to Ms. Gammy Kwok and Mr. Petras Li; and (ii) the decrease in inventories of HK\$3.4 million, partially offset by increase in cash and cash equivalents of HK\$4.1 million.

For detailed analysis, please refer to “Financial Information – Discussion of Key Items of Consolidated Statements of Financial Position” in this prospectus and the Accountants’ Report set out in Appendix I to this prospectus.

Selected Items from the Consolidated Statements of Cash Flows

	FY2021 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	FY2023 <i>HK\$'000</i>	6M2023 <i>HK\$'000</i> (unaudited)	6M2024 <i>HK\$'000</i>
Operating activities					
Cash generated from operations	24,903	38,383	47,686	15,883	24,795
Tax paid	–	(5,663)	(10,311)	(6,146)	(1,231)
Net cash generated from operating activities	<u>24,903</u>	<u>32,720</u>	<u>37,375</u>	<u>9,737</u>	<u>23,564</u>
Net cash (used in)/generated from investing activities	<u>(3,438)</u>	<u>2,737</u>	<u>(4,508)</u>	<u>(1,645)</u>	<u>(2,036)</u>
Net cash used in financing activities	<u>(21,431)</u>	<u>(26,022)</u>	<u>(23,319)</u>	<u>(9,725)</u>	<u>(17,464)</u>
Net increase/(decrease) in cash and cash equivalents	<u>34</u>	<u>9,435</u>	<u>9,548</u>	<u>(1,633)</u>	<u>4,064</u>
Cash and cash equivalents at the beginning of the year/period	<u>3,465</u>	<u>3,499</u>	<u>12,934</u>	<u>12,934</u>	<u>22,482</u>
Cash and cash equivalents at the end of the year/period	<u><u>3,499</u></u>	<u><u>12,934</u></u>	<u><u>22,482</u></u>	<u><u>11,301</u></u>	<u><u>26,546</u></u>

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Key Financial Ratios

	As at/ For the Year ended 31 December			As at/ For the six months ended 30 June 2024
	2021	2022	2023	
Gross profit margin	72.0%	71.9%	73.8%	74.2%
Net profit margin	12.3%	13.4%	15.7%	6.4%
Return on equity	57.9%	46.0%	49.2%	9.4%
Return on total assets	23.1%	23.5%	29.8%	5.3%
Current ratio	1.8 times	2.3 times	2.8 times	1.8 times
Gearing ratio	31.1%	14.9%	7.1%	8.8%

For details, please refer to “Financial Information – Key Financial Ratios” in this prospectus.

DIVIDEND

During the Track Record Period, we declared dividends of approximately HK\$9.5 million for FY2022 and approximately HK\$19.0 million for FY2023, the full amount of which had been paid. Furthermore, in March 2024, we declared special dividend of approximately HK\$30.0 million, the amount of which will be settled with internal resources of our Group and paid before Listing.

We have adopted a dividend policy of declaring and paying dividends, without a predetermined dividend payout ratio. The recommendation of the payment of dividend is subject to the discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our financial results, liquidity position and cash flow situation, business conditions and strategies, future prospects and prevailing economic environment. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and all applicable laws and regulations.

LISTING EXPENSES

Listing expenses include professional fees, underwriting commission, and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK\$29.7 million (assuming an Offer Price of HK\$3.95 per Share (being the mid-point of the indicative Offer Price range)), representing approximately 22.5% of the gross proceeds from the Global Offering. These Listing expenses mainly comprise (i) underwriting-related expenses (including but not limited to commissions and fees) of approximately HK\$5.3 million; and (ii) non-underwriting-related expenses of approximately HK\$24.4 million, including (a) fees and expenses of legal advisers and accountants of approximately HK\$12.6 million, and (b) other fees and expenses of approximately HK\$11.8 million. Approximately HK\$11.2 million of the listing expenses is directly attributable to the issue of our Shares to the public and is expected to be recognised directly as a deduction from equity upon the Listing, approximately HK\$9.9 million of listing expenses has been expensed during the Track Record Period and the remaining amount of approximately HK\$8.6 million of the listing expenses is expected to be expensed prior to the Listing.

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USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$3.95 per Share, being the mid-point of the indicative range of the Offer Price of HK\$3.75 to HK\$4.15 per Share will be approximately HK\$102.0 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$36.4 million, representing 35.7% of the net proceeds, is expected to be used for strategic marketing and promotion activities to further enhance the brand awareness and recognition of products under our own brands;
- approximately HK\$38.6 million, representing 37.8% of the net proceeds, is expected to be used for expanding, improving and optimising our sales network;
- approximately HK\$4.8 million, representing 4.7% of the net proceeds, is expected to be used for diversifying and expanding our product portfolio, by developing and introducing new products in the human category such as dampness expulsion (健脾祛濕) and gastric health (腸胃健康) products, as well as in the pets category such as immune system, joint and hair health products, and upgrading our existing products by enhancing their formulas;
- approximately HK\$12.7 million, representing 12.4% of the net proceeds, is expected to be used for our talent recruitments, which will primarily include, (i) recruiting and employing more product consultants to support our self-operated stores and brand experience centres; and (ii) recruiting IT talent to support our expanding online sales channels; and
- the remaining balance of approximately HK\$9.5 million, representing 9.3% of the net proceeds, is expected to be used as general working capital.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set forth in “Risk Factors” in this prospectus which include:

- we could be adversely affected by a change in consumer preferences, perception and spending habits;
- we are exposed to risk of reliance on a chain retailer customer for onward sale of our products to end-customers;
- if we are unable to maintain competitive prices of our products, our business and results of operations would be materially and adversely affected;
- our marketing activities are crucial to the success of our Group, and if we fail to maintain or develop our marketing capabilities, the market share, brand recognition and reputation of our products may be materially adversely affected; and
- our success depends on the market recognition of our own brand name “Herbs (草姬)” and our products and any damage to them could materially and adversely affect our business and results of operations.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering, Ms. Gammy Kwok and Mr. Petras Li, through their respective holding company, Joy & Love and Joy & Faith, will be entitled to exercise an aggregate voting right of 75.0% of our Company. As such, Joy & Love, Joy & Faith, Ms. Gammy Kwok and Mr. Petras Li will be our Controlling Shareholders as defined in the Listing Rules upon Listing.

GLOBAL OFFERING STATISTICS

	Based on the maximum Offer Price of HK\$4.15 per Offer Share	Based on the minimum Offer Price of HK\$3.75 per Offer Share
Market capitalisation of our Shares ⁽¹⁾	HK\$553.3 million	HK\$500.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(2, 3)	HK\$1.40	HK\$1.30

Notes:

- (1) The market capitalisation is calculated based on 133,333,600 Shares expected to be in issue immediately following the completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of a total of 133,333,600 Shares in issue immediately following the completion of the Global Offering.
- (3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2024.

IMPACTS OF THE OUTBREAK OF COVID-19 PANDEMIC ON OUR BUSINESS

During the outbreak of COVID-19, we did not experience any material disruption in our business operations and supply chain (including the supply of semi-finished products from the Independent Third Party manufacturers engaged by us under an OEM basis as well as of key raw materials and packaging materials from our suppliers), and there had been no loss of our major customers and suppliers. To prevent transmission of COVID-19 to and among our employees, we had implemented a series of preventive measures to monitor the health conditions of our employees and maintain a hygienic working environment inside our self-operated stores. There were no instances of temporary suspension of our self-operated stores or online trading platform due to confirmed cases of COVID-19 infection of our employees, which could have resulted in significant disruptions to our business operations.

The heightened public health awareness following the COVID-19 outbreak and the subsequent economic recovery after the easing of COVID-19 restrictions in 2023 have led to a rise in demand for our products. According to the F&S Report, the onset of COVID-19 has accelerated the trajectory of health consciousness, especially among younger demographics. This increased awareness and proactive approach to preventive care has led to a surge in demand for health supplements and immune-boosting products, cutting across age groups. As a result, health supplement companies are presented with a strategic opportunity to expand their market presence and cater to the growing appetite for wellness-centric offerings.

SUMMARY

Accordingly, the uptick in demand has fostered a steady growth in our sales volume and prompted the expansion of our self-operated stores. The sales volume of our products has increased from 1,442,000 units in FY2021 to 1,525,000 units in FY2022 and further to 1,770,000 units in FY2023. Over the Track Record Period, we opened a total of 28 new self-operated stores, of which 26 self-operated stores broke even under three months. Our revenue increased from approximately HK\$188.6 million in FY2021 to approximately HK\$208.0 million in FY2022 and further increased to approximately HK\$251.2 million in FY2023, representing a CAGR of approximately 15.4% from FY2021 to FY2023.

In light of the factors mentioned above, our Directors believe that the COVID-19 outbreak (i) has not resulted in any material adverse impact on our business and financial performance during the Track Record Period; and (ii) has indeed brought a positive effect on our Group's business operations and financial condition in the long run mainly due to the increased health awareness among the public.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

The Hong Kong retail market has become increasingly challenging since the beginning of 2024. According to the statistics of retail sales announced by the Census and Statistics Department of the government of Hong Kong, for the first half of 2024, the value of total retail sales in Hong Kong decreased by 6.6% compared with the same period in 2023. The decline was mainly affected by, among others, changes in the consumption patterns of visitors and residents.

Despite the overall challenging retail environment in Hong Kong, we managed to maintain a relatively stable financial performance in 6M2024. For 6M2024, we only experienced a slight decrease in revenue, from HK\$121.7 million in 6M2023 to HK\$117.8 million in 6M2024. The total revenue from our retail business has increased by approximately 16.6%, from HK\$59.1 million in 6M2023 to HK\$69.0 million in 6M2024, due to our continuous effort in expanding our sales network, including opening 11 self-operated stores during the second half of 2023 and 6M2024. Our gross profit margin remained relatively stable at approximately 73.1% and 74.2% in 6M2023 and 6M2024, respectively.

Looking ahead, the retail sector may still face challenges in the near term. However, the Central Government's recently announced measures, such as the enhanced Individual Visit Scheme and increased duty-free allowance for Mainland resident visitors, are expected to help stimulate retail businesses in Hong Kong. We anticipate resilience in our business for FY2024, driven primarily by (i) the growth of our retail business due to our expanding store network; (ii) the Listing which is expected to enhance our visibility and sales; (iii) new product launches and upgrades are expected to drive sales in the second half of 2024; and (iv) the abovementioned favorable Central Government measures are expected to stimulate retail activity in mainland China and Hong Kong. We expect to record a decrease in net profit for FY2024 compared to that of FY2023, mainly attributable to (a) the expenses expected to be incurred in connection with the Listing; and (b) the expected increase in (i) the selling and distribution cost such as staff cost and advertising and promotion expenses; and (ii) the administrative and operating expense such as depreciation and rental and other premise expenses, in anticipation of the new self-operated stores to be opened, alongside an expected growth in revenue not commensurate with the increase in the aforementioned expenses for FY2024 as the new self-operated stores will take time to ramp up sales. Moving forward, we will continue to closely monitor the evolving retail environment in Hong Kong and be prepared to further refine our strategies as needed to navigate any additional challenges that may arise.

Our Directors confirm that, since 1 July 2024 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position and there has been no event which would materially affect the information shown in our historical financial information included in the Accountants' Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“6M2023”	the six months ended 30 June 2023
“6M2024”	the six months ended 30 June 2024
“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council of Hong Kong (formerly known as Financial Reporting Council of Hong Kong)
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 3 December 2024 effective upon the Listing, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”, “Board of Directors” or “our Board”	the board of Directors
“Broadcast HRM”	Broadcast HR Management Limited (廣域人力資源管理有限公司) (previously known as Sunny Herbs Company Limited and Herbs Generation HR Management Limited), a company incorporated under the laws of Hong Kong with limited liability on 29 December 2004 and an indirect wholly-owned subsidiary of our Company
“Business Day” or “business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands

DEFINITIONS

“Capital Market Intermediary(ies)” or “capital market intermediary(ies)” or “CMI(s)”	the capital market intermediaries participating in the Global Offering as listed in “Directors and Parties Involved in the Global Offering” in this prospectus and has the meaning ascribed thereto under the Listing Rules
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in “Statutory and General Information – A. Further Information About Our Group – 4. Resolutions of our Shareholders dated on 3 December 2024” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chief Executive Officer” or “CEO”	the chief executive officer of our Company
“Chief Financial Officer” or “CFO”	the chief financial officer of our Company
“Chief Operating Officer” or “COO”	the chief operating officer of our Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan regions
“Chinese Medicine Ordinance”	the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Act” or “Cayman Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (WUMP) Ordinance” or “Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Herbs Generation Group Holdings Limited (草姬集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 March 2024
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of our Company, refer to Ms. Gammy Kwok, Mr. Petras Li, Joy & Love and Joy & Faith or any of them
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	a deed of indemnity dated 7 November 2024 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in “Statutory and General Information – E. Other Information – 8. Deed of Indemnity” in Appendix IV to this prospectus
“Designated Bank”	HKSCC Participant’s Designated Bank under FINI
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange

DEFINITIONS

“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“F&S” or “Frost & Sullivan”	Frost & Sullivan Limited, an independent market research agency
“F&S Report”	an industry research report commissioned by our Company and prepared by F&S in relation to the industry in which our Group operates
“FINI”	“Fast Interface for New Issuance”, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“FY2023”	the financial year ended 31 December 2023
“General Rules of HKSCC”	the terms and conditions regulating the use of HKSCC’s services, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Group” or “our Group” or “we” or “us”	our Company and our subsidiaries or any of them, or whether the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Herbs Generation”	Herbs Generation International Limited (草姬國際有限公司), a company incorporated under the laws of Hong Kong with limited liability on 17 May 2000 and an indirect wholly-owned subsidiary of our Company
“Herbs Health”	Herbs Health Group Limited (恩健集團有限公司), a company incorporated in the BVI with limited liability on 26 March 2024 and a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Herbs Holdings”	Herbs Generation (Holdings) Limited (草姬(控股)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 27 April 2010, which is held as to 90% and 10% by Ms. Gammy Kwok and Mr. Petras Li, respectively
“HKFRSs”	the Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI System to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“HKTDC”	the Hong Kong Trade Development Council

DEFINITIONS

“Hong Kong”, “HK” or “Hong Kong SAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Legal Counsel”	Ms. Queenie W.S. Ng, barrister-at-law in Hong Kong
“Hong Kong Offer Shares”	3,333,600 new Shares (subject to reallocation) initially offered by us for subscription pursuant to the Hong Kong Public Offer
“Hong Kong Public Offer”	the issue and offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on and subject to the terms and conditions described in this prospectus, as further described in “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriter(s)”	the underwriters listed in “Underwriting – Hong Kong Underwriters” in this prospectus, being the underwriters of the Hong Kong Public Offer
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 10 December 2024 relating to the Hong Kong Public Offer and entered into between, among others, our Company and the Hong Kong Underwriters, as further described in “Underwriting” in this prospectus
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any member of our Group, our Directors, chief executives and substantial shareholders of our Company or any of its subsidiaries and any of their respective associates within the meaning of the Listing Rules
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in “Structure and Conditions of the Global Offering” in this prospectus

DEFINITIONS

“International Placing Shares”	30,000,000 new Shares initially offered by our Company for subscription under the International Placing, subject to reallocation, as described in “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriter(s)”	the underwriter(s) for the International Placing who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date, as further described in “Underwriting” in this prospectus
“Joy & Faith”	Joy & Faith Limited, a company incorporated in the BVI with limited liability on 22 March 2024, which is wholly owned by Mr. Petras Li
“Joy & Love”	Joy & Love Limited, a company incorporated in the BVI with limited liability on 22 March 2024, which is wholly owned by Ms. Gammy Kwok
“Latest Practicable Date”	3 December 2024, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of our Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or around Thursday, 19 December 2024, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Medicines Board”	the Chinese Medicines Board of the Chinese Medicine Council of Hong Kong

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 3 December 2024 (with immediate effect) and as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“Mr. Petras Li”	Mr. Li Yat Sing Petras (李日勝), our executive Director, the Chief Operating Officer and one of our Controlling Shareholders
“Mr. Roger Kwok”	Mr. Kwok Chun On (郭晉安), our non-executive Director
“Mr. Tsang”	Mr. Tsang Hing Suen (曾慶煊), our Chief Financial Officer
“Ms. Chan”	Ms. Chan Oi Ling (陳靚玲), our company secretary
“Ms. Gammy Kwok”	Ms. Kwok Chi Yan Gammy (郭致茵), our chairlady of the Board, an executive Director, the Chief Executive Officer and one of our Controlling Shareholders
“Ms. Scarlett Young”	Ms. Young Yuen Pik (楊婉璧), our executive Director
“New ImMAX”	New ImMAX Company Limited (新英美克斯有限公司) (formerly known as New ImMAX Company Limited), a company incorporated under the laws of Hong Kong with limited liability on 25 June 1999 and is held as to 90% and 10% by Ms. Gammy Kwok and Mr. Petras Li, respectively
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share of not more than HK\$4.15 and not less than HK\$3.75 (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%), to be determined by agreement between us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date

DEFINITIONS

“Post-IPO Share Award Scheme”	the share award scheme conditionally approved and adopted by our Company on 3 December 2024, the principal terms of which are summarised in “Statutory and General Information – D. Share Scheme” in Appendix IV to this prospectus
“PRC Legal Adviser”	Commerce & Finance Law Offices, our legal adviser on PRC laws
“Price Determination Date”	the date, expected to be on or before Tuesday, 17 December 2024 and in any event, not later than 12:00 noon on Tuesday, 17 December 2024, on which the Offer Price will be determined by agreement between us and the Sole Overall Coordinator (for its and on behalf of the Underwriters) for the purpose of the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Global Coordinator”, “Joint Bookrunners” and “Joint Lead Managers”	the sole global coordinator, the joint bookrunners and the joint lead managers as named in “Directors and Parties involved in the Global Offering” in this prospectus
“Sole Sponsor”, “Sponsor-OC” or “Sole Overall Coordinator”	ABCI Capital Limited, a corporate licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO

DEFINITIONS

“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2021, FY2022, FY2023 and 6M2024
“TVB”	Television Broadcasts Limited
“UEMO”	the Unsolicited Electronic Messages Ordinance (Chapter 593 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“UMAO”	the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
“White Form eIPO”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“ZINO International”	ZINO INTERNATIONAL LIMITED, a company incorporated under the laws of Hong Kong with limited liability on 18 July 2001 and an indirect wholly-owned subsidiary of our Company
“%”	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of laws and regulations, governmental authorities, institutions, natural persons or other entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with “” and the Chinese translation of company or entity names in English which are marked with “*” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

“brand”	the type of products manufactured under a particular name
“brand owner”	in respect of each of our products other than products under our own brands, the proprietor and/or registered owner in the relevant jurisdiction(s) of the brand and/or trademark(s) under which the product is manufactured, distributed and/or sold
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“cosmetics and skincare products”	products for external use, generally including cream, serum, facial cleanser, skin toner and facial masks, which are aimed to improve outward appearance, such as skin conditions
“GMP”	Good Manufacturing Practice, a quality assurance approach used by drug manufacturing industry worldwide to ensure that products are consistently produced and controlled according to appropriate quality standards
“health supplements”	products containing substances that may be taken to supplement the diet with additional nutrients, which are aimed to enhance the general physical health or specific body functions
“KOL(s)”	key opinion leader(s)
“NMN”	nicotinamide mononucleotide, a type of nucleotide used in anti-ageing products
“OEM”	original equipment manufacturer, also refers to the business arrangement where a company (i.e. the original equipment manufacturer) produces goods or products based on the specifications and requirements provided by the brand owner or customer, and such goods or products are to be marketed and sold by the brand owner or customer

GLOSSARY OF TECHNICAL TERMS

“shelf life”	the period of time when a product is manufactured and up to the labelled expiration date of the product
“semi-finished products”	products that are pending either encapsulation, bottling or packaging before they can be sold to consumers in the market
“sq.m” or “m ² ”	square metres
“TGA”	Therapeutic Goods Administration of Australia

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong, the PRC and the world in general.

These statements are based on various assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in “Risk Factors” and “Financial Information” in this prospectus.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Offer Shares. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investments.

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

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the Global Offering. You should consider carefully our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS

We could be adversely affected by a change in consumer preferences, perception and spending habits.

According to the F&S Report, both the health supplements market and the cosmetics and skincare products market are subject to changes in market demand and consumer preferences. The demand for our products is subject to, among others, changes in the preferences, perception and spending habits of end-customers, including the end-customers of our retail business, wholesale business and consignment arrangements. Media coverage regarding the safety or quality of, or diet or health issues relating to, health supplements, cosmetics and skincare products or the raw materials, ingredients or processes involved in their manufacturing, may also damage consumer confidence in our products. If there is a change in consumer preferences, perception and spending habits at any time, the demand for our products may decline and our business, financial condition and results of operations may be materially and adversely affected.

Any failure to adapt our product offering to respond to changes in the markets may result in a decrease in our sales. Any changes in consumer preferences could also result in decrease in sales of our products, put pressure on pricing or lead to increased levels of marketing expenses. In any event a decrease in consumer demand for our products may also result in lower sales and slow down the consumption of our inventory to a low inventory turnover level. Any of these changes could result in a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We are exposed to risk of reliance on a chain retailer customer for onward sale of our products to end-customers.

During the Track Record Period, we relied on a chain retailer customer in our wholesale business, namely Customer A, for onward sale of our products to end-customers. For FY2021, FY2022, FY2023 and 6M2024, our revenue generated from the sales to Customer A amounted to approximately HK\$90.3 million, HK\$90.2 million and HK\$110.7 million and HK\$43.8 million, representing approximately 47.9%, 43.3%, 44.0% and 37.2% of our total revenue for each of the corresponding years/period, respectively. For details, please refer to “Business – Our Customers” in this prospectus. We cannot assure you that there will not be any dispute with Customer A, or that we will be able to maintain business relationships with Customer A. Any deterioration of our relationship with Customer A, for whatever reasons, may result in its reduction or even termination of purchases of products from us. In the event that Customer A ceases to purchase products from us and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business and profitability may be adversely affected.

Our transaction arrangements with wholesale customers are short-term and they typically place purchase orders with us from time to time, and they therefore are not obliged to continue to purchase from us in the future at a level similar to that in the past or at all. Consequently, Customer A might cancel, reduce or defer future orders. The volume of its orders and our Group’s products sold might vary significantly from period to period and it is difficult for our management to precisely forecast future order quantities. The level of demand for our products from Customer A may fluctuate due to factors out of our control, including any change in its own business strategies. If Customer A ceases to conduct business with us or significantly reduces its orders from us and our Group is unable to maintain our business with other existing customers or attract new customers and obtain new orders, our business, financial performance and results of operations would be materially and adversely affected.

We have also had a relatively high degree of concentration of credit risk during the Track Record Period. The total trade receivables from Customers A as at 31 December 2021, 2022 and 2023 and 30 June 2024 accounted for approximately 85.5%, 84.7%, 86.8% and 81.3% of our total trade receivables, respectively. We cannot assure you that no default will arise from Customer A in the future. If Customer A fails to fulfil its obligations, our business, financial condition or results of operations could be materially and adversely affected.

RISK FACTORS

If we are unable to maintain competitive prices of our products, our business and results of operations would be materially and adversely affected.

A major differentiator of our business is our ability to offer quality products at prices that are appealing to our customers, which is pivotal to the success of our business. However, we may face various challenges in maintaining the current price rates. For example, we may not have sufficient bargaining power in negotiating terms with our suppliers and procure key raw materials at favourable prices. Also, the availability and prices of key raw materials and packaging materials required for our products may be impacted by factors such as general market conditions, including increased demand or reduced supply of such materials within in a specific period, weather conditions and the occurrence of natural disasters, many of which are beyond our control. As a result, we may have to price our products at higher-than-expected prices to achieve profitability. We may be unable to respond to increases in the prices for key raw materials and packaging materials, and unable to pass on such price increases to our customers due to competitive conditions or other reasons. Even if we are able to price as we expected, our profit margin, if any, may be lower than our anticipation. Any increase in product prices may also cause our sales volume to decline, and more importantly, undermine our own brand positioning and image, making us less attractive to our customers and less competitive in the marketplace, which would adversely affect our overall profitability, business, financial condition or results of operations.

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

The success of our Group depends significantly on the effectiveness of our marketing activities. We use various marketing activities including through both offline and online channels coupled with the engagement of entertainers (such as actors and singers), KOLs, sales promoters and product consultants. We also have in-store promotion from time to time and introduce membership programme to promote our products. These various marketing activities are crucial to the success of our products as well as our Group. For details, please refer to “Business – Sales and Marketing” in this prospectus.

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

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Any failure to deal with complaints or warnings from the government authorities involving our business operation or products could materially affect our business and results of operations.

During the Track Record Period and up to the Latest Practicable Date, our Group has received various complaint or warning letters from relevant government authorities in Hong Kong, including (i) 21 complaint letters from the Department of Health of Hong Kong regarding potential contraventions of sections 3 and/or 3B of the UMAO due to the use of restricted words in our product advertisements; (ii) two letters from the Office of the Communications Authority of Hong Kong related to suspected breaches of the UEMO for sending commercial electronic messages to numbers on a do-not-call register; and (iii) two complaint letters from the Consumer Council concerning our Group's health supplement products. For details, please refer to "Business – Legal and Regulatory Compliance" in this prospectus.

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

Our business and reputation may be affected by product liability claims, litigation, customer complaints, product tampering, food safety issues, food-borne illnesses, health threats, quality control concerns or adverse publicity relating to our products. Product liability insurance of our suppliers may not cover our liability sufficiently or at all.

Our sale of products involves an inherent risk being found to be unfit for consumption or may cause illness. Products may be rendered unfit for consumption due to raw materials or product contamination or degeneration, presence of microbials, or other problems arising during the various stages of the procurement, production, transportation and storage processes. The occurrence of such problems may result in customer complaints, fines, penalties or adverse publicity causing serious damage to our reputation and brand, as well as product liability claims, other legal disputes and loss of revenue. Under certain circumstances, we may be required to recall our products. Even if a situation does not necessitate a product recall, we cannot assure you that product liability claims or other legal disputes will not be asserted against us as a result. Product liability insurance of our suppliers may not cover our liability sufficiently or at all and will not cover liability that arises out of our default such as mishandling, poor storage condition and/or contamination of the products by us. As a result, a product liability or other judgement against us, or a product recall, could have a material adverse effect on our business, financial condition or results of operations.

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Like other health supplements business, our business is susceptible to food-borne illnesses. We cannot assure you that our quality control measures are able to effectively prevent all diseases or illnesses caused by our products or contamination of our products. Furthermore, our reliance on third-party manufacturers means that food-borne illness incidents could be caused by our manufacturers outside of our control. New illnesses may develop in the future, or diseases with long incubation periods could arise that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses or health threats of our products or any of their major ingredients could adversely and significantly affect our sales, and have significant negative impact on our results of operations. This risk exists even if it were later determined that the illness or health threat in fact was not caused by our products.

In addition, adverse publicity about health and safety concerns, whether unfounded or not, may discourage end-customers from buying our products. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused personal injury or illness could adversely affect our reputation and our corporate and brand image. If end-customers were to lose confidence in our own brand and reputation, we could suffer long-term or even permanent declines in our sales and results of operations. The amount of negative news, customers complaints and claims against us may also be very costly and may divert our management's attention from our business operation.

Our success depends on the market recognition of our own brand name “Herbs (草姬)” and our products and the images of our entertainers (such as actors and singers) and KOLs, and any damage to them could materially and adversely affect our business and results of operations.

Our success is attributable to our own brand names, including “Herbs (草姬)”, and our products. We believe that brand recognition plays an important role in influencing end-customers' decisions in purchasing products. Any incident that erodes end-customers' trust in our own brands could significantly reduce our own brand value. As we continue to grow in size, expand our product offering and extend our geographic reach, maintaining quality and consistency may become more difficult and we cannot assure you that end-customers' confidence in our own brands will not diminish. If end-customers perceive or experience a drop in the quality of our products, our own brand value could suffer, which could have a material adverse effect on our business, financial condition or results of operations.

In the event that there is any decline in popularity, or negative news on any of the entertainers or KOLs engaged by us, in particular if such news relate to their health, inappropriate conduct in their private life, scandals about their affairs or allegations or conviction on offences would pose a negative impact on the image of these entertainers and KOLs, resulting in a negative impact on our own brand image as the market may associate us with these entertainers and KOLs.

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If our suppliers do not produce products meeting our specifications in sufficient volume or at the appropriate quality levels at commercially acceptable prices, our sales volume and profit margins for these products could be adversely affected.

We engage Independent Third Party manufacturers for the production of our products. We have less control over their production processes and may face the risks of such products not being produced in the necessary volume or at the appropriate quality levels. In addition, our suppliers may fail to maintain the necessary licences, permits and certificates to carry out the manufacture of our products, breach their obligations to manufacture and deliver our products on a timely basis, or fail to abide by our quality control requirements. Quality issues related to products our suppliers manufacture for third parties may also be imputed to the products they manufacture for us and adversely affect our reputation.

We rely on our suppliers to supply the required semi-finished goods, key raw materials, packaging materials and to provide services to us, and we generally did not enter into long-term agreements with them.

We did not generally enter into long-term agreements with our semi-finished goods, key raw materials and packaging materials suppliers and services providers during the Track Record Period, but instead, we purchased from them on an order-by-order basis. As a result, the prices of the semi-finished goods, key raw materials, packaging materials and services supplied to us are therefore subject to increases as determined by our suppliers. Where the prices increase and we are unable to pass the increased costs onto our customers, our Group's profitability, financial condition and results of operations may be materially and adversely affected. Furthermore, there can be no guarantee that if there is a cessation or reduction in the supply, alternative suppliers of similar quality and at prices and terms acceptable to us could be found in a timely manner or at all. Any delay in the procurement or delivery of or defect in the semi-finished goods, key raw materials, packaging materials and/or services to be supplied to us may affect our business operations in an adverse manner. As a result, it may result in delay of delivery of products to our customers, causing the customers to lose confidence in our Group as well as our products, and in turn materially and adversely affect our business, financial condition or results of operations.

We rely on Independent Third Party logistics service providers to deliver our products.

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

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new logistics service providers that meet the required standards may take time, causing further delays in product delivery, which may in turn causing disruptions and negative impact on the overall operations of our business.

As all our self-operated stores and brand experience centres are located in leased properties, we are exposed to risks relating to the commercial real estate rental market. We may have disputes with our landlords, and if we cannot secure renewal of existing leases on commercially favourable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected.

We lease all the properties on which our self-operated stores and brand experience centres operate. Accordingly, our rental costs account for a certain portion of our operating expenses. For FY2021, FY2022, FY2023 and 6M2024, property rentals for our self-operated stores and brand experience centres amounted to approximately HK\$4.7 million, HK\$7.5 million, HK\$9.6 million and HK\$6.4 million, respectively, representing approximately 2.9%, 4.2%, 4.7% and 6.5% of our total cost (comprising the cost of sales, selling and distribution costs and administrative and other operating expenses) for each of the corresponding years/period, respectively. Rental costs for premises that are suitable for opening self-operated stores and brand experience centres may continue to increase. The lease agreements for our self-operated stores and brand experience centres typically have an initial term ranging from two to four years. Our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

We anticipate that the rent will increase during the term or after the initial term at a fixed rate or at the then prevailing market rate. In addition, our leases may require us to pay turnover rent, determined as a percentage of our sales at our self-operated stores. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the landlord, who may insist on an increase in rent and/or a significant modification to the terms and conditions of the lease. In relation to our existing leases, we may have disputes with our landlords in relation to our existing tenancies, with risks of claims or litigation, and we may not be able to renew our existing tenancies.

We also compete with other retailers for prime locations in a highly competitive market for retail premises. There is no assurance that we will be able to enter into new lease agreements for attractive locations or renew existing lease agreements on commercially favourable terms. Therefore, any inability to obtain leases for desirable locations on commercially favourable terms could have a material adverse effect on our business, financial condition or results of operations.

Further, if a lease agreement is renewed at a rent substantially higher than the existing rent or any existing favourable terms granted by the landlord, are not extended, we must evaluate whether renewal on such modified terms is in our interest. If we are unable to renew leases for our self-operated stores and/or and brand experience centres, we will have to close or relocate the relevant self-operated store and/or and brand experience centre, which would lead to loss of

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sales that such self-operated store or brand experience centre would have contributed during the period of closure and could subject us to installation and renovation and other costs and risks at new premises. In addition, the revenue and any profit generated at a relocated self-operated store or brand experience centre may be less than the revenue and profit previously generated. Therefore, any inability to renew existing leases on commercially favourable terms could have a material adverse effect on our business, financial condition or results of operations.

The current locations of our self-operated stores and brand experience centres may become unattractive, and we may not be able to identify and obtain attractive new locations at reasonable terms, or at all, as we face intense competition with other retailers for quality sites.

As at the Latest Practicable Date, a majority of our self-operated stores and brand experience centres were situated in residential areas and shopping malls in optimal locations in Hong Kong. The success of any of our self-operated stores and brand experience centres depends in substantial part on its location. The competition to procure locations with a relatively high pedestrian traffic is intense and there can be no assurance that the current locations of our self-operated stores and brand experience centres will continue to be attractive. If any of the current locations of our self-operated stores or brand experience centres become unattractive and we cannot obtain desirable locations at reasonable terms, our ability to implement our growth strategy may be adversely affected.

Our warehouse is located at one single location, and any operational breakdowns, natural disaster or other event affecting our warehouse may disrupt our business.

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

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

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

Our business collects and processes a large quantity of personal and transaction data. Our Directors therefore consider that we may face risks and challenges in the handling and securing of these large volumes of data, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behaviour by our employees;
- addressing concerns related to privacy and sharing of data, safety, security and other factors;
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data; and
- ensuring the compliance of third-party service providers with the data protection related clauses in agreements with us.

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

Our wholesale customers and consignees may delay and/or default in their payments to us.

We are subject to credit risk and liquidity risk that our wholesale customers and consignees may fail to make prompt payments of monies due to us, or at all. During the Track Record Period, we generally granted credit terms ranging from 60 to 90 days from the date of issuance of invoices for our wholesale customers and consignees. As at 31 December 2021, 2022 and 2023, our trade receivables amounted to approximately HK\$26.4 million, HK\$29.9 million and HK\$32.5 million, respectively. As at 30 June 2024, our trade receivables amounted to approximately HK\$29.2 million. As at 31 December 2021, 2022 and 2023, approximately 0.6%, 0.6% and 2.0% of our trade receivables, respectively, were past due but not impaired, and our trade receivables turnover days were approximately 52 days, 49 days and 45 days for FY2021, FY2022 and FY2023, respectively. As at 30 June 2024, approximately 1.7% of our trade receivables were past due but not impaired, and our trade receivables turnover days was approximately 48 days for 6M2024. For details, please refer to “Financial Information – Discussion of Key Items of Consolidated Statements of Financial Position – Trade and Other Receivables” in this prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our wholesale customers or consignees within the agreed credit terms or at all. Furthermore, in the event that disputes arise between us and our wholesale

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customers or consignees, we may require a longer period of time than the credit period offered to collect payments. The uncertainties or failure in the settlement of our receivables by our wholesale customers or consignees may negatively affect our cash flows, our business, results of operations or financial condition.

We are exposed to risk on consignment arrangements for the sales of our products.

During the Track Record Period, we also had a few consignment arrangements with our consignees. In particular, for FY2021, FY2022, FY2023 and 6M2024, revenue generated through consignment arrangements accounted for approximately 5.6%, 4.2%, 3.1% and 2.7% of our total revenue for each of the corresponding years/period, respectively. We have no ownership or management control of our consignees. We cannot assure you that our consignees will at all times strictly adhere to our consignment arrangements. Any wrongdoing of their employees, such as corruption or deliberate contamination of or tampering with our products may harm our business or give rise to product liability claims or customer complaints against us. In addition, our consignees also sell other products that may compete directly with our products, which may, in certain circumstances, hinder or impact its ability or incentive to maximise sales of our products. If our consignees fail to sell our products in a timely or effective manner, or at all, or if our consignment arrangements are suspended or terminated, our business, financial condition or results of operations may be materially and adversely affected.

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

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of opening and performance of our new self-operated stores, which could be affected by factors beyond our control, including initially higher operating costs. New self-operated stores also incur expenses before opening such as rental and renovation expenses. Our progress in opening new self-operated stores from period to period may occur at an uneven rate. Accordingly, the number and timing of opening new self-operated stores had, and may continue to have, impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

We have experienced growth in revenue during the Track Record Period. Nevertheless, our historical results may not be indicative of our future performance, as our revenue, expenses and operating results may vary from year to year in response to a variety of factors beyond our control, such as the general economic and social conditions, the intensified market competition, the changing consumer preferences and demands and our expansion costs, as well as our ability

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to control our costs and our ability to enhance operational efficiency. Investors should not rely on our historical results to predict the future performance of our Group and our Shares.

We may not be able to implement all or any of our expansion plans successfully.

As part of our business strategies, we plan to further increase accessibility and availability of our products to customers and increase awareness for our Group and our products. Please refer to “Business – Business Strategies” in this prospectus for further details. There is no assurance that all or any of our business strategies and expansion plans will be successfully implemented. Our business strategies and expansion plans are developed based on a number of assumptions and forecasts and we may not succeed in executing our expansion plans due to various reasons. If we encounter difficulties in implementing our business strategies and expansion plans, our growth prospects may be limited, which could in turn have a material adverse effect on our business, financial condition or results of operations.

We may not be able to adequately protect our intellectual property rights and may be exposed to intellectual property infringement or misappropriation claims.

Our Group relies primarily on the registration of trademarks to safeguard our intellectual property rights for our products. We are the registered owner of various intellectual properties, including trademarks in Hong Kong for the brand names under our own brands. For details of the intellectual property rights owned by our Group, please refer to “Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights” in Appendix IV to this prospectus. Despite our Group’s efforts and measures in place, there is a risk of unauthorised parties attempting to copy or acquire our intellectual property rights, and it can be challenging to detect and monitor such unauthorised use. We also cannot guarantee that our existing measures will be sufficient and efficient to protect our intellectual property rights, and we may be required to initiate legal actions or proceedings to enforce or defend our rights, which could be time-consuming, expensive, with the outcome being uncertain.

Our business is subject to seasonality risk.

Our Group’s results of operations have fluctuated from season to season in the past and are likely to continue to fluctuate due to seasonality. Our business is seasonal and we typically record higher sales during the months in the third and fourth quarters of the year, i.e. during the autumn and winter seasons. This seasonal pattern is primarily due to (i) the weather during the autumn and winter seasons may cause more allergies and other symptoms and thus increase demand of end-customer on health supplements; and (ii) the timing of exhibitions and trade fairs where we usually participate in such as the Hong Kong Brands and Products Expo and HKTDC Food Expo. In addition, our sales generally slow down during the first quarter of the year after the increase in sales in the third and fourth quarters of the previous year and also due to Chinese New Year public holiday. Thus, our Group’s revenue may be affected by seasonality and a number of other factors. Accordingly, as a result of seasonal fluctuations, comparisons of sales and operating results between different quarters within a single year are not necessarily meaningful and should not be relied on as indicators of our Group’s full-year performance.

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We are exposed to the risk of inventory obsolescence which may adversely impact our financial performance.

We are exposed to the risk of inventory obsolescence. Our business is subject to customers' preferences and behaviour, which are beyond our control. A material decrease in customer demand for our products may result in lower sales and a slowdown in consumption of our inventory, which in turn would lead to a lower inventory turnover level. Our inventories primarily comprised of (i) health supplements and cosmetics and skincare products; and (ii) packaging materials and consumables. We had inventories of health supplements and cosmetics and skincare products of approximately HK\$23.5 million, HK\$26.5 million, HK\$32.2 million and HK\$30.4 million as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively. Our average inventory turnover days were recorded at approximately 158 days, 183 days, 193 days and 218 days for the FY2021, FY2022, FY2023 and 6M2024, respectively. Specifically, the average inventory turnover days for our health supplements products were approximately 159 days, 179 days, 191 days and 214 days for the FY2021, FY2022, FY2023 and 6M2024, respectively. The average inventory turnover days for our cosmetics and skincare and other products were approximately 145 days, 226 days, 212 days and 248 days for FY2021, FY2022, FY2023, and 6M2024, respectively.

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

Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel.

Our success depends heavily on the continued services of our Directors and members of our senior management. In particular, our Group is led by Ms. Gammy Kwok, who is the founder of our Group, the chairlady of our Board, an executive Director, the Chief Executive Officer and one of our Controlling Shareholders. Ms. Gammy Kwok has over 30 years of wellness related experience and is mainly responsible for the overall strategic planning, business development and operation, and marketing of our Group. Mr. Petras Li, an executive Director, the Chief Operating Officer, and one of our Controlling Shareholders, who has over 20 years of experience with us and extensive experience in logistics and product development in the health supplements industry and the cosmetics and skincare products industry, is mainly responsible for overall day-to-day management, business and supply chain operations and product development of our

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Group. In addition, our other Directors and members of our senior management also have years of industry experience and in-depth knowledge in, among other fields, human resources, financial and accounting, which also help us in our business operation. For details of our key personnels, please refer to “Directors and Senior Management” in this prospectus.

If one or more of our Directors and members of our senior management are unable or unwilling to continue in their present positions, we may not be able to replace them promptly, or at all, which may severely disrupt our business and affect our results of operations and future prospects. Moreover, we may not be able to attract or retain skilled employees or key personnel. The competition for quality personnel may also drive up our labour costs, which would in turn increase our costs of operations and affect our profitability. In such circumstances, our business, financial condition or results of operations may be materially and adversely affected.

We are unable to prevent or detect all incidents of wrongdoings committed by our employees.

Employee wrongdoings at different operational levels could reduce the operational efficiency and business performance and may even result in violations of laws, third-party claims and regulatory actions against us causing reputational or financial damage to us. We cannot guarantee that all our employees will conduct their duties at all times in good faith and in a manner which is in full compliance with the laws and our policies.

The cash sales in our self-operated stores and brand experience centres are handled by our employees there.

We may be susceptible to pilferage, theft, fraud, bribery, corruption or even the deliberate contamination of or tampering with our products by our employees, our customers or other third parties. Such wrongdoing may harm our reputation, give rise to product liability claims or customer complaints and adversely affect our business and operating results. Despite our internal control system, we may be unable to prevent, detect or deter all such instances of pilferage, fraud, theft, bribery, corruption, or even the deliberate contamination of our products and other misconduct. Such instances committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, financial condition or results of operations.

RISKS RELATING TO OUR INDUSTRY

We operate in competitive industries, if we fail to compete effectively, we may lose market share and our results of operations may be adversely affected.

According to the F&S Report, we operate in highly competitive industries. Both the health supplements market and the cosmetics and skincare products market are highly competitive as there are a large number of market players in Hong Kong. Some of our competitors may have been in business longer than we have and may have substantially greater financial, marketing and other resources than we have. We cannot assure you that our current or potential competitors

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will not provide products comparable or superior to those we provide or adapt more quickly than we do to the evolving industry trends or changing market requirements. We cannot assure you that we will be able to compete effectively or cost-efficiently against current and future competitors. Increased competition may result in price reduction and loss of market share, any of which could have a material adverse impact on our business, financial condition or results of operations.

We rely on the Hong Kong market, and any possible slowdown in Hong Kong market may adversely affect our business, results of operations and financial performance.

During the Track Record Period, nearly all of our total revenue was derived from sales in Hong Kong. We may continue to derive a significant portion of our revenue from Hong Kong. Our sales and profitability in relation to Hong Kong could be negatively affected by a number of factors, including general economic and political conditions, demand for our products, adverse publicity relating to our products, competition, or success of the marketing or sales of products of our competitors in Hong Kong. If Hong Kong experiences any other adverse economic, political or market conditions due to events beyond our control, such as local economic downturn (including any actual or forecasted economic recession), protests, natural disasters, contagious disease outbreaks or terrorist attacks, our business, financial condition or results of operations may be materially and adversely affected.

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

In our retail business, we sell our products via various online platforms. In addition to our own e-commerce platform Zinomall, we also directly sell our products to end-customers on our self-operated account and store on HKTVmall and Tmall.hk. According to the F&S Report, the e-commerce markets in Hong Kong and the PRC are highly competitive with a large number of online stores selling health supplements and cosmetics and skincare products. The online stores operated by our competitors may have higher visibility and heavier web traffic that can capture a wider customer base. We cannot assure you that we will be able to compete effectively or cost-efficiently against current and future competitors. Increased competition may result in price reduction and loss of market share, any of which could have a material adverse impact on our business, financial condition or results of operations.

We operate in a regulated industry and our Group could be exposed to liability from non-compliance which may affect our reputation, financial condition or results of operations.

Our business is principally regulated by various laws and regulations in Hong Kong, such as the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong), the Food and Drugs (Composition and Labelling) Regulations (Chapter 132W of the Laws of Hong Kong), the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), the Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong), the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong), the Trade Descriptions

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Ordinance (Chapter 362 of the Laws of Hong Kong) and the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). We are also subject to the relevant sub-legislations and regulations under the above ordinances. Furthermore, various registrations, certificates and/or licences for the conduct of our business are required under the above laws, which also contain provisions for requirements on the storage, labelling, advertising and importation of some of our products. For details, please refer to “Regulatory Overview” in this prospectus.

Based on our experience, some of the laws and regulations are subject to amendments, uncertainty in interpretation and administrative actions from time to time. Therefore, we cannot assure you that, for the implementation of our business plans and the introduction of any upgrade or new product, we will be able to obtain all the necessary registrations, certificates and/or licences. Any failure to comply with the above laws and regulations may give rise to fines, administrative penalties and/or prosecution against us, which may materially and adversely affect our reputation, business, financial condition or results of operation.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and an active trading market may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial offer price range of our Shares, and the Offer Price, will be the result of negotiations between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us. In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop; or (ii) if it does, that it will be sustained following the completion of the Global Offering; or (iii) that the market price of our Shares will not decline below the Offer Price. You may not be able to resell your shares at a price that is attractive to you or at all.

The price and trading volume of our Shares may be volatile which could result in substantial losses.

The price and trading volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- investors’ protection of our Group and our future business plan;
- variations in our results of operations;
- changes to our Group’s management personnel;
- changes in securities analysts’ estimates of our financial performance;
- the depth and liquidity of the market for our Shares;

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- announcement by us of significant acquisitions, greenfield developments, strategic alliances or joint ventures;
- fluctuations in stock market price and volume;
- involvement in litigation; and
- general economic and stock market conditions.

Future sale or major divestment of Shares by our Controlling Shareholders could materially and adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders have agreed to a lock-up on their Shares, any major disposal of our Shares by any of our Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall, which could negatively impact our ability to raise equity capital in the future.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public Shareholders' best interests.

Immediately following the Capitalisation Issue and the Global Offering, our Controlling Shareholders will, in aggregate, beneficially own 75.0% of our Company's outstanding Shares on a fully-diluted basis. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatisations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. As such, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our Shares are traded on the Stock Exchange.

RISK FACTORS

There can be no assurance that we will declare or distribute any dividend in the future.

Subject to the Companies Act and the Articles, we may declare dividends, but no dividends shall exceed the amount recommended by our Board. We may also from time to time pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company, and may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as we think fit.

Any decision to pay dividends will be made having regard to factors such as the results of operations, financial condition and position, and other factors deemed relevant by our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividends in the future. Our future declarations of dividends will be at the absolute discretion of our Board.

Granting awards under the Post-IPO Share Award Scheme may affect our Group's result of operations and dilute Shareholders' percentage of ownership.

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

Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share. Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issue or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

The Sole Overall Coordinator is entitled to terminate the Underwriting Agreements.

Prospective investors should note that the Sole Overall Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate their obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in

RISK FACTORS

“Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out.

Certain statistics contained in this prospectus are derived from publicly available official sources.

Certain facts and statistics in this prospectus, including industry data and forecasts, have been derived from various official government publications, third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. While we have exercised reasonable care in compiling and reproducing such information and statistics, we cannot assure you nor make any representation as to the accuracy or completeness of such information. None of us, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or our or their respective affiliates or advisers has independently verified, or made any representation as to, the accuracy of such facts, statistics, data and forecasts. Investors should not place undue reliance on such facts, statistics, data and forecasts. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, they may not be stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

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

RISK FACTORS

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

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

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure and Conditions of the Global Offering” in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” in this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants in the Hong Kong Public Offer, this prospectus set out the terms and conditions of the Hong Kong Public Offer.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Overall Coordinator (for itself or on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Overall Coordinator.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by the acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including any awards that may be granted under the Post-IPO Share Award Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Save as disclosed in this prospectus, no part of the Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of 3 weeks from the date of the closing of the application lists, or such longer period (not exceeding 6 weeks) as may, within the said 3 weeks, be notified to our Company by the Stock Exchange.

REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares will be registered on the register of members of our Company in Hong Kong to be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our Company's principal register of members will be maintained in our Company's principal share registrar in the Cayman Islands, Ogier Global (Cayman) Limited. Dealings in the Shares registered in the register of members of our Company maintained by the Hong Kong Share Registrar in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including their respective conditions, are set out in "Structure and Conditions of the Global Offering" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Unless otherwise specified, conversion of RMB or US\$ into HK\$ in this prospectus is based on the following exchange rates (for illustration purposes only): HK\$1.00 = RMB0.91 or HK\$7.80 = US\$1.00. No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into HK dollars or US\$ at such rates or any other exchange rates on such date or any other date.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
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Executive Directors

Ms. Kwok Chi Yan Gammy (郭致因)	Flat A1, 20/F, Block 2, St. Martin 12 Fo Chun Road, Tai Po New Territories Hong Kong	Chinese
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Mr. Li Yat Sing Petras (李日勝)	Flat A1, 20/F, Block 2, St. Martin 12 Fo Chun Road, Tai Po New Territories Hong Kong	Chinese
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Ms. Young Yuen Pik (楊婉璧)	Flat LD, 65/F, Tower 9, Phase 2C Lohas Park, Tseung Kwan O New Territories Hong Kong	Chinese
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Non-executive Director

Mr. Kwok Chun On (郭晉安)	Flat A1, 20/F, Block 2, St. Martin 12 Fo Chun Road, Tai Po New Territories Hong Kong	Chinese
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Independent non-executive Directors

Professor Chan Chi Fai Andrew, SBS, JP (陳志輝)	10 Floor, Flat B, Kadoorie Mansion 205–207 Prince Edward Road West Kowloon Hong Kong	Chinese
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Mr. Lam Yiu Por (林曉波)	Flat D, 8/F, Tower 3 88 O King Road, Phase 1 Ocean Shores, Tseung Kwan O New Territories Hong Kong	Chinese
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Dr. Tsang Hing Lim Kenneth (曾慶廉)	Flat 1, 4/F, Block D, Beverly Hill Broadwood Road, Happy Valley Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further information on the backgrounds of our Directors, please refer to “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator and Joint Bookrunner	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	Ruibang Securities Limited 9/F Sang Woo Building 227–228 Gloucester Road Wanchai Hong Kong
	CMBC Securities Company Limited 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
	Livermore Holdings Limited Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon, Hong Kong
	SPDB International Capital Limited 33/F, SPD Bank Tower, One Hennessy 1 Hennessy Road Hong Kong
	Yue Xiu Securities Company Limited Rooms Nos. 4917–4937, 49/F Sun Hung Kai Centre No. 30 Harbour Road Wanchai Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

China Sunrise Securities (International) Limited

Unit 4502, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

Chiyu International Capital Limited

1/F, 100QRC
100 Queen's Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited

34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Get Nice Securities Limited

G/F-3/F, Cosco Tower, Grandmillennium Plaza
183 Queen's Road Central
Hong Kong

Phillip Securities (Hong Kong) Limited

11/F, United Centre
95 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Solomon JFZ (Asia) Holdings Limited

Room 1910–1912A, Tower 3
China Hong Kong City
33 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

South China Securities Limited

28/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

**Zheshang International Financial Holdings
Co., Limited**

Room 1703–06, 17th floor, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Stephenson Harwood
43/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Ms. Queenie W.S. Ng

Barrister-at-law
Rooms 2203 A&B
Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

As to Cayman Islands law:

Ogier
11/F, Central Tower
28 Queen's Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to the PRC law:</i> Commerce & Finance Law Offices 12–14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Beijing PRC</p>
Legal advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Deacons 5th Floor, Alexandra House 18 Chater Road Central Hong Kong</p>
Reporting Accountants	<p>KPMG <i>Certified Public Accountants</i> <i>Public Interest Entity Auditor Registered in accordance with the Accounting and Financial Reporting Council Ordinance</i> 8/F Prince’s Building 10 Chater Road Central Hong Kong</p>
Industry Consultant	<p>Frost & Sullivan Limited Unit 3006, 30/F Two Exchange Square 8 Connaught Place Central Hong Kong</p>
Receiving Banker(s)	<p>Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered Office in the Cayman Islands	89 Nexus Way Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Headquarters and Principal Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	Units 2309–10, 23/F Laford Centre No. 838 Lai Chi Kok Road Kowloon Hong Kong
Company's Website	www.herbs.hk <i>(Note: information contained in this website does not form part of this prospectus)</i>
Company Secretary	Ms. Chan Oi Ling (陳藹玲), HKICPA Flat 9, 12/F, Block B Ching Wah Court Tsing Yi Hong Kong
Authorised Representatives	Mr. Li Yat Sing Petras (李日勝) Flat A1, 20/F, Block 2, St. Martin 12 Fo Chun Road, Tai Po New Territories Hong Kong Ms. Chan Oi Ling (陳藹玲), HKICPA Flat 9, 12/F, Block B Ching Wah Court Tsing Yi Hong Kong
Audit Committee	Mr. Lam Yiu Por (林曉波) (<i>chairperson</i>) Professor Chan Chi Fai, SBS, JP (陳志輝) Dr. Tsang Hing Lim Kenneth (曾慶廉)
Remuneration Committee	Professor Chan Chi Fai Andrew, SBS, JP (陳志輝) (<i>chairperson</i>) Ms. Kwok Chi Yan Gammy (郭致因) Mr. Lam Yiu Por (林曉波) Dr. Tsang Hing Lim Kenneth (曾慶廉)

CORPORATE INFORMATION

Nomination Committee	Ms. Kwok Chi Yan Gammy (郭致因) (<i>chairperson</i>) Mr. Lam Yiu Por (林曉波) Professor Chan Chi Fai Andrew, <i>SBS, JP</i> (陳志輝) Dr. Tsang Hing Lim Kenneth (曾慶廉)
Principal share registrar and transfer office in the Cayman Islands	Ogier Global (Cayman) Limited 89 Nexus Way Camana Bay Grand Cayman, KY1-9009 Cayman Island
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East, Wan Chai Hong Kong
Compliance Adviser	South China Capital Limited 28/F, Bank of China Tower 1 Garden Road Central Hong Kong
Principal Bank	Hang Seng Bank Limited Shop H02 Cheung Sha Wan Plaza Cheung Sha Wan Hong Kong

INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the “**Frost & Sullivan Report**”). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to analyse and prepare a report regarding Hong Kong’s health supplements market and the cosmetics and skincare products market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a commission fee of HK\$500,000 to Frost & Sullivan pursuant to a service agreement reached by arm’s length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We have also referred to certain information in “Summary”, “Risk Factors”, “Business” and “Financial Information” in this prospectus to provide a more comprehensive presentation of the industry in which we operate.

In preparing the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as the Census and Statistics Department of Hong Kong and other industrial associations. The market projections in the Frost & Sullivan Report are based on the following key assumptions: (i) the overall social, economic, and political environment in Hong Kong is expected to remain stable during the forecast period; (ii) Hong Kong’s economic and industrial development is likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of Hong Kong’s health supplements market as well as Hong Kong’s cosmetics and skincare products market in the forecast period; and (iv) there is no extreme force majeure or industry regulation which may affect the market dramatically or fundamentally.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF HONG KONG’S HEALTH SUPPLEMENTS MARKET

Definition and Classification

According to the Hong Kong Health Food Association, health supplements refer to products taken orally in recommended dosing regimen, such as pills, capsules, tablets, granules, powders, liquids or semi-solids with health claims. They are neither conventional food nor products classified as pharmaceutical products (drugs) or proprietary Chinese medicine.

INDUSTRY OVERVIEW

Health supplements contain nutrients or other health-enhancing substances whose purpose is to supplement the normal diet or adjust physiological functions of the human body, but not for therapeutic uses in treatment or diseases. According to product functionality, health supplements can be classified into immune system, anti-ageing, anti-four-highs, cardiovascular care, liver and kidney care, skeletal care, weight control, etc.. According to target end-customers, health supplements can be classified into men's health supplements, women's health supplements and general health supplements.

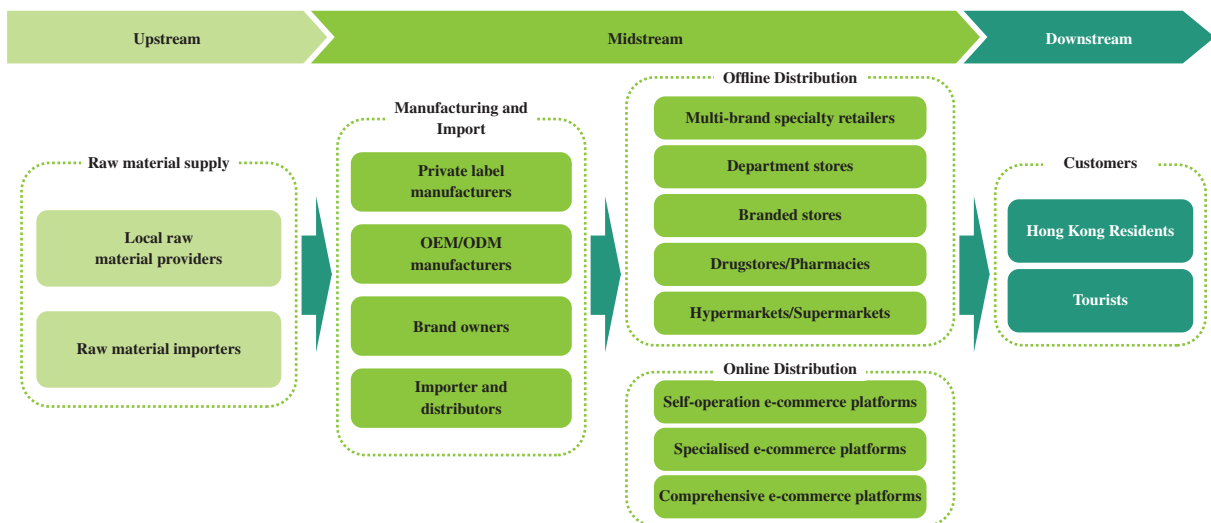
Value Chain of Hong Kong's Health Supplements Market

The value chain of the health supplements market in Hong Kong includes upstream raw material supply, midstream manufacturing, import and distribution, and downstream customers.

In the manufacturing process, OEM (Original Equipment Manufacturer) and ODM (Original Design Manufacturer) modes are commonly used for health supplements. Brand owners may outsource production to selected third-party manufacturers under OEM and ODM arrangements, allowing providers to focus their resources on research and development, product planning and design, branding and marketing, and sales and distribution. Developing their own formula is crucial for health supplement providers as it ensures quality, efficacy, and differentiation in a crowded market, ultimately fostering trust and satisfaction among end-customers. Importers and distributors also play a role as agents in importing health supplements into the local Hong Kong market.

Offline distribution channels include multi-brand specialty retailers, department stores, branded stores, drugstores, pharmacies, hypermarkets and supermarkets, etc. Meanwhile, online distribution channels include self-operated e-commerce platforms, specialised e-commerce platforms, and comprehensive e-commerce platforms. These channels comprise both chain retailers and non-chain retailers. Customer A and Consignee A are among the largest chain retailers of health supplements in Hong Kong, with approximately 300 and 170 stores located in Hong Kong as at 31 December 2023, respectively.

Value Chain of Hong Kong's Health Supplements Market



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Size and Growth of Hong Kong’s Health Supplements Market

Despite the challenges posed by the outbreak of COVID-19, the retail sales value of health supplements market in Hong Kong continued to rise, from HK\$9.0 billion in 2019 to HK\$10.0 billion in 2023, representing a CAGR of 2.7%. This growth underscores the continued demand for health products even amid pandemic disruptions to the overall retail market. Several factors have contributed to this growth, including increased consumer health awareness, growing concerns about immune system support, and a shift towards preventive healthcare practices.

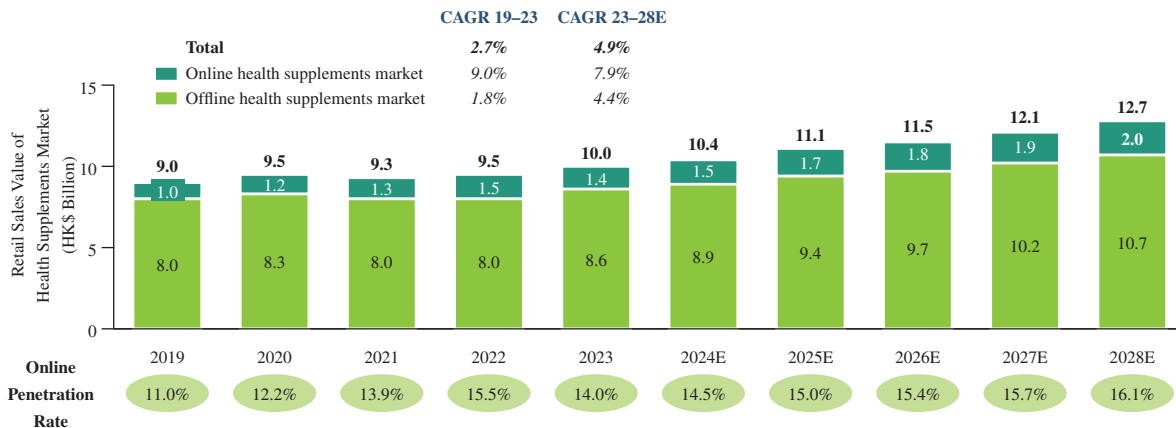
Frost & Sullivan estimates that total retail sales is expected to reach HK\$12.7 billion by 2028, representing a CAGR of 4.9% from 2023. As end-customers prioritise their well-being and seek proactive measures to maintain their health, the demand for health supplements is expected to continue on an upward trend.

The online health supplements market in Hong Kong has experienced significant growth over the past few years. From 2019 to 2023, the market size increased from HK\$1.0 billion to HK\$1.4 billion, representing a CAGR of 9.0%. It is expected to reach HK\$2.0 billion by 2028, with a CAGR of 7.9% from 2023.

In addition, there has been a significant increase in the penetration rate of online sales. From 2019 to 2023, the penetration rate increased from 11.0% to 14.0%, indicating a growing acceptance and adoption of online channels among end-customers for health supplements. This trend is expected to continue, with penetration reaching 16.1% by 2028.

The surge in online health supplements sales can be attributed to several factors, including the convenience and accessibility offered by online platforms, especially in light of the outbreak of COVID-19 pandemic. In addition, end-customers increasingly value the wide range of products available online, along with the ability to easily compare prices and read reviews from other users. As the habituation and reinforcement of end-customers’ online shopping behaviors continue to strengthen, the online health supplements market in Hong Kong is poised for sustained expansion in the coming years.

**Retail Sales Value of Health Supplements Market
by Sales Channels (Hong Kong), 2019–2028E**



Note: Online penetration rate is calculated as a percentage of online retail sales out of total retail sales.

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

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Key Drivers of Hong Kong's Health Supplements Market

Rising Health Consciousness: Growing consumer awareness of health and wellness reflects a proactive approach to health maintenance and disease prevention, spurring interest in health supplements to enhance overall well-being. In addition, the onset of the COVID-19 pandemic has accelerated this trajectory of health consciousness, especially among younger demographics. This increased awareness and proactive approach to preventive care has ignited a surge in demand for health supplements and immune-boosting products, transcending age barriers. As a result, health supplement companies are presented with a strategic opportunity to expand their market presence and cater to the growing appetite for wellness-centric offerings. With a strong focus on long-term health and preventive measures, Hong Kong's health supplements market is positioned for sustained growth, driven by informed and health-conscious generations.

Ageing Population: Hong Kong's ageing population has steadily increased in recent years, with the number of individuals aged 65 or above being more vulnerable to health problems, rising from 1.4 million in 2019 to 1.7 million in 2023, at a CAGR of 5.4%. Projections indicate that this population will increase to 2.1 million by 2028. This demographic shift towards an older population is a primary catalyst driving Hong Kong's health supplements market. The growing number of senior citizens is fueling demand for health supplements tailored to address age-related health needs, particularly those related to bone health, joint support, and cognitive function.

Rebound of Tourism: The rebound of Hong Kong's tourism industry is one of the key drivers to the growth of the local health supplements market. After facing downturns due to the pandemic, the sector has seen a significant resurgence. The total visitor arrival has increased from only 0.6 million in 2022 to 34.0 million in 2023. This sharp rise, especially among tourists from mainland China, has boosted the demand for health supplements. Hong Kong's health supplements are noted for their variety, quality, and competitive prices, appealing to visitors in search of health and wellness solutions.

Future Trends of Hong Kong's Health Supplements Market

Diversified Product Offerings: A future trend in Hong Kong's health supplements market will revolve around diversified product offerings. As the market rapidly evolves, it transcends generic, one-size-fits-all solutions, embracing a spectrum of tailored supplements to meet individual needs and lifestyles. From sport-specific formulations to age-specific nutraceuticals, the industry is poised to cater to a variety of consumer preferences with precision. This trend towards personalisation reflects a deeper understanding of the multifaceted nature of health and wellness, positioning Hong Kong's health supplement market at the forefront of innovation, delivering holistic, customised health solutions.

Growing Online Penetration: In the future, the health supplements market in Hong Kong is expected to increasingly move towards digitalisation and e-commerce. With widespread Internet use and changing consumer shopping habits, the online purchase of health supplements will grow in popularity. The online penetration rate of the market is expected to increase from 14.0% in 2023 to 16.1% in 2028. This shift will provide end-customers with a more convenient shopping experience, allowing them to purchase the necessary supplements at any time and from any location. In addition, e-commerce platforms will become key channels for health supplement brands to market and sell their products.

Expanding Pet Health Supplements Market: The field of health supplements in Hong Kong is on the verge of significant expansion, as health concerns now encompass not only humans but also the well-being of pets. Recognising the vital role of furry companions, owners are increasingly committed to safeguarding their health with specialised supplements and products. This emerging trend indicates untapped potential and heralds a diversified market landscape for companies capable of delivering safe and effective solutions tailored to this segment. As demand for pet health solutions grows, there is expected to be a market evolution in which the health supplement industry adapts to meet the diverse needs of every valued member of the household.

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COMPETITIVE LANDSCAPE OF HONG KONG'S HEALTH SUPPLEMENTS MARKET

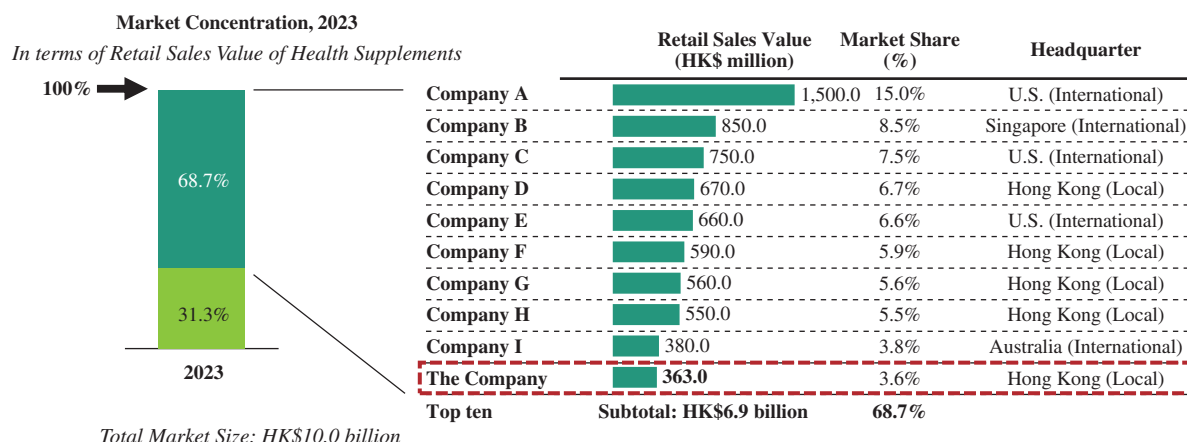
Ranking and Market Share of Hong Kong's Health Supplements Providers

The health supplements market in Hong Kong is a dynamic and competitive sector characterised by the presence of international and local players. Local health supplement providers have their headquarters in the PRC, Hong Kong, and Macau Special Administrative Region. With approximately 200 to 300 participants, the market thrives on its wide array of products and brands tailored to Hong Kong's health conscious end-customers.

The health supplements market in Hong Kong was relatively concentrated, with the top ten health supplements providers accounting for an aggregate market share of 68.7% in terms of retail sales value in 2023. Local providers have become deeply embedded in the Hong Kong market, tailoring their products to cater to the specific health needs and preferences of the local population. This approach has significantly enhanced their reputation locally over time, distinguishing them significantly from their international competitors.

In 2023, the Company ranked tenth among total health supplements providers and fifth among local health supplements providers in terms of retail sales value of health supplements in Hong Kong, with a market share of 3.6%. All of the Group's products falling under the "health supplements" category are considered as "health supplements" in this section.

Ranking and Market Share of Top Ten Health Supplements Providers in terms of Retail Sales Value (Hong Kong), 2023



Notes:

- Retail sales value represents the revenues of the Company and its industry peers, adjusted for channel margins. Channel margins are markups referencing to the distribution channels of comparable companies.
- Company A is a New York Stock Exchange listed company, founded in 1984 and headquartered in the U.S. It primarily provides beauty products and wellness products, including health supplements.
- Company B is a private company, founded in 1879 and headquartered in Singapore. It primarily provides traditional Chinese medicinal ingredients, proprietary Chinese medicines and health supplements.
- Company C is a New York Stock Exchange listed company, founded in 1980 and headquartered in the U.S. It primarily provides health supplements and personal care products.
- Company D is subsidiary of a Hong Kong Exchange listed company, founded in 1897 and headquartered in Hong Kong. It primarily provides Chinese and western pharmaceutical products and Chinese medicine out-patient clinic services, including health supplements.
- Company E is a private company, founded in 1935 and headquartered in the U.S. It primarily provides health supplements.

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7. Company F is a private company, founded in 1993 and headquartered in Hong Kong. It primarily provides health supplements and beauty products.
8. Company G is a private company, founded in 2011 and headquartered in Hong Kong. It primarily provides health supplements and proprietary Chinese medicine.
9. Company H is a private company, founded in 1988 and headquartered in Hong Kong. It primarily provides health supplements.
10. Company I is a subsidiary of a Hong Kong Stock Exchange listed company, founded in 1969 and headquartered in Australia. It primarily provides baby health supplements, adult health supplements and pet health supplements.

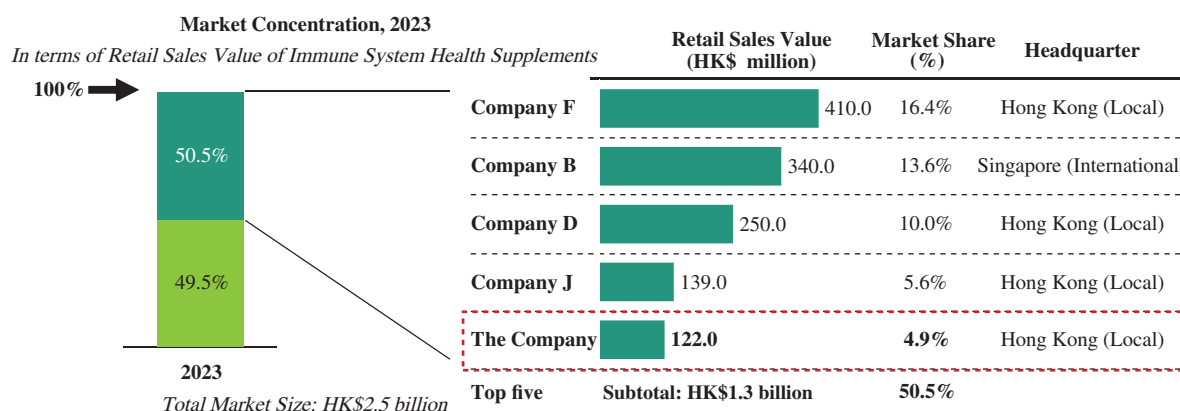
Source: Frost & Sullivan

Immune system health supplements are specifically formulated products to fortify or improve the body's innate defence mechanisms against disease and infection. They typically include health supplements which use ingredients derived from traditional herbal medicine to enhance the immune response or promote overall immune health, such as ganoderma (靈芝), cordyceps (蟲草), coriolus (雲芝), ginseng (人參), etc., but do not include daily health products such as vitamins or probiotics.

The immune system health supplements market in Hong Kong was relatively concentrated, with the top five local health supplements providers accounting for an aggregate market share of 50.5% in terms of retail sales value in 2023. There were approximately 50 to 100 brands offering immune system health supplements in Hong Kong, with a majority being local players.

In 2023, the Company ranked fifth among total health supplements providers and fourth among local health supplements providers in terms of retail sales value of immune system health supplements in Hong Kong, with a market share of 4.9%. Only the Group's products falling under the "immune system and post-Covid care" category are considered as "immune system health supplements" in this section.

Ranking and Market Share of Top Five Health Supplements Providers in terms of Retail Sales Value of Immune System Health Supplements (Hong Kong), 2023



Note:

1. Company J is subsidiary of a Hong Kong Exchange listed company, founded in 2002 and headquartered in Hong Kong. It primarily provides health supplements and proprietary Chinese medicine.

Source: Frost & Sullivan

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Entry Barriers of Hong Kong's Health Supplements Market

Sales Network: In Hong Kong's health supplements market, establishing a strong sales network is crucial. Market leaders benefit from established relationships with key retailers such as specialty retailers, pharmacies, branded stores, online platforms, etc.. New entrants may find it difficult to approach and become one of the suppliers of large chain retailers, as they generally have strict selection criteria for suppliers and expect their suppliers to have a proven track record and demonstrated ability to provide high quality products. This effectively creates an entry barrier for new entrants to establish long-term business relationships with major chain retailers.

Branding and Reputation: In Hong Kong's health supplements market, brand image and reputation are pivotal in influencing end-customer choices, affecting both customer acquisition and retention. Established brands dominate with their well-known quality and strong customer loyalty, posing a significant challenge for new entrants. To compete, newcomers must offer unique or superior products and invest in effective promotions and marketing to build a compelling brand image. Building trust and a strong brand identity is crucial for new companies to successfully enter and thrive in this competitive market.

Research and Development Capabilities and Quality Control: In Hong Kong's health supplements market, evolving consumer demands for quality and efficacy highlight the importance of research and development capabilities. Established companies leverage their strong regional presence and successful track record to innovate and secure distribution from reputable suppliers worldwide. New entrants, lacking such influence, face significant challenges. They should invest heavily in research and development to develop products that meet high standards of safety, quality, and scientific validation, posing a substantial barrier to entry.

Supply Chain Management: Strong supply chain management is essential for health supplements companies to ensure product quality, safety, and cost efficiency. An integrated supply chain from raw material procurement to distribution boosts operational efficiency and product stability. However, developing such a system demands considerable time, capital, and expertise. New entrants face significant challenges in establishing a robust supply chain, a key barrier that affects their market competitiveness and customer satisfaction.

Capital Requirement: Establishing a strong brand requires substantial marketing investment, while developing an efficient supply chain and effective sales channels requires considerable financial resources, technological infrastructure, and expertise. Ensuring food safety and retaining top talent also demand strict quality controls and competitive compensation. These factors collectively require large upfront investments, creating high barriers to entry and challenging new entrants in their efforts to compete effectively.

OVERVIEW OF HONG KONG'S COSMETICS AND SKINCARE PRODUCTS MARKET

Definition and Classification

Cosmetics and skincare market consists of skincare products, make-ups and fragrances, but excludes personal care products, hair products, beauty equipment, etc. Skincare products are products used to enhance the appearance and condition of the skin. Skincare products can be mainly divided into products for facial care, body care, hand care and sun care, etc. Cosmetics refers to colouring products intended to alter one's appearance. Cosmetics can be mainly divided into facial cosmetics, eye cosmetics, lip products, nail products, etc.

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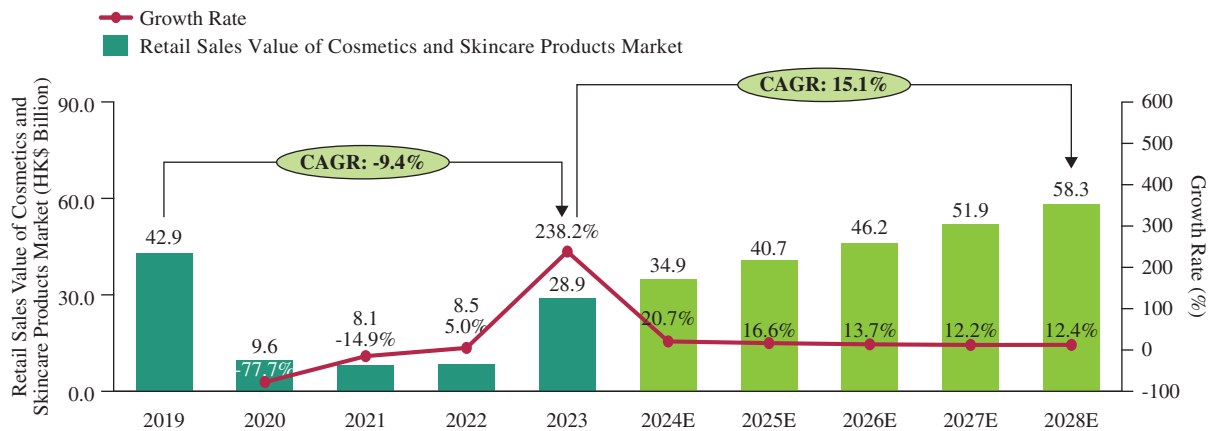
Market Size and Growth of Hong Kong's Cosmetics and Skincare Products Market

In Hong Kong's cosmetics and skincare products market, visitors form a crucial consumer base. The industry witnessed a sharp decline in retail sales from HK\$42.9 billion in 2019 to HK\$8.1 billion in 2021, influenced significantly by reduced tourist arrivals due to the COVID-19 pandemic. However, as the market began to fully reopen, sales showed signs of recovery, rising to HK\$28.9 billion by 2023.

In response to the outbreak of COVID-19 pandemic, the Hong Kong government has implemented strategic measures to stimulate visitor arrivals and consumer spending. For example, to attract tourists, the Hong Kong government launched the "Hello Hong Kong" global promotional campaign in February 2023. The campaign invited tourists worldwide to visit, distributed consumer coupons, and the Hong Kong Tourism Board worked with social platforms in mainland China to increase Hong Kong's tourism exposure.

These initiatives are expected to play a pivotal role in revitalising the retail landscape, including the cosmetics and skincare products sector. Anticipated results of these efforts include a projected increase in retail sales value of cosmetics and skincare products market from HK\$28.9 billion in 2023 to HK\$58.3 billion by 2028, with a CAGR of 15.1%.

Retail Sales Value of Cosmetics and Skincare Products Market (Hong Kong), 2019–2028E



Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

Key Drivers of Hong Kong's Cosmetics and Skincare Products Market

Recovery of Tourism: The revival of tourism in Hong Kong has revitalised its cosmetics and skincare products market. Renowned for its status as a global shopping destination, Hong Kong benefits from increased international tourist traffic, particularly from mainland China, facilitated by enhanced transport links such as high-speed rail and the Hong Kong-Zhuhai-Macau Bridge. As travel restrictions ease and tourist numbers rebound, the demand for internationally acclaimed local brands in duty-free and boutique stores continues to surge, thereby stimulating market growth.

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Rise of Diversified E-commerce Channels: The evolution of e-commerce has significantly altered the retail landscape for cosmetics and skincare products market in Hong Kong. The proliferation of international and regional platform giants has broadened access to these products. Innovations such as live-streaming sales and social commerce further enrich the consumer experience and expand market reach. Such online expansion not only diversifies shopping options, but also enhances product discovery and engagement, becoming a central growth driver in the market.

Technological Advances and Innovation: The cosmetics and skincare products market is dynamically driven by innovation in product formulation and technological integration. Brands delivering advanced skincare solutions, including anti-ageing treatments, rejuvenation serums, and personalised products tailored through genetic testing or AI diagnostics, are gaining traction. Such innovations meet consumer demands for sophisticated, cutting-edge skincare solutions, enhancing market appeal and growth.

Generation Z Consumption: The influence of Generation Z (individuals born from 1995 to 2009) on Hong Kong's cosmetics and skincare products market is profound due to their early exposure to the industry, digital fluency, and strong ethical and environmental values. This demographic prioritises products that are sustainable, cruelty-free, and consistent with inclusive beauty standards. Their refined preferences for product ingredients and performance, coupled with a focus on visually appealing packaging, drive brands to innovate and adapt their offerings. Engaging this cohort through targeted social media campaigns and influencer partnerships is critical to tapping into their considerable purchasing power and shaping future market trends.

Future Trends of Hong Kong's Cosmetics and Skincare Products Market

Beauty and Wellness convergence: The integration of beauty and wellness continues to accelerate as products increasingly offer holistic benefits that enhance both external beauty and overall well-being. This trend includes the rise of skin health supplements and stress-relieving skincare products that cater to a more health-conscious consumer base.

Digital and Augmented Reality ("AR") Experience: Digital innovations and AR are transforming the customer journey in the cosmetics and skincare products industry. These technologies provide virtual try-ons, detailed skin analyses, and personalised product recommendations, enabling a tailored and informed shopping experience that minimises the need for physical product sampling.

Scientific, Targeted, and Specialised Products: The Hong Kong cosmetics and skincare products market is increasingly driven by scientific advances and consumer demand for personalised and specialised products. Dermatological research has catalysed the development of formulations that address specific skin concerns and types, leveraging technologies such as AI and genetic testing to tailor skincare regimens. At the same time, increased consumer awareness is promoting the creation of products designed for specific environmental conditions and lifestyle factors, including pollution protection and blue light protection. This trend towards specialisation is further reflected in the rise of multifunctional cosmetics and precision tools, enhancing both efficacy and user experience in skincare applications.

Expansion of Cosmetics and Skincare for Men, Infants, and Children: The cosmetics and skincare products market is diversifying to include a broader demographic, including men, infants, and children. For example, the male grooming sector is expanding rapidly, supported by products that specifically cater to male skin characteristics and marketed with masculine branding, reflecting a shift in social norms and increasing self-image awareness across all genders and ages.

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Our Group's business operations are principally based in Hong Kong and are therefore subject to the relevant laws and regulations therein. Set forth below is a summary of the material laws and regulations relating to our Group's business and operations in Hong Kong.

HONG KONG

Health and Safety

Public Health and Municipal Services Ordinance

The legal framework for food safety control in Hong Kong is set out in Part V of the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) ("**Public Health Ordinance**") and the relevant sub-legislations thereunder. As we are a provider of a number of health supplements and cosmetics and skincare products, we are subject to the Public Health Ordinance and the relevant sub-legislations thereunder.

The Public Health Ordinance requires the manufacturers and sellers of food or drugs to ensure that their products are fit for human consumption and comply with the requirements in respect of food safety, food standards and labelling.

Section 50 of the Public Health Ordinance prohibits the manufacturing, advertising and sale in Hong Kong of food or drugs that are injurious to health. Anyone who fails to comply with this section commits an offence punishable by a fine at level 3 (currently at HK\$10,000) and imprisonment for three months.

Section 52 of the Public Health Ordinance provides that, subject to the statutory defences available in section 53 of the same ordinance, if a seller sells to the prejudice of a purchaser any food or drug which is not of the nature, substance or quality of the food or drug demanded by the purchaser, the seller shall be guilty of an offence punishable by a fine at level 3 (currently at HK\$10,000) and imprisonment for three months.

Pursuant to section 54 of the Public Health Ordinance, any person who sells or offers for sale any food intended for, but unfit for, human consumption, or any drug intended for use by human but unfit for the purpose, shall be guilty of an offence. The maximum penalty for contravention of section 54 is a fine at level 5 (currently at HK\$50,000) and imprisonment for six months.

Section 61 of the Public Health Ordinance provides that it shall be an offence for any person who gives with any food or drug sold by him/her or displays with any food or drug exposed for sale by him any label which falsely describes the food or drug or is calculated to mislead as to its nature, substance or quality, unless he proves that he did not know, and could not with reasonable diligence have ascertained, that the label was of such a character as aforesaid. It shall also be an offence if any person publishes or is party to the publication of an

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advertisement falsely describing any food or drug or is likely to mislead as to the nature, substance or quality of any food or drug. However, it shall be a defence for the defendant to prove either that he did not know, and could not with reasonable diligence have ascertained, that the advertisement was of such a character as is described in that subsection; or that, being a person whose business it is to publish, or arrange for the publication of, advertisements, he received the advertisement in the ordinary course of business.

Food and Drugs (Composition and Labelling) Regulations

A subsidiary legislation of the Public Health Ordinance, Food and Drugs (Composition and Labelling) Regulations (“**Food and Drugs Regulations**”) (Chapter 132W of the Laws of Hong Kong), contain provisions for the advertising and labelling of food.

Regulation 3 of the Food and Drugs Regulations provides that the standards of composition of the foods and drugs specified in schedule 1 to the Food and Drugs Regulations shall be up to the standards as specified in that schedule. The applicability of individual standards specified thereunder depends on whether the individual product in question is a drug within the Public Health Ordinance.

Regulation 5 of the Food and Drugs Regulations provides that any person who advertises for sale, sells or manufactures for sale any food or drug which does not conform to the relevant requirements as to composition prescribed in schedule 1 to the Food and Drugs Regulations commits an offence and is liable to a fine at level 5 (currently at HK\$50,000) and imprisonment for six months.

Pursuant to regulation 4A of the Food and Drugs Regulations, all pre-packaged food, except for those exempted items listed in schedule 4 to the Food and Drugs (Composition and Labelling) Regulations, shall be marked and labelled in the manner prescribed in schedule 3 to the Food and Drugs Regulations. Contravention of those requirements may result in a fine at level 5 (currently at HK\$50,000) and imprisonment for six months upon conviction.

Pursuant to regulation 4B of the Food and Drugs Regulations, pre-packaged food should be marked or labelled with its energy value and nutrient content in the manner prescribed in part 1 of schedule 5, and nutrition claims, if any, made on the label of the product or in any advertisement for the product should comply with part 2 of schedule 5. Contravention of those requirements may result in a fine at level 5 (currently at HK\$50,000) and imprisonment for six months upon conviction.

Food Safety Ordinance

Food Safety Ordinance (Chapter 612 of the Laws of Hong Kong) establishes a registration scheme for food importers and food distributors, to require the keeping of records by persons who acquire, capture, import or supply food and to enable food import controls to be imposed.

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Registration as food importer and distributor

Sections 4 and 5 of the Food Safety Ordinance require any person who carries on a food importation business or food distribution business to register with the Food and Environmental Hygiene Department as a food importer or food distributor. Any person who does not register but carries on a food importation or distribution business, without reasonable excuse, commits an offence and is liable to a fine at level 5 (currently at HK\$50,000) and imprisonment for six months.

Record-keeping requirement relating to movement of food

Pursuant to section 24 of the Food Safety Ordinance, a person who, in the course of business, supplies food in Hong Kong by wholesale must record the following information about the supply within 72 hours after the time the supply took place: (a) the date the food was supplied; (b) the name and contact details of the person to whom the food was supplied; (c) the total quantity of the food; and (d) a description of the food. Any person who fails to comply with the record-keeping requirement, without reasonable excuse, commits an offence and is liable to a fine at level 3 (currently at HK\$10,000) and imprisonment for three months.

Consumer Goods Safety Ordinance

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) imposes a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes.

The products sold by our Group, are regulated by the Consumer Goods Safety Ordinance and the Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong).

Under section 4(1) of the Consumer Goods Safety Ordinance, consumer goods are required to be reasonably safe having regard to all of the circumstances including the manner in which, and the purpose for which the products are presented, promoted or marketed, the use of any mark in relation to the products, instructions and warnings given for the keeping or use of the products, reasonable safety standards published by a standards institute or other similar bodies and the existence of any reasonable means to make the products safer.

Under section 2(1) of the Consumer Goods Safety Regulation, where consumer goods or their packages are marked with, or where any labels affixed to or any documents enclosed in their packages contain, any warning or caution regarding the safe keeping, use, consumption or disposal, such warning or caution shall be in both the English and the Chinese languages. Such warnings and cautions, as required by section 2(2) of the Consumer Goods Safety Regulation, shall be legible and be placed in a conspicuous position on: (a) the consumer goods; (b) any package of the consumer goods; (c) a label securely affixed to the package; or (d) a document enclosed in the package.

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Chinese Medicine Ordinance

The Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong) provides for the regulation of activities or matters relating to Chinese medicines, including, among other matters, the licensing of traders in Chinese medicines, the registration of proprietary Chinese medicines and the manufacture, possession and sale of Chinese medicines.

Sections 109 and 111 of the Chinese Medicine Ordinance restrict the sale, wholesale and dispense, etc of the Chinese herbal medicines specified in schedule 1 and schedule 2 thereto. Pursuant to section 109, except under and in accordance with the Chinese Medicine Ordinance, no person shall sell by retail, or dispense to another person any Chinese herbal medicine specified in schedule 1 except in accordance with a prescription given by a registered Chinese medicine practitioner; or without a retailer licence in respect of such Chinese herbal medicine; or subject to section 145(1), at any place other than the premises specified in such licence. Sections 109 also restricts the wholesale of Chinese herbal medicine by requiring that except under and in accordance with the Chinese Medicine Ordinance, no person shall sell or distribute by way of wholesale, or possess for the purpose of wholesale, any Chinese herbal medicine specified in schedule 1 without a wholesaler licence in Chinese herbal medicines in respect of such Chinese herbal medicine; or subject to section 145(1), at any place other than the premises specified in such licence.

Further, pursuant to section 110 of the Chinese Medicine Ordinance, except under and in accordance with the Chinese Medicine Ordinance, no person shall have in his possession any Chinese herbal medicine specified in schedule 1 thereto, unless the Chinese herbal medicine is possessed under and in accordance with a licence granted by the Medicines Board under the Chinese Medicine Ordinance.

Section 111 is similar to section 109 except that it applies to the Chinese herbal medicine specified in schedule 2 thereto rather than schedule 1 thereto.

Proprietary Chinese medicines – registration

Pursuant to section 119 of the Chinese Medicine Ordinance, no person shall sell, import or possess any proprietary Chinese medicine unless the proprietary Chinese medicine is registered with the Medicines Board.

Section 128 of the Chinese Medicine Ordinance provides for transitional registration of proprietary Chinese medicines. Pursuant to section 128(1), where a proprietary Chinese medicine is, on 1 March 1999, (a) manufactured, sold or supplied for sale in Hong Kong; or (b) manufactured outside Hong Kong and is sold or supplied for sale in Hong Kong, the manufacturer in the former case (a), or an importer or a local representative or agent of the manufacturer in the latter case (b), may apply within such period of time as may be determined by the Medicines Board for the registration of the proprietary Chinese medicine in accordance with section 121.

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Subject to such classification of category, conditions and restrictions as may be imposed by the Medicines Board, where an application is made under section 128(1), the proprietary Chinese medicine shall be deemed to have been registered and a certificate is deemed to have been issued under section 121. Subject to section 128(7) including the de-registration and any requirements in respect of proprietary Chinese medicines, such registration shall continue in effect until the issue of a certificate of registration under section 121(2); or the refusal of the application for registration of that proprietary Chinese medicine under section 121(4); or such date as may be specified and promulgated by the Secretary of Food and Health by notice published in the Gazette, whichever is the earliest.

Proprietary Chinese medicines – licensing of traders

Pursuant to section 134 of the Chinese Medicine Ordinance, no person shall sell or distribute by way of wholesale, or possess for the purpose of wholesale, any proprietary Chinese medicine without a wholesaler licence in proprietary Chinese medicines, or at any place other than the premises specified in such licence.

Proprietary Chinese medicines – labelling requirements

According to section 143 of the Chinese Medicine Ordinance, no person shall sell or have in his possession for the purpose of selling any proprietary Chinese medicine unless the package of the proprietary Chinese medicine is labelled in the prescribed manner in regulation 26 of the Chinese Medicines Regulation (Chapter 549F of the Laws of Hong Kong). Similarly, section 144 of the Chinese Medicine Ordinance, no person shall sell or have in his possession for the purpose of selling any proprietary Chinese medicine without a package insert which complies with the prescribed requirements in regulation 28 of the Chinese Medicines Regulation.

Any person who contravenes sections 109, 110, 111, 119, 134, 143 or 144 of the Chinese Medicine Ordinance commits an offence and is liable to a fine at level 6 (currently at HK\$100,000) and imprisonment for two years.

Pharmacy and Poisons Ordinance

Pharmaceutical products and medicines sold in Hong Kong are regulated by the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) and the various regulations made under it, including, inter alia, the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong).

Under section 2 of the Pharmacy and Poisons Ordinance, “pharmaceutical products” and “medicines” are defined as any substance as or combination of substances: (a) presented as having properties for treating or preventing disease in human beings or animals; or (b) that may be used in, or administered to, human beings or animals, either with a view to: (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical diagnosis.

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Sections 21 and 26 of the Pharmacy and Poisons Ordinance regulate the sale of certain poisons as listed in the Poisons List the Pharmacy and Poisons Regulations. Section 28A of the Pharmacy and Poisons Ordinance prohibits any person from carrying on business as importer or exporter of pharmaceutical products and medicines unless the person is a licensed wholesale dealer or a licensed manufacturer. Pursuant to sections 33 and 34 of the Pharmacy and Poisons Ordinance, any person who contravenes of sections 21, 26 and 28A shall be guilty of an offence, punishable by a fine at level 6 (currently at HK\$100,000) and imprisonment for two years.

Pursuant to regulation 36 of the Pharmacy and Poisons Regulations, no person shall sell, offer for sale or distribute or possess for the purposes of sale, distribution or other use any pharmaceutical product or substance unless the product or substance is registered under Pharmacy and Poisons Regulations. According to regulation 36C of the Pharmacy and Poisons Regulations, “pharmaceutical products” and “substance” are defined as to have the meaning assigned to “pharmaceutical product” and “medicine” in the Pharmacy and Poisons Ordinance.

Pursuant to regulation 25 of the Pharmacy and Poisons Regulations, no person shall, by way of wholesale dealing, sell or supply at or from any premises a pharmaceutical product, or a substance or article consisting of or containing any poison, unless the person (a) holds a wholesale dealer licence in respect of those premises, (b) is an authorised seller of poisons, or (c) is a licensed manufacturer selling or supplying only pharmaceutical products manufactured by him.

Antibiotics Ordinance

The Antibiotics Ordinance (Chapter 137 of the Laws of Hong Kong) and the Antibiotics Regulations (Chapter 137A of the Laws of Hong Kong) regulate the sale and supply of substances as specified in the Schedule 1 to the Antibiotics Regulations.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for protection to employees with respect to their safety and health in workplaces. It applies not only to industrial workplaces but also non-industrial.

Under the Occupational Safety and Health Ordinance, every employer must, as far as reasonably practicable, ensure the safety and health at work for all employees by: (a) providing and maintaining plant and systems of work that are safe and without risks to health; (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances; (c) providing such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees; (d) as regards any workplace under the employer’s control, (i) maintaining the workplace in a condition that is safe and without risks to health; and (ii) providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and (e) providing and maintaining a working environment for the employees that is safe and without risks to health. An employer who fails to comply with the above provisions

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commits an offence and is liable on conviction to a fine of HK\$200,000. Further, an employer who intentionally, knowingly or recklessly fails to comply with these provisions commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may serve improvement notices on an employer or an occupier of the workplace against contravention of this ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), or suspension notices against an activity or condition or use of workplace where there is an imminent risk of death or serious bodily injury. An employer or occupier who fails to comply with such notices without reasonable excuse commits an offence and is liable on conviction to a fine of HK\$200,000 and HK\$500,000 respectively, and imprisonment of up to 12 months.

Occupiers Liability Ordinance

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) provides for the liability of occupiers and others for injury or damage resulting to persons or goods lawfully on any land or other property from dangers due to the state of the property or to things done or omitted to be done there, and for purposes connected therewith. Without altering the rules of the common law as to the persons on whom a duty is so imposed or to whom it is owed, the ordinance regulates the nature of the duty imposed by law in consequence of a person's occupation or control of premises and of any invitation or permission he gives (or is to be treated as giving) to another to enter or use the premises.

Trade

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) codifies the law relating to the sale of goods.

In general, where the seller sells goods in the course of a business, there is an implied condition that the goods supplied under the sale contract are of merchantable quality and reasonably fit for the particular purpose for which the goods are being bought.

Where a contract for the sale of goods is by description, there is an implied condition that the goods shall correspond with the description. In the case of a contract of sale is a contract for sale by sample, there is an implied condition that: (a) the bulk shall correspond with the sample in quality; (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (c) the goods shall be free from any defect, rendering them un-merchantable, which would not be apparent on reasonable examination of the sample. If the sale is by sample as well as by description, the goods still need to correspond with the description even when the bulk of the goods corresponds with the sample.

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Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) prohibits false trade description, false, misleading or incomplete information, false statements etc., in respect of goods offered in the course of trade.

Section 2 of the Trade Descriptions Ordinance provides, inter alia, that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto. Section 7A provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence. Sections 13E, 13F, 13G, 13H and 13I provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

In accordance with section 18 of the Trade Descriptions Ordinance, a person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for 2 years.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) restricts certain advertisements relating to medical and health matters.

According to section 3 of the UMAO, unless by or with due authorisation from relevant authorities, no advertisement shall be published or caused to be published if it is likely to lead to the use of any medicine, surgical appliance or treatment for: (1) the treatment or prevention of any disease or condition listed in column 1 of schedule 1 to the UMAO, except for a purpose specified in column 2 of the said schedule; and (2) the treatment of human beings for any purpose listed in schedule 2 to the UMAO. Section 2 of the UMAO defines “medicine” to include any kind of medicament or other curative or preventive substance, and whether a

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proprietary medicine, a patent medicine, a Chinese herbal medicine, a proprietary Chinese medicine, or purported natural remedy. Section 2 further provides that the sale of medicine in a labelled container or package shall constitute the publication of an advertisement. Section 3B of the UMAO provides that no person shall publish, or cause to be published, an advertisement for an orally consumed product which makes for the product a claim specified in column 1 of schedule 4 to the UMAO, or any similar claim, except as allowed under the provisions in column 2 of that schedule 4.

Some diseases and conditions listed in schedule 1 to the UMAO include parasitic diseases, diseases of the heart or cardiovascular system, gastro-intestinal diseases, diseases of the nervous system, diseases of the blood or lymphatic system, diseases of the musculoskeletal system, diseases of the skin, hair or scalp, and viral, bacterial, fungal or other infectious diseases. The list in schedule 2 to the UMAO contains treatment of human beings for the purposes of: (1) the induction of menstruation or relief of amenorrhea or delayed menstruation of any other gynecological or obstetrical disease; (2) the promotion of sexual virility, desire or fertility, or the restoration of lost youth; and (3) the correction of deformity or the surgical alteration of a person's appearance.

Any person who contravenes sections 3, 3B or 4 of the UMAO shall be guilty of an offence and shall be liable upon a first conviction to a fine of \$50,000 and imprisonment for 6 months and upon a second or subsequent conviction to a fine of HK\$100,000 and imprisonment for 1 year.

Competition Ordinance

Enacted on 14 December 2015, the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) is to (i) prohibit conduct that prevents, restricts or distorts competition in Hong Kong; (ii) prohibit mergers that substantially lessen competition in Hong Kong; (iii) establish the Competition Commission and the Competition Tribunal; and (iv) provide for incidental and connected matters.

The Competition Ordinance includes, among other provisions, the following:

- (a) the First Conduct Rule: this rule aims to prohibit anti-competitive agreements, concerted practices and decisions among parties. Under the First Conduct Rule, an undertaking must not: (i) make or give effect to an agreement; (ii) engage in a concerted practice; or (iii) make or give effect to a decision of an association as a member of the association of undertakings, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong;
- (b) the Second Conduct Rule: this rule aims to prohibit anti-competitive conduct by a party with substantial market power. The Second Conduct Rule prohibits an undertaking that has a substantial degree of market power in a market to abuse that power by engaging in conduct that has as its object or effect the prevention, restriction

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or distortion of competition in Hong Kong. Conduct such as predatory behaviour towards competitors or limiting production, markets or technical development to the prejudice of end-customers may constitute such an abuse. In determining whether an undertaking has a substantial degree of market power, matters such as the undertaking's market share, its power to make decisions including pricing, and the entry barriers to competitors are all relevant.

The Competition Ordinance also contains provisions, the Merger Rule, with respect to controlling mergers. However, the merger provisions currently only apply to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance. In other words, they only apply to the broadcasting and telecommunications sectors and therefore, not to the business of our Group.

Upon contravention of a competition rule by an offender, the Competition Tribunal may impose penalties including pecuniary penalty, injunctive orders, disqualification orders, costs orders, award of damages, and other orders. If a pecuniary penalty is to be imposed, the maximum amount of such pecuniary penalty imposed in relation to conduct constituting a single contravention is 10% of the turnover of the undertaking concerned for each year the contravention occurred, for up to three years of contravention.

Import and Export Ordinance

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) provides for the regulation and control of the import of articles into Hong Kong, the export of articles from Hong Kong, the handling and carriage of articles within Hong Kong which have been imported into Hong Kong or which may be exported from Hong Kong, and any matter incidental to or connected with the foregoing.

The import and export of certain articles are prohibited unless with the relevant licences under sections 6C and 6D which are issued under section 3 of the Import and Export Ordinance. Pursuant to section 6C of the Import and Export Ordinance, no person shall import any article specified in schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) except under and in accordance with an import licence issued by the Director-General of Trade and Industry under section 3 of the Import and Export Ordinance. Section 6D of the Import and Export Ordinance provides that no person shall export any article specified in the second column of schedule 2 to the Import and Export (General) Regulations to the place specified opposite thereto in the third column of the schedule except under and in accordance with an export licence issued by the Director-General of Trade and Industry under section 3 of the Import and Export Ordinance. Any person who contravenes sections 6C or 6D of the Import and Export Ordinance shall be guilty of an offence and liable to a fine of HK\$500,000 and to imprisonment for two years on summary conviction, or a fine of HK\$2,000,000 and to imprisonment for seven years on conviction on indictment.

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These provisions regulate the importation and exportation of articles including the pharmaceutical products, medicines and proprietary Chinese medicines and must be covered by a proper import or export licence.

Import and Export (Registration) Regulations

Regulation 3 of the Import and Export (Registration) Regulations (“**Import and Export Regulations**”) (Chapter 60E of the Laws of Hong Kong) sets out exemptions in respect of regulations 4 and 5.

Pursuant to regulation 4 of the Import and Export Regulations, every person, including company, who imports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise an accurate and complete import declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation of the article to which it relates.

Regulation 5 of the Import and Export Regulations requires that every person who exports or re-exports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise an accurate and complete export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the exportation of the article to which it relates.

Any person fails or neglects to do such declaration as required under regulations 4 and 5 of the Import and Export Regulations within 14 days after the importation or exportation (as the case may be) of the article to which it relates without any reasonable excuse shall be liable to (i) a fine of HK\$1,000 upon summary conviction; and (ii) commencing from the date of conviction, a fine of HK\$100 in respect of everyday during which his failure or neglect to lodge such declaration in that manners continues. Further, any person who knowingly or recklessly lodges any declaration with the Commissioner of Customs and Excise that is inaccurate in any material particular shall be liable on summary conviction to a fine of HK\$10,000.

Copyright Ordinance

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) makes provisions in respect of copyright and related rights subsisting in copyright works.

A person may incur civil liability if he or she infringes the copyright in a work by “secondary infringement”.

Section 30 of the Copyright Ordinance provides that, the copyright in a work is infringed by a person who, without the licence of the copyright owner, imports, exports, possesses, deals with or provides means for making infringing copies, for the purpose or in the course of any trade or business, and which he knows or has reason to believe to be an infringing copy of the

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work. Further, section 31 of the Copyright Ordinance provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner: (i) possesses for the purpose of or in the course of any trade or business; (ii) sells or lets for hire, or offers or exposes for sale or hire; (iii) exhibits in public or distributes for the purpose of or in the course of any trade or business; or (iv) distributes (otherwise than for the purpose of or in the course of any trade or business) to such an extent as to affect prejudicially the owner of the copyright, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies. If such knowledge or guilty state of mind cannot be proved, that person will not be liable for secondary infringement.

An infringement of copyright is actionable by the copyright owner and a person infringing the copyright may incur civil liability for various ways of remedies including damages, injunctions, accounts, order for delivery up or disposal of infringing copy.

Further, section 118 sets out criminal offences for copyright infringement. Under section 118(1) of the Copyright Ordinance, a person commits an offence if he, without the licence of the copyright owner of a copyright work, makes for sale or hire, imports or exports other than for his private and domestic use, sells or lets for hire for the purpose of or in the course of any trade or business, possesses an infringing copy of the work with a view to sell or hire or exhibit for the purpose of or in the course of any trade or business, or distributes an infringing copy of the work to such an extent as to prejudicially affect the copyright owner. A person who commits an offence under section 118(1) is liable on conviction on indictment to a fine at level 5 (currently HK\$50,000) and to imprisonment for four years.

According to section 118(4), a person also commits an offence if he makes, imports, exports, possesses, sells or lets for hire an article specifically designed or adopted for making copies of a particular copyright work which article is used or intended to be used for making infringing copies for sale or hire. or use for the purpose of or in the course of any trade or business. Under section 118(8), if a person possesses an article knowing or having reason to believe that it is used or is intended to be used to make infringing copies for sale or hire or use for the purpose of or in the course of any trade or business, he also commits an offence. The penalty for an offence under section 118(4) or (8) is liable on conviction on indictment to a fine of HK\$500,000 and to imprisonment for eight years.

As to what constitutes as an infringing copy, section 35(2) provides that a copy of a work is an infringing copy if its making constituted an infringement of the copyright in the work in question. Further, section 35(2) provides that a copy of a work is an infringing copy if its making constituted an infringement of the copyright in the work in question. Further, section 35(3) provides that except as otherwise provided in section 35A or 35B, a copy of a work other

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than a copy of an accessory work is also an infringing copy if: (a) it has been or is proposed to be imported into Hong Kong; and (b) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

However, section 35(4) provides that, in respect of the criminal provisions (i.e. sections 118 to 133), “infringing copy” does not include a copy of a work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong any time after the expiration of 15 months beginning on the first day of publication of the work in Hong Kong or elsewhere; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work. Section 35(5) also provides that, in respect of the provisions on proceedings relating to importation of infringing articles (i.e. Division VII of the Copyright Ordinance), “infringing copy” does not include a copy of a work or a copy of an accessory work (a) that was lawfully made in the country, territory or area where it was made; (b) that has been or is proposed to be imported into Hong Kong; and (c) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

Section 35(8) provides that for the purpose sections 35(3), 35(4) and 35(5), accessory work means a work incorporated in or consisting of (a) a label affixed to, or displayed on, an article; (b) the packaging or container in which an article is packaged or contained; (c) a label affixed to, or displayed on, the packaging or container in which an article is packaged or contained; (d) a written instruction, warranty or other information incidental to an article and provided with the article on its sale; or (e) an instructional sound recording or film incidental to an article and provided with the article on its sale, and the economic value of the article (inclusive of the label, packaging, container, instruction, warranty, other information, sound recording or film, as the case may be) is not predominantly attributable to the economic value of the work.

Trade Marks Ordinance

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong).

Under section 18 of the Trade Marks Ordinance, a person infringes a registered trade mark if: (a) in the course of trade or business, he uses a sign which is identical or similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered; and (b) the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public.

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Subject to the exceptions in section 19 to 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark.

An infringement of a registered trade mark is actionable by the owner of the trade mark who may apply to the court for orders to deal with the infringing goods, material or articles, such as an order for delivery up, forfeiture, destroy, disposal or an order as the court may decide.

As advised by the Hong Kong Legal Counsel, generally, importation, sales and advertisement of products through channels mentioned above are not prohibited under the laws of Hong Kong. Importation, sales and advertisements of these products will fall under section 20 of the Trade Marks Ordinance which provides exhaustion of rights generally applicable for defending the use of registered trademarks in relation to products procured through such importation channels which have been put on the market anywhere in the world under such trade marks by the owners of trade marks or with their consent (whether express, or implied or conditional or unconditional) unless the condition of the products has been changed or impaired after they have been put on the market and the use of the registered trade marks in relation to those products is detrimental to the distinctive character or repute of the trade marks.

Trade marks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trade marks and that use of the trade marks by third parties will cause the owner damage.

Law on Passing Off

The action for passing off is recognised at common law. Unlike in an action for deceit, the persons deceived in the action for passing off at common law are the plaintiff's customers rather than the plaintiff himself. In a passing off action, it is not necessary that the plaintiff's customers must be themselves deceived. The passing off action has extended to cases where the defendant sells fraudulently marked goods to retail dealers with the express purpose of the goods being resold to the end purchasers as the plaintiff's goods.

The elements of passing off comprise reputation, misrepresentation and damage, which are frequently referred as a "classical trinity". It is necessary for a plaintiff of passing off action to: (a) establish that there is a goodwill or reputation attached to the goods or services which he supplies by association with some "get-up" (e.g. a brand name, a trade description, individual features of labelling or packaging, etc) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services; (b) demonstrate a misrepresentation by the defendant to the public leading or likely to lead the public to believe that goods or services offered by him are the plaintiff's goods or services. It is not a defence that the misrepresentation is unintentional; and (c) demonstrate that he has suffered or is likely to suffer damage as a result of such misrepresentation by the defendant.

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The importation and sale in local market of the brand owner's goods bearing the marks under which the owner has allowed them to be sold in a foreign country does not generally amount to passing off since no misrepresentation is involved as to the origin of the goods.

Nonetheless, it may amount to passing off for an importer to import and sell the brand owner's goods of one quality, which is not marketed by the brand owner in Hong Kong, as goods of another quality sold by the brand owner in local market. Further, actionable passing off may occur when the importer alters the labelling of the foreign quality goods to the labelling used by the brand owner for his goods of the quality sold on the local market.

Other Relevant Laws and Regulations

Personal Data (Privacy) Ordinance

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) protects the privacy of individuals in relation to personal data. A data user shall not do an act, or engage in a practice, that contravenes a data protection principle unless the act or practice, as the case may be, is required or permitted under the Personal Data (Privacy) Ordinance.

The Personal Data (Privacy) Ordinance also places a statutory duty on data users to comply with the requirements of the six data protection principles contained in schedule 1 thereto: (a) principle 1 – purpose and manner of collection of personal data; (b) principle 2 – accuracy and duration of retention of personal data; (c) principle 3 – use of personal data; (d) principle 4 – security of personal data; (e) principle 5 – information to be generally available; and (f) principle 6 – access to personal data.

Non-compliance with a data protection principle may lead to a complaint to the Privacy Commissioner for Personal Data. Section 50 of the Personal Data (Privacy) Ordinance provides that if, following the completion of an investigation, the Privacy Commissioner is of the opinion that the relevant data user is contravening or has contravened a requirement under the Personal Data (Privacy) Ordinance, the Commissioner may serve on the data user a notice in writing, directing the data user to remedy and, if appropriate, prevent any recurrence of the contravention.

A data user who contravenes an enforcement notice commits an offence and is liable: (a) on a first conviction: (i) to a fine at level 5 (currently at HK\$50,000) and to imprisonment for two years; and (ii) if the offence continues after the conviction, to a daily penalty of HK\$1,000; and (b) on a second or subsequent conviction: (i) to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years; and (ii) if the offence continues after the conviction, to a daily penalty of HK\$2,000.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) provides for the protection of the wages of employees and regulates general employment conditions.

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According to part VIII of the Employment Ordinance, penalties for contravening the provisions in the Employment Ordinance may range from a fine at level 3 (currently at HK\$10,000) to a fine of HK\$350,000 and imprisonment for three years, depending on the particular sections offended. In the case of outstanding wages, pursuant to section 65 an employer convicted of an offence under Employment Ordinance may also be ordered to pay any wages or other sum outstanding in addition to any fine imposed.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) provides for the payment of compensation to employees who are injured in the course of their employment. This ordinance sets out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation notwithstanding the employee might have been at fault or negligent when the accident occurred. Similarly, if incapacity or the death of an employee results from an occupational disease and is due to the nature of any employment in which the employee was employed at any time within the prescribed period immediately preceding such incapacity or death, then the employee or members of his family, as the case may be, shall be entitled to the same compensation as if such incapacity or death had been caused by an accident arising out of and in the course of employment.

Pursuant to section 40(1) of the Employees' Compensation Ordinance, no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than the applicable amount specified in the Fourth Schedule of the ordinance. An employer contravening section 40(1) of the Employees' Compensation Ordinance, commits an offence and is liable: (a) on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years; and (b) on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a minimum wage at a prescribed hourly rate (currently at HK\$40 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance subject to the exceptions stipulated in section 7 of the ordinance.

Pursuant to section 15 of the Minimum Wage Ordinance, a provision of a contract of employment purporting to extinguish or reduce any right, benefit or protection conferred on the employee by the ordinance is void.

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Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides for, among others, the establishment, contributions, registration and regulation of non-governmental mandatory provident fund schemes for the purpose of funding benefits on retirement.

Unless otherwise exempted, pursuant to the Mandatory Provident Fund Schemes Ordinance, every employer of a relevant employee shall take all practicable steps to ensure that the employee becomes a member of a registered scheme within 60 days (non-casual employee) and 10 days (casual employee) and every employer of a relevant employee shall take all practicable steps to ensure that the employee continues to be so registered afterwards throughout his employment with that employer. Employers and employees are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution to a mandatory provident fund scheme, subject to the minimum and maximum level of relevant income for contribution purpose, which are currently HK\$7,100 per month and HK\$30,000 per month respectively. An employer who without reasonable excuse fails to enrol his employees in a mandatory provident fund scheme commits an offence and is liable on conviction to a fine of HK\$350,000 and to imprisonment for 3 years, while an employer who without reasonable excuse fails to comply with the contribution requirement is liable to a fine of HK\$450,000 and to imprisonment for 4 years.

Cross-border e-commerce retail imports of China

According to the Notice on Improving Supervision over Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) promulgated by Ministry of Commerce, the National Development and Reform Commission, the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the State Administration of Market Regulation on November 28, 2018 and implemented on January 1, 2019, “cross-border e-commerce retail imports” refer to the consumption activity of domestic Chinese consumers purchasing goods from abroad through third-party cross-border e-commerce platform operators and having such purchased goods transported into China under the “online purchase of bonded imports” (網購保稅進口) or “direct purchase of imports” (直購進口). Such imported goods are products that fall within the List of Imported Goods in Cross-border E-commerce Retail (《跨境電子商務零售進口商品清單》) and are limited to personal use only and meet the conditions set forth in the taxation policies for cross-border e-commerce retail imports. Cross-border e-commerce enterprises are responsible for ensuring the quality and safety of goods, protecting the rights and interests of consumers, reminding and notifying consumers, establishing a risk prevention and control mechanism for the quality and safety of goods, as well as establishing a sound traceability system for ensuring the quality of bonded imports through online shopping. Such enterprises shall also submit real-time electronic data regarding transactions for cross-border e-commerce retail imports with electronic signature affixed to the customs authorities, report their forms either on themselves or via an entrusted agent to the customs and bears corresponding responsibilities. Cross-border e-commerce enterprises shall appoint a domestic enterprise registered in China to undergo customs registration procedures, be liable to make truthful declaration, subject to regulation by the relevant authorities, and bear civil liability jointly and severally.

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According to the Announcement on Regulatory Matters concerning Cross-Border E-commerce Retail Imports and Exports (《關於跨境電子商務零售進出口商品有關監管事宜的公告》) promulgated by the General Administration of Customs on December 10, 2018 and implemented on January 1, 2019, Enterprises participating in cross-border e-commerce retail importation and exportation business such as cross-border e-commerce platform enterprises, logistics enterprises, payment enterprises etc. shall register with the customs at the locality pursuant to the relevant provisions on registration and administration of customs declaration organisations; overseas cross-border e-commerce enterprises shall entrust a domestic agent (hereinafter referred to as the “domestic agent of cross-border e-commerce enterprise”) shall register with the customs at the locality of the agent. Enterprises engaged in cross-border e-commerce retail import and export business and registered with the customs shall be included in customs credit management, with the customs authorities enforcing differentiated customs clearance management measures according to credit levels. Goods imported through Cross-border e-commerce direct purchase imports or “online purchase bonded imports” importation policy shall be regulated as per inbound goods for personal use and shall not be subject to the requirements for first-time importation permit, registration or filing requirements for the relevant goods. Except for imports which are temporarily suspended pursuant to orders from the relevant authorities and imports for which risk emergency response for significant quality and security risks is activated.

According to the Regulations on the Implementation of the Consumer Rights Protection Law of the People’s Republic of China 《中華人民共和國消費者權益保護法實施條例》 (the “**Regulation on Consumer Rights Protection**”) came into effect on 1 July 2024, business operators providing goods or services through online live streaming, etc., shall perform the relevant obligations of protection of consumer rights and interests pursuant to the law. A live-streaming marketing platform operator shall establish a sound system for protection of consumer rights and interests and specify the consumption dispute resolution mechanism. In the event of a consumption dispute, the live-streaming marketing platform operator shall, as required by the consumer, provide the relevant information on the live-streaming booth operator and live-streaming marketer, records of the relevant business activities and other necessary information. As our Group engages entertainers and KOLs in promoting its products and sells to the PRC through various platforms, it is subject to the Regulation on Consumer Rights Protection, which requires us to ensure that the marketing platform establishes a dispute resolution mechanism and that the entertainers and KOLs comply with the relevant consumer rights protection laws. To meet these requirements, we (1) have inquired whether the live streaming market platform has a dispute resolution mechanism in place for handling consumer disputes before promoting our products on the platform; (2) have implemented internal control procedures to scrutinise and approve promotional materials with entertainers and KOLs prior to live-streaming or other promotional activities; and (3) as our sales grow in the PRC, we will continue to improve communication with marketing platforms and provide guidance to entertainers and KOLs on consumer protection regulations pertaining to promotional activities.

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To comply with abovementioned cross-border e-commerce retail import regulations, our Group has established a risk prevention and control mechanism for the quality and safety of goods. For further details, please refer to “Business – Quality Control” in this prospectus. Our Group has also engaged PRC domestic agents to ensure compliance with the reporting and registration requirements of the customs. As confirmed by our PRC Legal Adviser, other than those mentioned and discussed above, under the current business model (i.e. selling products through the “cross-border e-commerce retail imports”), we are not subject to any additional laws or regulations when selling Chinese Medicine or other natural remedies in the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Group's history can be traced back to 1999 when New ImMAX, the predecessor of our Group was founded. New ImMAX was founded by Ms. Gammy Kwok, one of our Controlling Shareholders, our Chief Executive Officer, an executive Director and the chairlady of the Board, and her brother, Mr. Roger Kwok, a non-executive Director, together with an Independent Third Party (who subsequently left in October 2000). Following the restructuring of our Group over the past decades, New ImMAX became a non-Group related investment holding company and was held as to 90% and 10% by Ms. Gammy Kwok and Mr. Petras Li, respectively as at the Latest Practicable Date.

Ms. Gammy Kwok has over 30 years of extensive wellness related experience. Prior to the inception of our Group, she was admitted as a registered nurse in Hong Kong in 1991 from which she gained experience in general medical care and developed an understanding of community health needs. Ms. Gammy Kwok later worked in a multinational pharmaceutical and medical technologies corporation in Hong Kong from August 1992 to November 1996, whereby she further accumulated her experiences in the area of health supplements and cosmetics and skincare products. Over the years, she has come to realise the importance of health and how it correlates with happiness and the overall well-being, and is motivated to build a brand aiming to bring every single family good health with affordable price. This prompted her to establish Herbs Generation in 2000 and developed the brand of "Herbs (草姬)" and tapped into the business of development, sales and marketing of health supplements and cosmetics and skincare products in Hong Kong.

Mr. Petras Li, also our Controlling Shareholder, an executive Director and Chief Operating Officer, has over 20 years with our Group with extensive experience in logistics and product development in the health supplements market and the cosmetics and skincare products market in Hong Kong. His contribution and dedication to our product development have led to our continual product diversification and enhancement.

We primarily sell products under our own brands, predominately in Hong Kong. As at the Latest Practicable Date, we had 50 health supplements, 21 cosmetics and skincare products and two health supplements for pets under our own brands.

Since our inception, we have established a comprehensive sales network through diversified channels which expanded end-customers reach and strengthened our own brand image. Our comprehensive multi-channel sales network mainly consist of (i) chain retailers such as large-scale local health and beauty product chain retailers, as well as non-chain retailers, for onward sale of our products to end-customers; (ii) our self-operated stores and brand experience centres, where we directly sell our products to end-customers; (iii) e-commerce platforms, such as our self-operated online platform Zinomall and our self-operated account and store on third-party online platforms including HKTVmall and Tmall.hk, through which we directly sell our products to end-customers; as well as (iv) our participation in exhibitions and trade fairs.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Over the years, we have established long-term and stable business relationship with two major health and beauty product chain retailers in Hong Kong, namely Customer A and Consignee A. As at the Latest Practicable Date, we had (i) 33 self-operated stores and two brand experience centres in Hong Kong; (ii) more than 80 wholesale customers; and (iii) two consignees.

On 22 March 2024, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As a result of the Reorganisation, our Company became the holding company of our Group with its principal business conducted primarily through Herbs Generation, with the support of Broadcast HRM and ZINO International.

MILESTONES

The following table is a summary of our key business development milestones:

Year	Event
1999	We incorporated New ImMAX, the predecessor of our Group.
2000	We incorporated Herbs Generation. We launched the brand of “ZINO”. We launched the brand of “Herbs (草姬)”.
2001	We incorporated ZINO International.
2002	We set up our first brand experience centre.
2004	We incorporated Broadcast HRM.
2006	We were first awarded the “Hong Kong Top Brands (香港名牌)” by Hong Kong Brand Development Council and the Chinese Manufacturers’ Association of Hong Kong.
2009	We set up our first self-operated store.
2011	We launched the brand of “Classic (正統)”.
2012	We launched the brand of “Umeya (梅屋)”. We launched the brand of “Energie (男補)”.
2014	We launched the brand of “Men’s INFiNiTY (男極)”.
2016	We established our own online e-commerce platform, Zinomall.
2017	We launched the brand of “Regal Green (綠康營)”.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2019	We commenced operation of “Herbs Overseas Official Flagship Store (草姬天貓海外官方旗艦店)” in Tmall.hk.
2020	We set up our second brand experience centre.
2021	We set up our 10th self-operated store.
2023	We set up our 20th self-operated store.
2024	We set up our 33rd self-operated store. We launched the brand of “Herbs Pet (恩寵)”. We were awarded the “ESG Brand Corporate Award Diamond Prize (ESG品牌企業大獎「鑽石獎」)” by the Federation of Hong Kong Brands. We were awarded the “Greater Bay Most Outstanding Business Awards (最優秀大灣區企業大獎GBAMOB)” by CORPHUB.

CORPORATE DEVELOPMENT OF OUR GROUP

Our Company

Our Company was incorporated on 22 March 2024 as an exempted company with limited liability under the laws of the Cayman Islands with an authorised share capital of HK\$390,000 divided into 39,000,000 ordinary Shares of par value of HK\$0.01 each. It is the holding company of our subsidiaries, and its principal business activity is investment holding. As at the Latest Practicable Date, the issued Shares of our Company was held as to 90% by Joy & Love and 10% by Joy & Faith, respectively. Please refer to “Reorganisation – (2) Incorporation of our Company” and “Capitalisation Issue and the Global Offering” in this section for further details regarding the changes in the authorised and issued share capital of our Company.

As a result of the Reorganisation, our Company has become the ultimate holding company of our Group. Please refer to “Reorganisation” in this section for further details.

Our Subsidiaries

Herbs Generation

Herbs Generation was incorporated in Hong Kong on 17 May 2000 as a limited liability company. On the date of incorporation, 60 ordinary shares and 40 ordinary shares were allotted and issued to Ms. Gammy Kwok and Mr. Roger Kwok, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 10 July 2006, Mr. Roger Kwok transferred 39 ordinary shares, representing 39% of the entire issued share capital of Herbs Generation, to Ms. Gammy Kwok at the consideration of HK\$39.0, which was determined with reference to the then par value of the issued shares of Herbs Generation. On the same day, 9,900 ordinary shares were allotted to Ms. Gammy Kwok. As a result of the allotment, the entire issued shares of Herbs Generation were 10,000 ordinary shares of HK\$1.0 each, which was held as to 9,999 ordinary shares and one ordinary share by Ms. Gammy Kwok and Mr. Roger Kwok, representing 99.99% and 0.01% of the then entire issued share capital, respectively.

Subsequently, on 31 May 2010, 990,000 shares were allotted to Herbs Holdings, which was then held as to 99.99% and 0.01% by Ms. Gammy Kwok and Mr. Roger Kwok, respectively. As a result of the allotment, the entire issued shares of Herbs Generation were 1,000,000 ordinary shares of HK\$1.0 each, which was held as to 990,000 ordinary shares, 9,999 ordinary shares and one ordinary shares by Herbs Holding, Ms. Gammy Kwok and Mr. Roger Kwok, representing 99%, 0.9999% and 0.0001% of the then entire issued share capital, respectively.

On 20 December 2010, Ms. Gammy Kwok and Mr. Roger Kwok transferred 9,999 ordinary shares and one ordinary share of Herbs Generation, representing 0.99% and 0.01% of the entire issued share capital, respectively, to Herbs Holdings at the consideration of HK\$9,999.0 and HK\$1.0, both of which were determined with reference to the then par value of the issued shares of Herbs Generation. As a result of the share transfer, the entire issued shares of Herbs Generation were held by Herbs Holdings.

On 9 January 2018, Herbs Holdings transferred 600,000 ordinary shares, 300,000 ordinary shares and 100,000 ordinary shares of Herbs Generation to Ms. Gammy Kwok, Mr. Roger Kwok and Mr. Petras Li, respectively, at the consideration of HK\$600,000.0, HK\$300,000.0 and HK\$100,000.0, all of which were determined with reference to the then par value of the issued shares of Herbs Generation. As a result of the share transfer, Herbs Generation was held as to 60% by Ms. Gammy Kwok, 30% by Mr. Roger Kwok and 10% by Mr. Petras Li, respectively.

On 23 March 2022, Mr. Roger Kwok transferred 300,000 ordinary shares of Herbs Generation, representing 30% of total issued shares, to Ms. Gammy Kwok at the consideration of HK\$300,000.0, which was determined with reference to the then par value of the issued shares of Herbs Generation. Mr. Roger Kwok, being the brother of Ms. Gammy Kwok, considered such transfer of the 300,000 ordinary shares of Herbs Generation to be a family arrangement between themselves and not a commercial divestment of the relevant interests. In particular, Mr. Roger Kwok decided to resign as a director of Herbs Generation and transferred all his shares in Herbs Generation to his sister, Ms. Gammy Kwok at par value in early 2022, in order to devote more time to his personal career development and his family commitment. As a result of the share transfer, Herbs Generation was held as to 90% by Ms. Gammy Kwok and 10% by Mr. Petras Li, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 13 May 2024, as part of the Reorganisation, Herbs Generation became a wholly-owned subsidiary of Herbs Health and an indirect wholly-owned subsidiary of our Company. Please refer to “Reorganisation – Transfer of the entire issued shares of Herbs Generation, Broadcast HRM and ZINO International from all existing shareholders to Herbs Health” in this section for further details.

During the Track Record Period and up to the Latest Practicable Date, Herbs Generation is principally engaged in the development and sales of health supplements, cosmetics and skincare products and health supplements for pets.

Broadcast HRM

Broadcast HRM was incorporated in Hong Kong on 29 December 2004 as a limited liability company. On the date of incorporation, 9,999 ordinary share and one ordinary share were allotted and issued to Ms. Gammy Kwok and Mr. Roger Kwok, respectively.

On 9 September 2010, Ms. Gammy Kwok and Mr. Roger Kwok transferred 9,999 ordinary shares and one ordinary share, representing 99.99% and 0.01% of the entire issued share capital, respectively, to Mr. Petras Li at the consideration of HK\$9,999.0 and HK\$1.0, both of which were determined with reference to the then par value of the issued shares of Broadcast HRM. As a result of the share transfer, the entire issued shares of Broadcast HRM were held by Mr. Petras Li.

On 13 May 2024, as part of the Reorganisation, Broadcast HRM became a wholly-owned subsidiary of Herbs Health and an indirect wholly-owned subsidiary of our Company. Please refer to “Reorganisation – Transfer of the entire issued shares of Herbs Generation, Broadcast HRM and ZINO International from all existing shareholders to Herbs Health” in this section for further details.

During the Track Record Period and up to the Latest Practicable Date, Broadcast HRM is principally engaged in provision of marketing services, including the engagement of promoters for the sales of health supplements and cosmetics and skincare products under our own brands.

ZINO International

ZINO International was incorporated in Hong Kong on 18 July 2001 as a limited liability company. On the date of incorporation, 9,999 ordinary shares and one ordinary share were allotted and issued to Ms. Gammy Kwok and Mr. Roger Kwok, respectively.

On 22 December 2010, Ms. Gammy Kwok and Mr. Roger Kwok transferred 9,999 ordinary shares and one ordinary share of ZINO International to Herbs Holdings, respectively, at the consideration of HK\$9,999.0 and HK\$1.0, both of which were determined with reference to the then par value of the issued shares of ZINO International. As a result of the share transfer, the entire issued shares of ZINO International were held by Herbs Holdings.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 18 April 2011, 490,000 ordinary shares were allotted to Herbs Holdings. As a result of the allotment, the entire issued shares of ZINO International were 500,000 ordinary shares of HK\$1.0 each, which was wholly owned by Herbs Holdings. Subsequently, on 28 December 2017, Herbs Holdings transferred 300,000 ordinary shares, 150,000 ordinary shares and 50,000 ordinary shares of ZINO International to Ms. Gammy Kwok, Mr. Roger Kwok and Mr. Petras Li, respectively, at the consideration of HK\$300,000.0, HK\$150,000.0 and HK\$50,000.0, all of which were determined with reference to the then par value of the issued shares of ZINO International. As a result of the share transfer, ZINO International was held as to 60% by Ms. Gammy Kwok, 30% by Mr. Roger Kwok and 10% by Mr. Petras Li, respectively.

On 23 March 2022, Mr. Roger Kwok transferred 150,000 ordinary shares of ZINO International, representing 30% of entire issued share capital, to Ms. Gammy Kwok at the consideration of HK\$150,000.0, which was determined with reference to the then par value of the issued shares of ZINO International. Mr. Roger Kwok, being the brother of Ms. Gammy Kwok, considered such transfer of the 150,000 ordinary shares of ZINO International to be a family arrangement between themselves and not a commercial divestment of the relevant interests. In particular, Mr. Roger Kwok decided to resign as a director of ZINO International and transferred all his shares in ZINO International to his sister, Ms. Gammy Kwok, at par value in early 2022, in order to devote more time to his personal career development and his family commitment. As a result of the share transfer, ZINO International was held as to 90% by Ms. Gammy Kwok and 10% by Mr. Petras Li, respectively.

On 13 May 2024, as part of the Reorganisation, ZINO International became a wholly-owned subsidiary of Herbs Health and an indirect wholly-owned subsidiary of our Company. Please refer to “Reorganisation – Transfer of the entire issued shares of Herbs Generation, Broadcast HRM and ZINO International from all existing shareholders to Herbs Health” in this section for further details.

During the Track Record Period, ZINO International was principally engaged in store leasing matters.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

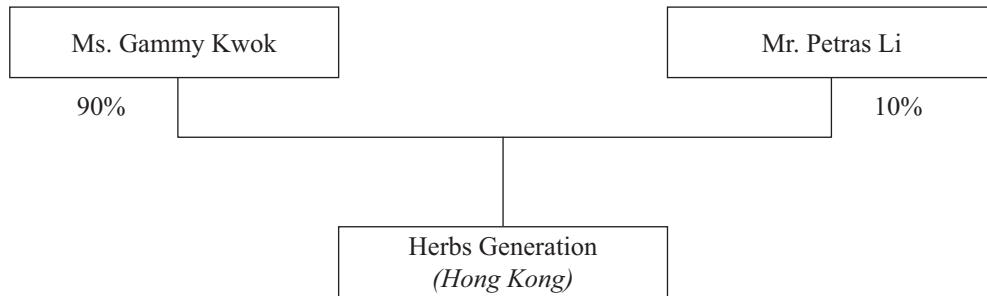
During the Track Record Period and as at the Latest Practicable Date, save for the Reorganisation, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

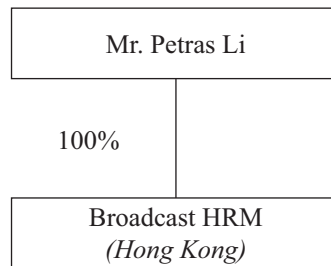
REORGANISATION

The corporate structure of our Group immediately prior to the commencement of the Reorganisation is set out below:

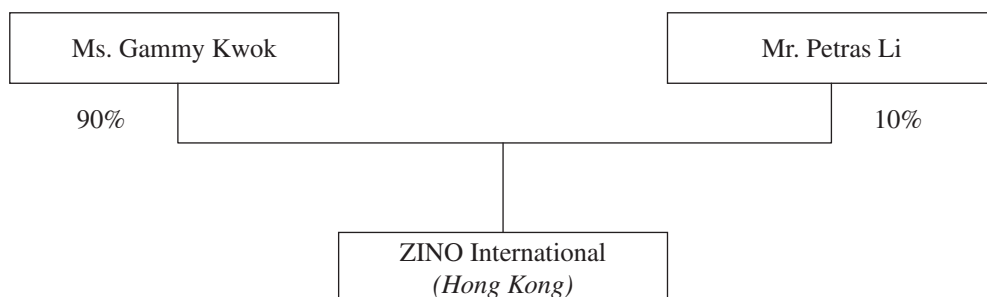
(1) Herbs Generation



(2) Broadcast HRM



(3) ZINO International



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In preparation for the Listing, our Group took the following principal steps of the Reorganisation:

(1) Incorporation of Joy & Love and Joy & Faith by Ms. Gammy Kwok and Mr. Petras Li, respectively

On 22 March 2024, Joy & Love was incorporated in the BVI as a company with limited liability and was authorised to issue a maximum of 50,000 ordinary shares of HK\$0.01 par value each of a single class. On the same day, one share in Joy & Love was allotted and issued as fully paid at par to Ms. Gammy Kwok, after which Joy & Love became wholly owned by Ms. Gammy Kwok.

On 22 March 2024, Joy & Faith was incorporated in the BVI as a company with limited liability and was authorised to issue a maximum of 50,000 ordinary shares of HK\$0.01 par value each of a single class. On the same day, one share in Joy & Faith was allotted and issued as fully paid at par to Mr. Petras Li, after which Joy & Faith became wholly owned by Mr. Petras Li.

(2) Incorporation of our Company

Our Company was incorporated as a limited liability company under the laws of the Cayman Islands on 22 March 2024. The authorised share capital of our Company was HK\$390,000 divided into 39,000,000 ordinary Shares of par value of HK\$0.01 each upon incorporation.

On the same day, one ordinary Share of our Company was allotted and issued to the initial subscriber, an Independent Third Party at par, which was then transferred to Joy & Faith at par; and our Company also allotted and issued nine ordinary Shares as fully paid at par to Joy & Love. Upon completion of the above, our Company was held as to 90% by Joy & Love and 10% by Joy & Faith, respectively.

Our Company became the ultimate holding company of our Group after the completion of the Reorganisation.

(3) Incorporation of Herbs Health

On 26 March 2024, Herbs Health was incorporated in the BVI as a company with limited liability and was authorised to issue a maximum of 50,000 ordinary shares of HK\$0.01 par value each of a single class. On the same day, one share in Herbs Health was allotted and issued as fully paid at par to our Company, after which Herbs Health became a wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(4) Transfer of the entire issued shares of Herbs Generation, Broadcast HRM and ZINO International from all existing shareholders to Herbs Health

On 13 May 2024, Ms. Gammy Kwok and Mr. Petras Li transferred 900,000 shares and 100,000 shares of Herbs Generation, in aggregate representing the entire issued share capital in Herbs Generation, to Herbs Health at the consideration of HK\$1.0 and HK\$1.0, respectively. Upon completion of the aforementioned transfer, Herbs Generation became a wholly-owned subsidiary of Herbs Health.

On 13 May 2024, Mr. Petras Li transferred 10,000 shares of Broadcast HRM, being the entire issued share capital in Broadcast HRM to Herbs Health at the consideration of HK\$1.0. Upon completion of the aforementioned transfer, Broadcast HRM became a wholly-owned subsidiary of Herbs Health.

On 13 May 2024, Ms. Gammy Kwok and Mr. Petras Li transferred 450,000 shares and 50,000 shares of ZINO International, in aggregate the entire issued share capital in ZINO International to Herbs Health at the consideration of HK\$1.0 and HK\$1.0, respectively. Upon completion of the aforementioned transfer, ZINO International became a wholly-owned subsidiary of Herbs Health.

As confirmed by the Directors, as at the Latest Practicable Date, each of the above transfers made in the Reorganisation was properly and legally completed and settled.

CAPITALISATION ISSUE AND THE GLOBAL OFFERING

On 3 December 2024, the authorised share capital of the Company was increased from HK\$390,000 divided into 39,000,000 ordinary Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 ordinary Shares of par value HK\$0.01 each, by the creation of additional 1,961,000,000 ordinary Shares. Such Shares shall rank *pari passu* in all respects with the existing issued Shares.

Conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Shares pursuant to the Listing, a sum of HK\$999,999.9 standing to the credit of the share premium account of our Company will be capitalised by applying such sum in paying up in full at par a total of 99,999,990 ordinary Shares for the allotment and issue to the Shareholders at that time in portion to their respective shareholding in our Company.

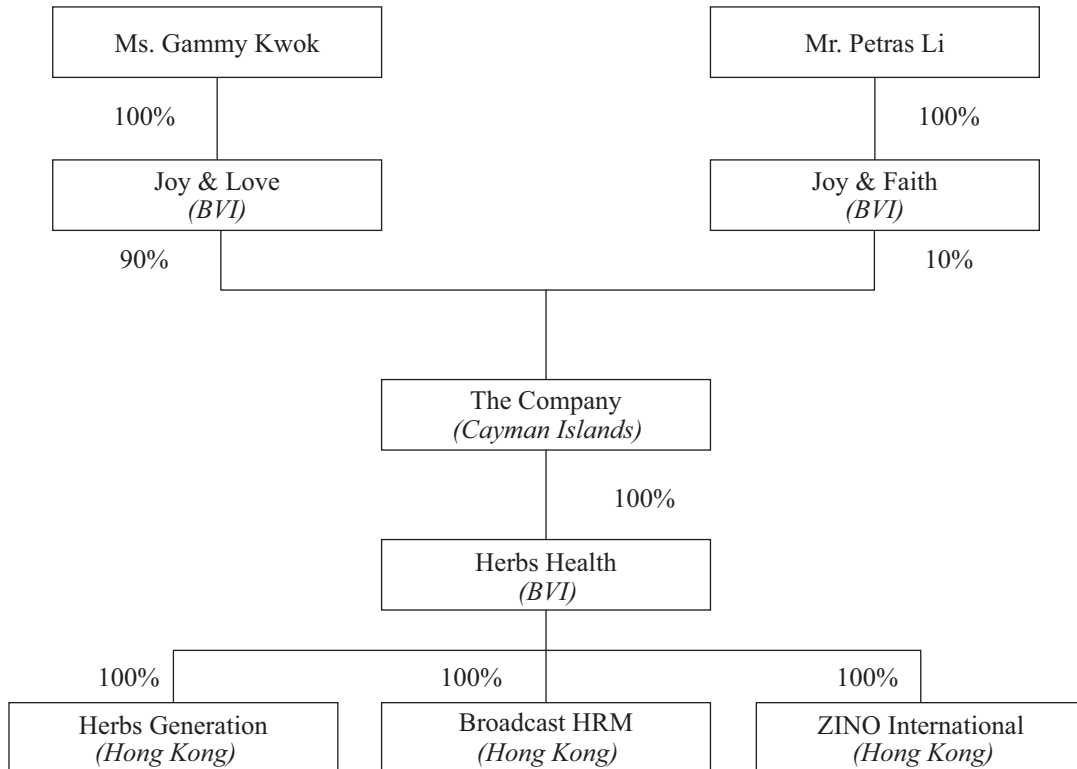
Immediately after the Capitalisation Issue and Global Offering, Joy & Love, Joy & Faith and the other public holders of Shares will hold approximately 67.5%, 7.5% and 25.0%, respectively, of the enlarged issued share capital of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE

Corporate Structure immediately after Completion of the Reorganisation and before the Global Offering

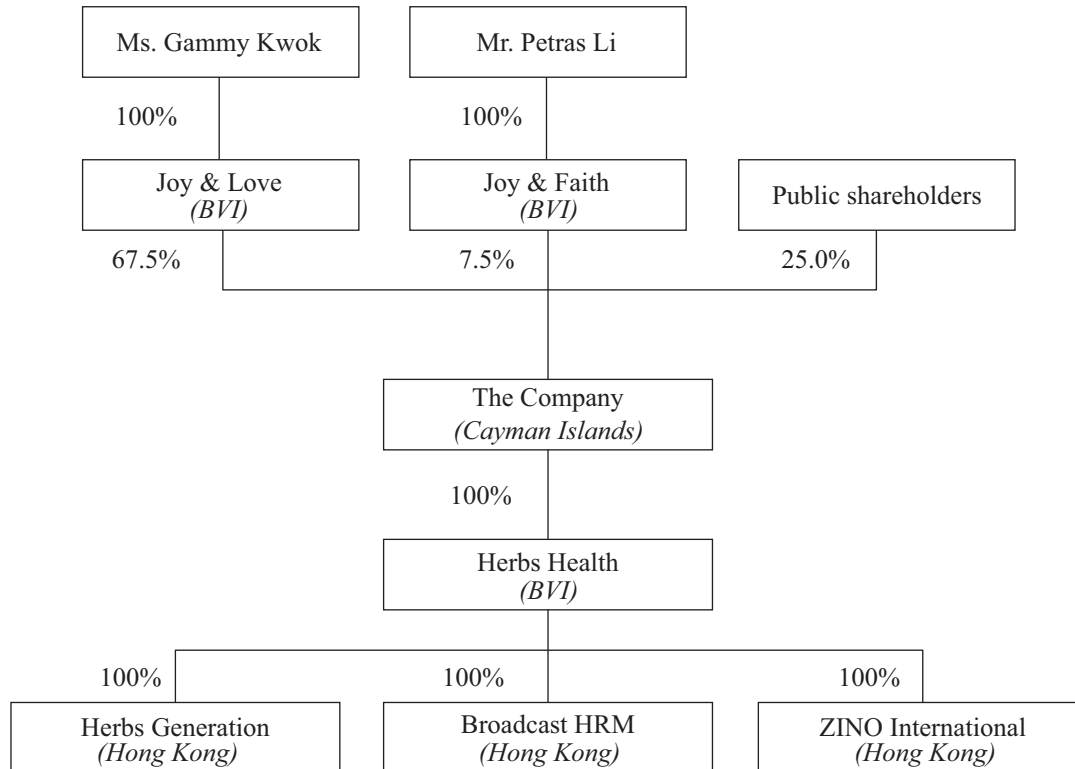
The following diagram illustrates the corporate and shareholding structure of our Group immediately after completion of the Reorganisation and prior to the completion of the Global Offering:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate Structure immediately following the Capitalisation Issue and the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be allotted and issued pursuant to any awards which may be granted under the Post-IPO Share Award Scheme):



PRC REGULATORY ISSUES RELATING TO THE LISTING

As advised by our PRC Legal Advisers, we are not required to complete the filing procedures with the CSRC and report relevant information with respect to the Global Offering.

OVERVIEW

Established for over 20 years, we are a provider of a variety of health supplements and cosmetics and skincare products in Hong Kong. We focus on the development, sales and marketing of products under our own brands through a multi-channel sales model. Since the founding of our Group in 1999, we have been actively building our own brands by selling a wide variety of products. As at the Latest Practicable Date, we carried a total of eight own brands, namely (i) “Herbs (草姬)”;

(ii) “ZINO”;

(iii) “Classic (正統)”;

(iv) “Umeya (梅屋)”;

(v) “Energie (男補)”;

(vi) “Men’s INFiNiTY (男極)”;

(vii) “Regal Green (綠康營)”;

and (viii) “Herbs Pet (恩寵)”, among which, according to the F&S Report, “Herbs (草姬)” has become a household brand name for health supplements in Hong Kong.

Over the years, we have received numerous awards as recognition of our own brands, including (i) the “Hong Kong Top Brands (香港名牌)” awarded by the Hong Kong Brand Development Council and the Chinese Manufacturers’ Association of Hong Kong from 2006 to 2024; (ii) the “Heart to Heart Company (有心企業)” awarded by the Hong Kong Federation of Youth Group from 2006 to 2024; (iii) the “Most Popular Chinese Health Food” awarded by TVB in 2021; and (iv) the “Most Trusted Health Food Brand for Healthcare Professionals in Hong Kong” awarded by the Hong Kong Health Care Federation from 2014 to 2016. According to the F&S Report, our Group ranked the fifth in terms of retail sales value of immune system health supplements with a market share of approximately 4.9%, and the tenth in terms of retail sales value of health supplements with a market share of approximately 3.6%, among all international and local health supplement providers in Hong Kong in 2023.

Our products are primarily categorised into (i) health supplements, mainly referring to orally consumed health products which generally take the forms of pills, tablets or liquids for oral intake, intending to supplement the diet and enhance the general physical health or specific body functions; (ii) cosmetics and skincare products, which mainly include beauty and skincare beauty products for external use for maintenance and/or improvement of skin conditions; and (iii) health supplements for pets, which mainly include orally consumed health products for pets, such as health supplements for the digestive health and anti-allergy function of pets. As at the Latest Practicable Date, our product portfolio consists of 50 health supplements, 21 cosmetics and skincare products and two health supplements for pets under our own brands. Health supplements have been our major and top-selling products, the revenue of which amounted to around 90% of our total revenue throughout the Track Record Period.

We have established a comprehensive sales network through diversified channels in Hong Kong, with a geographical reach spanning over the PRC and other oversea countries and regions. Our comprehensive multi-channel sales network mainly consists of (i) chain retailers such as large-scale local health and beauty product chain retailers, as well as non-chain retailers such as pharmacies and trading companies, for onward sale of our products to end-customers; (ii) our self-operated stores and brand experience centres, where we directly sell our products to end-customers; (iii) e-commerce platforms, such as our self-operated online platform Zinomall and our self-operated account and store on third-party online platforms including HKTVmall and Tmall.hk, through which we directly sell our products to end-customers; and (iv) exhibitions and

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trade fairs, such as the Hong Kong Brands and Products Expo and HKTDC Food Expo, where we directly sell our products to end-customers. As at the Latest Practicable Date, we had (i) 33 self-operated stores and two brand experience centres across different districts in Hong Kong; (ii) more than 80 wholesale customers; and (iii) two consignees. We have established long-term and stable business relationship with major chain retailers in Hong Kong over the years. In particular, we first commenced business relationship with Customer A in 2000, which, according to the F&S Report, is the largest chain retailer of health and beauty products in Hong Kong with approximately 300 stores in Hong Kong as at 31 December 2023.

We have experienced steady growth from FY2021 to FY2023. Our revenue increased from approximately HK\$188.6 million in FY2021 to approximately HK\$208.0 million in FY2022 and further increased to approximately HK\$251.2 million in FY2023, representing a CAGR of approximately 15.4% from FY2021 to FY2023. Our revenue decreased slightly from HK\$121.7 million in 6M2023 to HK\$117.8 million in 6M2024. We recorded a relatively stable gross profit margin of approximately 72.0%, 71.9% and 73.8% for FY2021, FY2022 and FY2023, respectively, and approximately 73.1% and 74.2% for 6M2023 and 6M2024, respectively. Our net profit for the year increased from approximately HK\$23.2 million in FY2021 to approximately HK\$28.0 million in FY2022 and further increased to approximately HK\$39.5 million in FY2023, representing a CAGR of approximately 30.5% from FY2021 to FY2023. Our net profit decreased from HK\$18.3 million in 6M2023 to HK\$7.5 million in 6M2024, primary attributable to the expenses incurred in connection with the Listing of HK\$9.9 million.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths, among other things, contribute to our success and set us apart from our competitors:

We are a company with an established brand image in the health supplements market in Hong Kong with about 25 years of history

Our Group's history can be traced back to 1999 when New ImMAX, the predecessor of our Group was founded. We believe that our success is primarily attributed to our own brand image of "Herbs (草姬)" which was established by Ms. Gammy Kwok, who realised the importance and value of health. With a history of about 25 years in the development, sales and marketing of health supplements and cosmetics and skincare products in Hong Kong, we have accumulated extensive operating experiences and gained knowledge of the local market. We believe we have been well recognised by the local market with an established health supplements brand image in Hong Kong. According to the F&S Report, local health supplement providers have become deeply embedded in the Hong Kong market, tailoring their products to cater to the specific health needs and preferences of the local population, and this approach has significantly enhanced their reputation locally over time, distinguishing them significantly from competitors.

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Over the years, we have received numerous awards as recognition of our own brands, including (i) the “Hong Kong Top Brands (香港名牌)” awarded by the Hong Kong Brand Development Council and the Chinese Manufacturers’ Association of Hong Kong from 2006 to 2024; (ii) the “Heart to Heart Company (有心企業)” awarded by the Hong Kong Federation of Youth Group from 2006 to 2024; (iii) the “Most Popular Chinese Health Food” awarded by TVB in 2021; and (iv) the “Most Trusted Health Food Brand for Healthcare Professionals in Hong Kong” awarded by the Hong Kong Health Care Federation from 2014 to 2016. Furthermore, according to the F&S Report, our Group ranked the fifth in terms of retail sales value of immune system health supplements with a market share of approximately 4.9%, and the tenth in terms of retail sales value of health supplements with a market share of approximately 3.6%, among all international and local health supplement providers in Hong Kong in 2023. According to the F&S Report, all of our products falling under the “health supplements” category are considered as “health supplements” in the “Industry Overview” section, while our products falling under the “immune system and post-Covid care” category are considered as “immune system health supplements” in the “Industry Overview” section. For further details of our major products, please refer to “Major Products under Our Own Brands” in this section.

We believe that our success in brand-building is mainly attributable to the continuing efforts we put into marketing as well as enhancing and expanding our brand and product portfolio. Our Directors believe that by possessing distinguishable brand names, it would enhance our corporate image, raise brand awareness and increase customer loyalty. Since establishment, we have been focusing on brand and product development to build a notable and growing brand and product portfolio with an aim to provide solutions to different health problems. As at the Latest Practicable Date, our product portfolio consists of 50 health supplements, 21 cosmetics and skincare products and two health supplements for pets under our own brands, namely (i) “Herbs (草姬)”;

(ii) “ZINO”;

(iii) “Classic (正統)”;

(iv) “Umeya (梅屋)”;

(v) “Energie (男補)”;

(vi) “Men’s INFiNiTY (男極)”;

(vii) “Regal Green (綠康營)”;

(viii) “Herbs Pet (恩寵)”, the functions of which cover, among others, immune system and post-Covid care, metabolic syndrome care, men’s/women’s health, as well as skin care. For example, our “Herbs Cordyceps Mycelia CS-4 (草姬第四代蟲草CS-4膠囊)” and “Herbs Ganoderma Sporo-Pollen (草姬靈芝孢子)” are mainly aiming to improve the immune system of end-customers. Products under our own brands accounted for nearly all of our total revenue during the Track Record Period.

Our track record not only demonstrates our ability to adapt to changing market dynamics but also signifies our connection with customers, in particular end-customers. We have been committed to provide good customer services since establishment, for example, in order for our registered members and end-customers to have better purchasing experience and to enjoy ancillary services as well as other privilege and benefits under our membership programme, we have a team of product consultants in our self-operated stores and brand experience centres to offer our registered members and end-customers various ancillary services such as simple body check-ups and recommendations. Please refer to “Our Business Model – Retail Business – Self-operated Stores” and “Our Business Model – Retail Business – Brand Experience Centres” in this section for more details.

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According to the F&S Report, our Group operates in a steadily growing health supplements market in Hong Kong. The retail sales value in the health supplements market in Hong Kong increased from approximately HK\$9.0 billion in 2019 to approximately HK\$10.0 billion in 2023, and is expected to further increase to approximately HK\$12.7 billion in 2028. We believe that our brand recognition, together with the comprehensive sales network, our marketing and promotion strategy, and the continuing expansion of our product portfolio positions us favourably for market growth and also gives us a competitive edge over our competitors and allows us to expand our customer base and market share, thus we are capable of maintaining our business growth and remaining competitive in the market when we continuously develop our own brand image.

We have established a comprehensive sales network through diversified channels which expanded end-customers reach and strengthened our own brand image

During the Track Record Period and up to the Latest Practicable Date, the continuous expansion of our sales network has accelerated the penetration of our products into the Hong Kong market and strengthened our own brand image. This has enabled us to expand our brand's reach and access to a wider customer base. Our comprehensive multi-channel sales network, mainly consists of (i) chain retailers such as large-scale local health and beauty product chain retailers, as well as non-chain retailers such as pharmacies and trading companies, for onward sale of our products to end-customers; (ii) our self-operated stores and brand experience centres, where we directly sell our products to end-customers; (iii) e-commerce platforms, such as our self-operated online platform Zinomall and our self-operated account and store on third-party online platforms including HKTVmall and Tmall.hk, through which we directly sell our products to end-customers; and (iv) exhibitions and trade fairs, such as the Hong Kong Brands and Products Expo and HKTDC Food Expo, where we directly sell our products to end-customers. Such comprehensive sales network provides our customers, in particular end-customers with flexibility to select their preferred purchasing channels, thereby enriching their overall shopping experiences.

Chain Retailers and Non-chain Retailers

Our Directors believe that one of our key competitive advantages is the established business relationships we have built with chain retailers over the years. Leverage on our ability to provide a wide range of high-quality products and our established brand image in Hong Kong, we have established long-term and stable business relationships with major chain retailers in Hong Kong over the years. For example, we first commenced our business relationship with Customer A and Consignee A, in 2000 and 2017, respectively, and have been continuously working with them during the Track Record Period. According to the F&S Report, both Customer A and Consignee A are among the largest chain retailers of health and beauty products in Hong Kong, with approximately 300 and 170 stores located in Hong Kong as at 30 June 2024, respectively.

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In addition, our Directors believe that by maintaining long-term relationships with chain retailers, we would be able to effectively market and sell our products by tapping into their network of stores, customer base, as well as their experience and expertise in marketing and promotion of health supplements and cosmetics and skincare products, which would enable us to expand our business presence and market share in a cost-effective manner. It further enhances our product visibility in Hong Kong local market as well as among tourists who are looking to buy health supplements and cosmetics and skincare products from reputable chain retailers in Hong Kong.

Our Directors believe that long-term relationships with chain retailers also enhance our competitiveness and own brand image. According to the F&S Report, new entrants may find it difficult to approach and become one of the suppliers of major chain retailers, since they generally have stringent selection criteria for suppliers and expect their suppliers to have proven track records and possess demonstrated ability of providing high-quality products. This effectively creates an entry barrier for new entrants to establish long-term business relationship with major chain retailers. In particular, major chain retailers normally require their suppliers to continue upgrade existing products and launch new products to meet the prevailing market trends and demand of end-customers. We were able to continuously develop, upgrade and supply suitable health supplements and cosmetics and skincare products. In particular, we upgraded two existing products and launched ten new products under our own brands during the Track Record Period, most of which were supplied to Customer A or Consignee A and sold in their retail stores. Over the years, we have also accumulated an in-depth understanding of the purchase and quality requirements on products of our major chain retailers, which provide us with a competitive edge to secure orders from them.

During the Track Record Period, over 40% of our total revenue was attributable to our sales to major chain retailers in Hong Kong. We foresee that we will be able to maintain long-term and stable business relationships with the chain retailers, which will allow us to take advantage of their extensive sales network and stay competitive in the health supplements market and the cosmetics and skincare products market. For details of our relationship with our wholesale customers, please refer to “Our Business Model – Wholesale Business – Relationship with our Wholesale Customers” in this section below.

During the Track Record Period, we had also made sales of our health supplements and cosmetics and skincare products to non-chain retailers, mainly consisting of pharmacies and trading companies, which, our Directors believe, also helps to further expand our sales network and customer base in Hong Kong.

Self-operated Stores and Brand Experience Centres

As at the Latest Practicable Date, we operated 33 self-operated stores and two brand experience centres across different districts in Hong Kong. Through our self-operated stores, we are able to offer a full selection of our products under our own brands, and at the same time, we are able to reach end-customers directly, allowing us to observe and understand their needs and enabling us to collect data and information, among others, on the market trend, consumer preferences and the general retail environment. In addition to direct purchase of products, we also have a team of product consultants who are trained to provide customer services, including provision of simple body check-ups and recommendations to end-customers visiting our self-operated stores. Such simple body check-ups involve measuring blood pressure with cardiovascular screening devices. Following these check-ups, our product consultants will share the reports generated from those equipment to the end-customers. Our product consultants receive trainings from our senior staff, as well as from the suppliers of the equipment. Our Directors believe that, our self-operated stores provide a simple and seamless shopping experience in which end-customers can explore a large variety of products under our own brands at different price ranges according to their needs on a single platform.

Our brand experience centres are also staffed with a team of product consultants, primarily cater to our registered members, by offering them the convenience of direct purchases of our products and other ancillary services such as simple body check-ups and recommendations while collecting feedback from them. In addition, our product consultants will follow up with our registered members from time to time to check on their health conditions and to ask for feedback after using our products. They will also inform our registered members of our latest products and product promotions. Furthermore, under our membership programme, we will organise and invite registered members to attend birthday and stores' anniversary celebrations as well as health-related seminars and talks which we believe can help to enhance the bonding between our registered members and us. In such ways, customer loyalty could be accomplished, thereby boosting repeated purchases and promoting our revenue.

During the Track Record Period, over 30% of our total revenue was attributable to our offline retail business. We plan to continue to expand our network of self-operated stores in Hong Kong to bolster our local business presence. Please refer to “Business Strategies – Expanding, improving and optimising our sales network” in this section for details. For further details, please refer to “Our Business Model – Retail Business – Self-operated Stores” and “Our Business Model – Retail Business – Brand Experience Centres” in this section.

E-commerce Platforms

In addition to our offline retail business, we also sell our products through e-commerce platforms that are accessible anytime and from anywhere, which helps to broaden our customer reach and offer convenient access to our products. We established our own online e-commerce platform, Zinomall in 2016 and commenced operation of our self-operated account and store on HKTVmall and Tmall.hk in 2017 and 2019, respectively. These e-commerce platforms allow us to expand our business in Hong Kong as well as to facilitate our sales in the PRC market.

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According to the F&S Report, there had been an increase in demand of Hong Kong health supplements and cosmetics and skincare products over the years. In particular, the sales of health supplements through e-commerce platforms in Hong Kong increased from approximately HK\$1.0 billion in 2019 to HK\$1.4 billion in 2023 and is expected to further increase to HK\$2.0 billion in 2028, according to the F&S Report. It indicated an increasing popularity of using e-commerce platforms to make purchases of, among others, health supplements and cosmetics and skincare products by the public.

During the Track Record Period, around 5% of our total revenue was attributable to our online retail business. Our Directors believe that by selling our products through e-commerce platforms, we are able to reach a broader spectrum of customers directly, regardless of their geographical locations, allowing us to observe and understand the needs of end-customers while quickly testing the market acceptance and popularity of our products in Hong Kong, the PRC and overseas markets.

Exhibitions and Trade Fairs

Participation in exhibitions and trade fairs is also one of our sales channels during the Track Record Period. We attended various exhibitions and trade fairs primarily in Hong Kong, such as the Hong Kong Brands and Products Expo and HKTDC Food Expo, which our sales promoters would station at our exhibition booths to promote and sell products under our own brands.

We adopt a consumer-oriented product development strategy and possess product control capability to respond swiftly to health trends and consumer demands, which leads to our extensive product portfolio with high quality to meet diversified customer needs

We are committed to having continual product diversification and enhancement to stay ahead of consumer trends and we believe that our long-term success and growth will largely depend on our ability to understand health trends and consumer demands and identify suitable suppliers to manufacture products that meet the demands of the end-customers.

Our product development team follows a structured process to determine initial product concepts. The process involves conducting preliminary industry research including review of journals, reports, studies and publications to identify key nutritional components and their health benefits, while ensuring safety and regulatory compliance. We monitor market trends and consumer preferences for health supplements and skincare products through various methods, such as attending trade fairs, analysing e-commerce and social media trends, and engaging in discussions with our frontline sales personnel and suppliers. Such multifaceted approach allows us to adapt our product portfolio to meet customer needs and market dynamics. Depending on the nature of the products, including but not limited to the combination of the ingredients for the products and the desired form of the product, we will approach either (i) manufacturers on an OEM basis, or (ii) suppliers of key raw materials required under our product concepts. For further details of our product development, please refer to “Business – Our Own Brands and Products – Development of Products under our Own Brands”. As at the Latest Practicable Date,

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we do not possess any patented formulas for our products. Our product development team consists of four staff who meet from time to time for the purpose of evaluating and considering the needs to upgrade our existing products and launch new products through conducting market research and analyses and discussing our product concepts with suppliers.

We offer a wide variety of products under our own brands, which our Directors believe can cater to different needs of end-customers, depending on their respective health condition, age, gender and consumption preferences, and allow us to respond swiftly to market health trends and consumer demands. As at the Latest Practicable Date, our product portfolio consists of 50 health supplements, 21 cosmetics and skincare products and two health supplements for pets under our own brands. During the Track Record Period, with an aim to provide end-customers with products that have improvements in product ingredients, functions and effectiveness, we have (i) upgraded two existing products by selecting and engaging suitable suppliers with appropriate formulations to upgrade the formulas of and/or add new ingredients to such product, namely “Herbs NMN24000+ (草姬NMN24000+)” and “Herbs Vision Pro Ex (草姬亮目丸(升級版))”; and (ii) also launched ten new products, including “Herbs Detox Pro (草姬健肝丸)”, “Herbs Fat Burn Master (草姬燒脂控)”, “Herbs Joints & Muscles Pro EX (草姬筋腱通)” and “Herbs Calm Ease Pro (草姬靜心飲)”.

In addition, in recent years, health concerns have extended to beyond humans, with pet owners increasingly seeking supplements and health products for their pets. According to the F&S Report, the pet healthcare market in Hong Kong is still in its introductory phase but experiencing rapid growth, driven by increasing pet ownership, rising awareness of pet health, and consistent product innovation and availability. With the increasing growth in the demand for pet health solutions, the market is continuously evolving, and we understand that the health supplement market will also need to adapt to meet the diverse needs of pet owners. As such, we have recently launched a new brand called “Herbs Pet (恩寵)” to meet our customers’ needs, tap into a new market and innovatively meet market trends. As at the Latest Practicable Date, we have health supplement products for pets to our product portfolio, mainly for their digestive health and anti-allergy function.

With a vision of providing high-quality products to end-customers, we maintain a high standard of quality control and safety of our products, for instance, we are actively involved in the manufacturing process of our products from the selection of Independent Third Party manufacturers, the design of the products, its formulations and ingredients to the production of the products. On the selection of ingredients, we may require manufacturers to use their own patented ingredients which satisfy our requirements in terms of quality, safety and reliability. On the selection of manufacturers, we typically engage manufacturers who have established long-term relationship with us and generally require them to have “GMP” certification issued by TGA or other issuing authorities or other certifications or licences such as International Organisation for Standardisation certificates. For quality control of the products, we generally arrange for product testing by Hong Kong government-approved organisations to ensure compliance with the safety standards set by the Department of Health of Hong Kong and with the relevant laws and regulations in Hong Kong.

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In view of the above, our Directors consider that we are capable of maintaining our business growth and remaining competitive in the market when we continuously expand and improve our product portfolio with high-quality products.

We adopt a multifaceted marketing and promotion strategy

Our Directors believe that our success is attributable to our multifaceted marketing and promotion strategy by conducting various marketing activities coupled with the engagement of entertainers (such as actors and singers), KOLs, medical professionals, sales promoters and product consultants. We aim not only to stimulate sales but also to build the desired brand identities and images and achieve the target market positions through our marketing initiatives. Over the years, we have built a dedicated marketing team that is responsible for, among others, the conduction of market research, the formulation of marketing strategies as well as the promotion of our own brands and products. As at the Latest Practicable Date, our marketing team consists of 26 staff and was led by Ms. Gammy Kwok. We also engage Independent Third Party marketing agencies from time to time for, among others, making our promotion videos and films.

Our Group conducts advertising in various forms, including television, print publications, billboards and digital channels. We have also engaged entertainers (such as actors and singers), KOLs and medical professionals who fit our own brand and product image in Hong Kong for promoting our products. For example, Mr. Roger Kwok, our non-executive Director, first became our brand ambassador in 2002 and has been our brand ambassador throughout the Track Record Period. During the Track Record Period, we also engaged Chinese medicine practitioners and pharmacists to promote our products. We believe that our marketing and promotion strategy on the engagement of entertainers and medical professionals on advertising have gained recognition and awareness of our own brands as well as our products in Hong Kong. We also believe that this effective marketing and promotion strategy has a positive effect to the public and we are able to further reinforce our own brand image and recognition among the end-customers, which in turn will facilitate the marketing and promote the sales of our existing and new products in the future.

To further enhance our own brand image and customers' loyalty, we have product consultants at our self-operated stores and brand experience centres as well as sales promoters stationed at the stores of Customer A to promote our products and to receive instant feedback from end-customers. They interact with customers directly by providing them with advice and recommendations on product usage and selection such that the end-customers can gain instant knowledge of our products. We believe that face-to-face promotion effectively enhances our sales and feedback from end-customers. As at the Latest Practicable Date, we have a team of 88 product consultants and 82 sales promoters. In order for them to better serve end-customers, we provide trainings to them from time to time to ensure that they establish a solid knowledge on health issues, nutrition and our products, build up and improve communication skills and stay abreast of the market trends and health products.

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As online media have significant influence on end-customers' spending behaviour in recent years, we consider online marketing an effective and efficient means for promoting our products. During the Track Record Period, we have been promoting our products by posting advertisements on social media platforms and websites, including YouTube, Facebook, Instagram and Xiaohongshu (小紅書). We have also engaged a number of KOLs in both Hong Kong and the PRC to introduce our products and to share their user experiences by posting articles, videos and/or photos on social media platforms. The use of social media platforms allows us to reach out to end-customers by providing them with the latest updates of our own brands and products, as well as to obtain their instant feedback on our products, which in return will provide us with useful information when we formulate our marketing and promotion strategies and design and adjust our product portfolio to match the prevailing consumer preferences.

Our Directors believe that the wide range of marketing and promotional activities performed by our Group are effective in increasing the exposure and recognition of our own brands and products, and have been instrumental in bringing about our growth in business and financial performance.

We have an experienced and visionary management team

We have benefited from the leadership of an experienced and visionary management team. Their industry knowledge, managerial experience and commitment underpin our current accomplishment and future growth potential. Ms. Gammy Kwok, our founder, the chairlady of the Board, an executive Director and the Chief Executive Officer, has over 30 years of wellness related experiences and was awarded as the GBA Outstanding Women Entrepreneur Award (大灣區傑出女企業家獎) by The Hong Kong Small and Medium Enterprises Association and Metro Finance FM104 in 2020. Mr. Petras Li, our executive Director and the Chief Operating Officer, has over 20 years with our Group and extensive experience in logistics and product development in the health supplements market and the cosmetics and skincare products market in Hong Kong. We also consider that, Mr. Roger Kwok, our non-executive Director and a well-known and reputable artiste in both Hong Kong and southeast Asia, corresponds with our own brand and corporate image which “Herbs (草姬)” associate with and can also help to further enhance the awareness of our Group as well as our products in Hong Kong, the PRC and other countries and regions in southeast Asia.

Our Directors also believe that the years of industry experience and the in-depth management, human resources, financial and accounting knowledge and experience of our management team will help us effectively formulate and implement efficacious business strategies, carefully evaluate and manage operational risks, accurately anticipate changes in the industry, and promptly capture market opportunities. For further details of the experience and credentials of our management team, please refer to “Directors and Senior Management” in this prospectus.

BUSINESS STRATEGIES

We aim to further develop our business through sustainable growth and further strengthen our overall competitiveness and market position by leveraging our Group's competitive strengths and pursuing our business strategies as set forth below:

Enhancing our marketing and promotional activities to continue to strengthen our own brand

We have adopted a multifaceted marketing and promotion strategy to market and promote our own brands and products through various channels, such as advertisements on both digital and printed media, engagement of entertainers (such as actors and singers), KOLs and medical professionals and in-store promotions. Through the extensive scope of our marketing and promotional activities, we believe that our Group has effectively gained recognition and awareness of our own brands in Hong Kong. According to the F&S Report, both the health supplements market and the cosmetics and skincare products market are competitive, with competitors constantly introduce marketing campaigns. Our Directors believe that, in order to stay ahead of the intense competition, active participation in marketing and promotion activities has become pivotal to our Group's on-going and future success. As such, we intend to continue to devote additional resources in the coming years to enhance our brand awareness and recognition of our products under our own brands, which we believe can bolster our market share and competitive position within the industry. Our major marketing and promotion strategy can be summarised as follows:

Offline marketing and promotional efforts

During the Track Record Period, we carried out various offline advertising activities to increase our own brand awareness. With a goal to continue to expand our outreach, we intend to continue to implement offline advertising initiatives, which primarily include the engagement of entertainers (such as actors and singers) and KOLs to make commercial advertisements on major televisions, the displaying of printed advertisements as well as participation in industry-related exhibitions and trade fairs. We also intend to sponsor sports and other festival events, which we believe will also help to enhance the brand image and awareness of our Group and our products.

Online marketing and promotional efforts

According to the F&S Report, online advertisements will continue to be an effective and interactive way to create brand awareness and to reach out to specific and targeted audiences within a short period of time. As such, we also intend to devote additional resources on online advertisements to showcase our products and create original media contents and/or sponsored videos to promote our own brands and products on various social media platforms tailoring to the preferences of audiences on different platforms. Apart from the online marketing strategies as abovementioned, we may also upgrade our Group's website and social media accounts by enhancing them with interactive features and comprehensive product information in order to

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strengthen our corporate image and to provide updated news and information on the latest development of our Group and our products.

We intend to apply approximately 35.7% of our net proceeds from the Global Offering for our marketing and promotional activities. For further details, please refer to “Future Plans and Use of Proceeds” in this prospectus.

Expanding, improving and optimising our sales network

During the Track Record Period, we relied on our established sales network, which we believe have enhanced our own brand’s image, captured a broader customer base and supported our sales performance. As such, we intend to continue to devote additional resources in the coming years to further expand our sales network as follows:

Optimising our business relationship with chain retailers

During the Track Record Period, over 40% of our total revenue was attributable to our sales to major chain retailers in Hong Kong. We strive to foster and develop our long-standing relationships with our wholesale customers, in particular major chain retailers. To support our sales network, we intend to recruit more sales promoters who can be stationed at more stores of the major chain retailers to promote and sell our products over the next three years.

Increasing the number of our self-operated stores and opening a new flagship store

During the Track Record Period, over 30% of our total revenue was generated from our offline retail business. We strive to expand and improve our sales network continuously to capture a wider customer base and improve our sales. As at the Latest Practicable Date, we had 33 self-operated stores in Hong Kong. Depending on our sales performance and the market conditions, we intend to extend to 48 to 50 self-operated stores over the next three years. When selecting an appropriate location for opening a self-operated store, we will carefully evaluate, among others, the accessibility of the location to the local neighbourhoods and communities, the estimated foot traffic and the geographic coverage of our existing stores. For further details as to the timeline and milestones of the opening of our new self-operated stores, please refer to “Future Plans and Use of Proceeds” in this prospectus.

Considering the past performance of the newly opened self-operated stores during the Track Record Period (i.e. out of 28 self-operated stores newly opened during the Track Record Period, 26 self-operated stores broke even under three months and 16 self-operated stores achieved investment payback under 12 months) and the Directors’ expectations as to the changing economy and rental market in Hong Kong, our Directors expect that the breakeven period for our self-operated stores would be around three to six months and the investment payback period would be around 12 months. For further details as to the breakeven period and investment payback period of our newly opened self-operated stores during the Track Record Period, please refer to “Our Business Model – Retail Business – Offline Retail Sales” in this section.

We also aim to set up a flagship store in prime location within high-traffic tourist area such as Tsim Sha Tsui, which we believe can act as our own brand beacons to further strengthen the overall brand recognition among customers.

Enhancing the function of our self-operated stores and brand experience centres

We strive to provide good customer services and maintain customer relationship by continuing to improve our sales network. We intend to enhance our services to end-customers by introducing health screening devices to our self-operated stores and brand experience centres, such as cholesterol metres, cardiovascular measuring instrument and bone density scanners, to perform health checks and assessment for end-customers. We believe that by performing health screenings, we will be able to identify early symptoms of end-customers and provide them with more effective product solutions. To keep up with the enhance functioning of our self-operated stores and brand experience centres, we may also intensify the training of our product consultants on the use of health screening devices and knowledge on health issues and conditions. The trainings we plan to provide to our product consultants include, engaging health professionals and professors to provide in-house trainings on variety of health topics. To strengthen the health knowledge of our registered members, we also plan to collaborate with medical professionals more frequently to host health talks and seminars in our brand experience centres. In addition, we plan to actively participate in organising events and promotion activities, such as annual banquets and other special gatherings to our registered members, to provide health insights as well as information about our existing and new products and to collect feedback from them, with the goal of further enhancing our reputation and fostering loyalty and confidence in our own brands and products.

Further developing our e-commerce business

Our Directors believe that the Internet provides a platform through which we could reach a broader spectrum of customers in Hong Kong, the PRC and overseas and to attract and sustain a stronger customer base. According to the F&S Report, e-commerce is a sales channel that is rapidly growing in both Hong Kong and the PRC, where the demands for health supplements and cosmetics and skincare products has increased in recent years as a result of the pursuit of quality products, greater healthcare awareness and ageing population. In light of the above, we plan to further develop and strengthen our e-commerce business as follows:

- develop and optimise Zinomall, our self-operated e-commerce platform to increase its visibility and web traffic;
- develop a dedicated mobile APP to supplement our self-operated e-commerce platform; and

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- set up more online stores targeting end-customers in the PRC on various popular e-commerce platforms in the PRC, such as JD.com (京東) and Xiaohongshu (小紅書), while at the same time further develop and optimise our online stores by conducting additional marketing and promotional activities on the Internet, paying for more favourable screen space on key Chinese digital platforms, such as Xiaohongshu (小紅書) and Douyin (抖音), and adopting other search engine optimisation measures so as to increase the visibility and web traffic of our online stores to end-customers and capture a wider customer base.

We intend to apply approximately 37.8% of our net proceeds from the Global Offering to expand, improve and optimise our sales network. For further details, please refer to “Future Plans and Use of Proceeds” in this prospectus.

Further diversifying and enhancing our product portfolio by enhancing our existing products and developing new products to satisfy the evolving needs of our customers

We recognise that the success and growth of our business hinge on our ability to develop products that not only align with the current health trends and consumer preferences but also address the unmet needs of the market. In this regard, we will continue to enrich our product portfolio to meet the evolving consumer preference. According to the F&S Report, the increase in health consciousness and modern lifestyle have prompted end-customers in Hong Kong to purchase and consume more health supplements. Given the rising expenditure on proprietary medicines and supplies, we expect that the demand for health supplements will further increase in Hong Kong. In view of that, we plan to expand our products portfolio under our own brands by introducing and developing new health supplements under our existing and new product lines with our suppliers. In particular, we are exploring to collaborate with research institutions, universities, or laboratories to develop new product categories. As at the Latest Practicable Date, no such collaboration has been confirmed. By leveraging the expertise and resources of these institutions, we aim to expand into new product categories such as dampness expulsion (健脾祛濕) and gastric health (腸胃健康).

We will also continue to expand our products portfolio under our recently launched brand, “Herbs Pet (恩寵)”. Given (i) the pet healthcare market in Hong Kong is still in its introductory phase but experiencing rapid growth, which leave us with considerable room for business expansion; and (ii) our established business relationships with our wholesale customers and our sound track record of providing them with quality brands and products that meet the market trends and end-customers’ needs, our Directors consider that there is a growth potential in the pet health supplements market and we will therefore devote more resources to these product categories and enrich our product offerings by introducing new health supplements for pets, such as immune system, joint and hair health products.

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We intend to apply approximately 4.7% of our net proceeds from the Global Offering for the development and introduction of new products under our own brands and the upgrade of existing products by enhancing their formulas. For further details, please refer to “Future Plans and Use of Proceeds” in this prospectus.

Recruiting, developing and retaining our talent

We consider our success depends on, to a large extent, our ability to attract, recruit, cultivate and retain quality staff. We will continue to review our internal training and recruitment mechanism regularly, cultivate and promote outstanding talents through our performance-based incentive system and talent cultivation mechanism.

In terms of talent recruitment, we intend to recruit product consultants to support the growth of our business, in particular our plan to set up new self-operated stores. Moreover, in line with our strategy to develop our e-commerce business, we also plan to recruit IT talent with diverse expertise and skill sets. This expansion will enable us to strengthen our technological capabilities, enhance our e-commerce platforms, and optimise our online sales channels. By investing in IT talent, we aim to stay at the forefront of technological advancements and provide seamless online shopping experiences for end-customers.

We intend to apply approximately 12.4% of our net proceeds from the Global Offering to recruit our talents. For further details, please refer to “Future Plans and Use of Proceeds” in this prospectus.

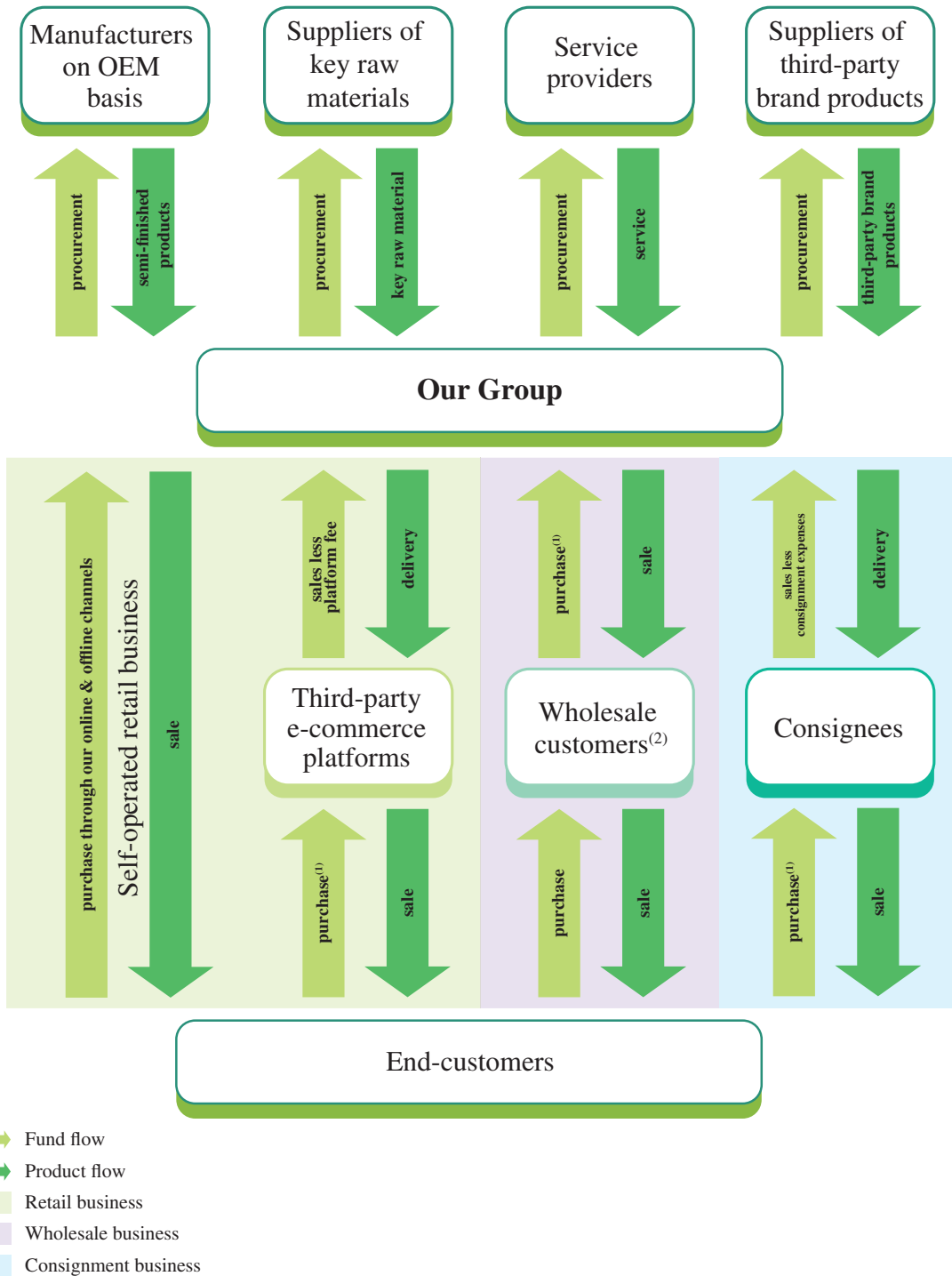
OUR BUSINESS MODEL

Overview

We focus on the development, sales and marketing of health supplements and cosmetics and skincare products under our own brands through a multi-channel sales model. As at the Latest Practicable Date, we carried a total of eight own brands including (i) “Herbs (草姬)”; (ii) “ZINO”; (iii) “Classic (正統)”; (iv) “Umeya (梅屋)”; (v) “Energie (男補)”; (vi) “Men’s INFiNiTY (男極)”; (vii) “Regal Green (綠康營)”; and (viii) “Herbs Pet (恩寵)”. In particular, “Herbs Pet (恩寵)” is a new brand of health supplements for pets developed and launched by us in April 2024.

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The diagram below illustrates our principal business model and major operating process of our business:



Notes:

- (1) At this point, revenue from sales of our products are recognised, as the title of our products is passed.
- (2) Our wholesale customers will onward sell our products to end-customers from the general public.

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We maintain close and collaborative business relationships with our upstream suppliers for the procurement of key raw materials, packaging materials and manufacturing of semi-finished products. Depending on our needs, anticipated sales volume and inventory level, we typically procure from our suppliers by placing individual purchase orders on an order-by-order basis. Upon receiving purchase orders, the lead time typically required for our suppliers to deliver the required key raw materials, packaging materials and/or semi-finished products to us varies depending on the nature and amount we purchased, ranging from a few days to a few months.

From time to time, we launch upgraded products as well as newly developed products which fit into our brand image as presented to the market. We adopt a multifaceted marketing and promotion strategy by conducting various marketing activities coupled with the engagement of entertainers (such as actors and singers), KOLs, medical professionals, sales promoters and product consultants. For details of our product development and marketing and promotional activities, please refer to “Our Own Brands and Products – Development of Products under our Own Brands” and “Sales and Marketing” in this section below.

In order to diversify our sales channels and to capture the growing opportunities in the market, we sell our products to customers under a cross-channel sales network by combining retail business, wholesale business and consignment arrangements:

- ***Retail Business***: we sold our products directly to end-customers, primarily through our self-operated stores, brand experience centres, our own e-commerce platform Zinomall, and our self-operated account and store on third-party online platforms including HKTVmall and Tmall.hk;
- ***Wholesale Business***: we sold our products to wholesale customers, primarily consist of chain retailers such as large-scale local health and beauty product chain retailers, as well as non-chain retailers such as pharmacies and trading companies, for onward sale to end-customers; and
- ***Consignment Arrangements***: we sold our products directly at the stores of our consignees to end-customers visiting their stores.

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Set forth below is a breakdown of our total revenue by sales channels during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	% of		% of		% of		% of		% of	
	Revenue	total	Revenue	total	Revenue	total	Revenue	total	Revenue	total
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Retail Business	84,231	44.7	105,163	50.6	125,282	49.9	59,063	48.5	69,035	58.6
Wholesale Business	93,756	49.7	94,130	45.2	117,961	47.0	58,545	48.1	45,555	38.7
Consignment Arrangements	10,651	5.6	8,735	4.2	7,981	3.1	4,133	3.4	3,221	2.7
Total	188,638	100.0	208,028	100.0	251,224	100.0	121,741	100.0	117,811	100.0

During the Track Record Period, nearly all of our revenue was derived from our sales in Hong Kong. Meanwhile, our Group had also derived revenue from the PRC and overseas mainly via e-commerce platform. Revenue generated from the PRC amounted to approximately HK\$2.0 million, HK\$2.1 million, HK\$2.3 million and HK\$1.0 million, representing 1.1%, 1.0%, 0.9% and 0.8% of our total revenue for each of FY2021, FY2022, FY2023 and 6M2024, respectively. Revenue generated from other overseas countries and regions amounted to HK\$0.7 million, HK\$0.7 million, HK\$1.0 million and HK\$0.5 million and accounted for representing approximately 0.4%, 0.4%, 0.4% and 0.5% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively.

As confirmed by our Hong Kong Legal Counsel, other than those mentioned and discussed in “Regulatory Overview” above, we are not subject to any additional regulations in Hong Kong in selling our products overseas.

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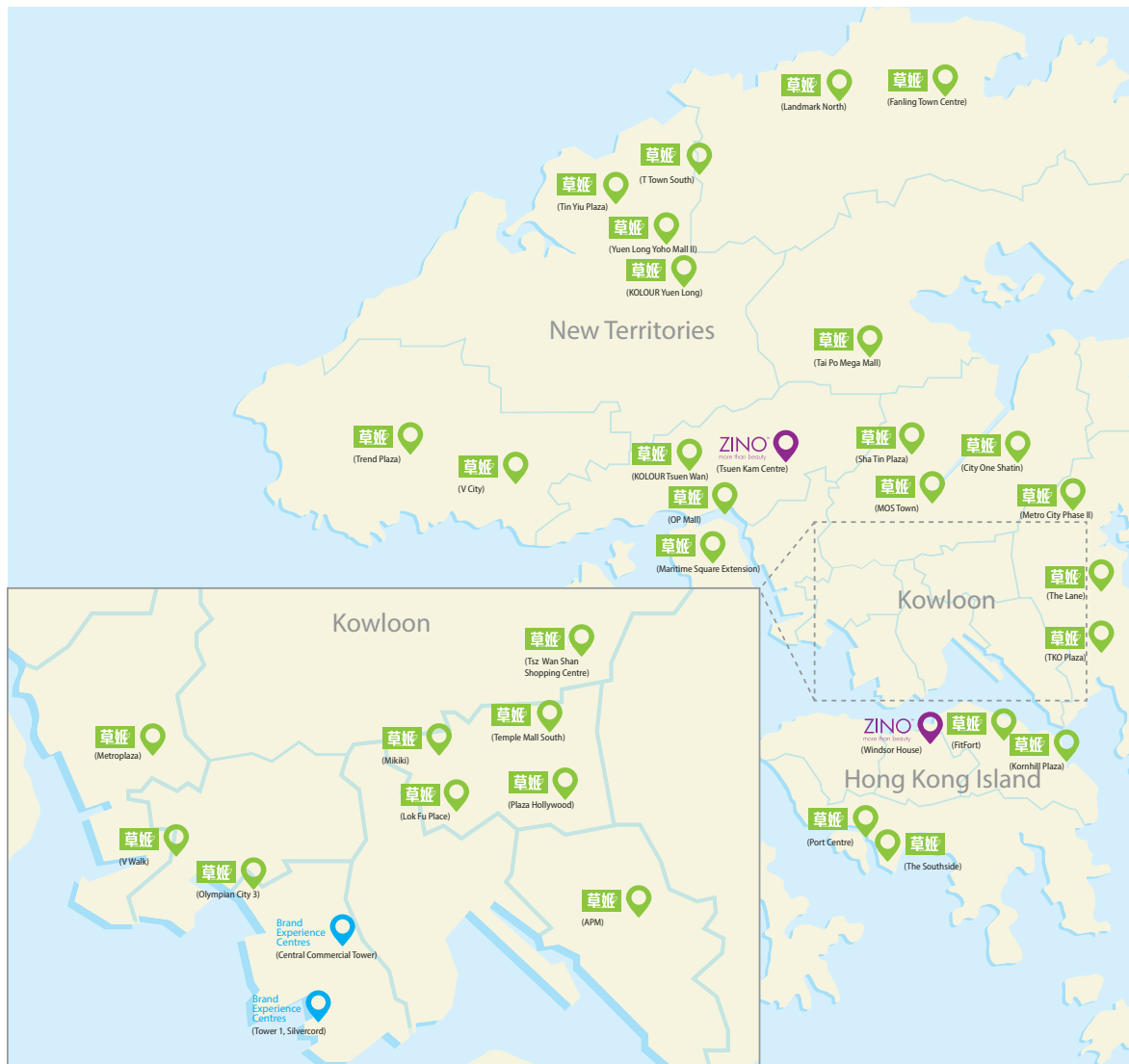
Retail Business

Revenue generated from our retail business amounted to approximately HK\$84.2 million, HK\$105.2 million, HK\$125.3 million and HK\$69.0 million and accounted for approximately 44.7%, 50.6%, 49.9% and 58.6% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively. We have developed both online and offline sales channels in our retail business. The average spending per order under our retail business for FY2021, FY2022, FY2023 and 6M2024 was approximately HK\$1,200, HK\$1,400, HK\$1,500 and HK\$1,600, respectively. The following table sets out a breakdown of our revenue under the retail business by sales channels during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Revenue <i>HK\$'000</i>	% of total revenue %	Revenue <i>HK\$'000</i>	% of total revenue %	Revenue <i>HK\$'000</i>	% of total revenue %	Revenue <i>HK\$'000</i>	% of total revenue %	Revenue <i>HK\$'000</i>	% of total revenue %
	(unaudited)									
Offline Retail Sales	72,305	38.3	92,871	44.7	111,967	44.6	52,632	43.2	62,751	53.3
Online Retail Sales	11,926	6.4	12,292	5.9	13,315	5.3	6,431	5.3	6,284	5.3
Total	84,231	44.7	105,163	50.6	125,282	49.9	59,063	48.5	69,035	58.6

Offline Retail Sales

During the Track Record Period, our offline retail sales were conducted primarily through our self-operated stores, brand experience centres as well as sales through exhibitions and trade fairs. For FY2021, FY2022, FY2023 and 6M2024, our revenue generated from offline retail sales amounted to approximately HK\$72.3 million, HK\$92.9 million, HK\$112.0 million and HK\$62.8 million, accounted for approximately 38.3%, 44.7%, 44.6% and 53.3% of our total revenue for each of the corresponding years/period, respectively. The following map illustrates the geographical coverage of our self-operated stores and brand experience centres as at the Latest Practicable Date:



Herbs store



ZINO store



Brand experience centre

Self-operated Stores

Our self-operated stores are primarily located in residential areas and shopping malls in proximity to local neighbourhoods and communities, such as Shatin Plaza (沙田廣場), Tseung Kwan O Plaza (將軍澳廣場) and the Windsor House (皇室堡), with our standardised design and decoration which align with our corporate image.

Our self-operated stores operate under our two key brands, namely the Herbs stores and the ZINO stores. The Herbs stores and ZINO stores offer largely similar products, distinguished primarily by the themes they represent. Our Herbs stores use the colour of green as the main theme colour, corresponding with the theme colour of “Herbs (草姬)” and also representing the meaning of health. Our ZINO stores use the theme colour of purple, corresponding with the theme colour of “ZINO” and also representing the meaning of beauty. We believe that the standardised store presentation theme leads to a consistent, distinct style and shopping experience across our self-operated stores, reinforcing a uniform brand image to end-customers. During the Track Record Period, the number of our self-operated stores increased from four as at 1 January 2021 to 29 as at 30 June 2024. As at the Latest Practicable Date, we had a total of 33 self-operated stores, including 30 Herbs stores and two ZINO stores across different districts in Hong Kong. Set forth below is a picture of a typical self-operated store:

Herbs store:



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ZINO store:



Operating Data of our self-operated stores

The following table shows the aggregate numbers and movement of our self-operated stores during the Track Record Period and as at the Latest Practicable Date:

	FY2021	FY2022	FY2023	6M2024	During the Period from 1 July 2024 to the Latest Practicable Date
Number of self-operated stores at the beginning of the year/period	4	12	16	23	29
Number of new self-operated stores during the year/period	8	6	8	6	4
Number of closed self-operated stores during the year/period	–	2 ⁽¹⁾	1 ⁽¹⁾	–	–
Number of self-operated stores at the end of the year/period	12	16	23	29	33
Number of self-operated stores which recorded operating losses during the year/period	0	3 ⁽²⁾	–	1 ⁽²⁾	N/A

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Notes:

- (1) During the Track Record Period, we closed two and one self-operated store(s) in 2022 and 2023, respectively, primarily due to the lower than expected pedestrian traffic and/or insufficient size of the store(s) for our business needs. For FY2021 and FY2022, the aggregate revenue from the three closed shops was HK\$1.9 million and HK\$3.8 million, respectively, accounting for less than 5% of the total revenue for each year. The three closed shops recorded aggregate operating profits of HK\$109,000 in FY2021 and operating losses of HK\$385,598 in FY2022, with operating profit margins of 5.8% and nil, respectively.
- (2) One of the loss-making stores was opened near the end of the year/period, and thus recorded operating losses.

The breakeven period refers to the amount of time needed for a store's monthly revenue to equal its monthly operating expenses. Over the Track Record Period, we opened a total of 28 new self-operated stores, of which (i) 26 stores broke even under three months; (ii) one store broken even in seven month; and (iii) one store did not achieve its breakeven due to lower than expected foot traffic and was subsequently closed in 2022.

Investment payback refers to the amount of time needed for a store's operating profit to balance out the initial costs of opening that store. Among the 28 newly opened self-operated stores during the Track Record Period, as at the end of the Track Record Period, (i) 16 stores achieved investment payback targets under 12 months (ii) one store achieved investment payback target in 17 months; (iii) nine stores were opened within the second half of 2023 and during the six months ended 30 June 2024 and are relatively new, and are expected to achieve investment payback targets within an average period of 12 months; and (iv) the other two stores did not perform as expected given its low foot traffic and were subsequently closed in 2022.

The following table illustrates (i) the revenue (ii) the operating profit and margin; and (iii) the average monthly sales for our major stores (i.e. the aggregate revenue contribution from these stores accounted for more than 50% of the revenue from the retail business in FY2023) during the Track Record Period:

Stores ⁽¹⁾	FY2021			FY2022			FY2023			6M2024						
	Operating profit ⁽²⁾	Average monthly sales	Operating profit ⁽²⁾	Average monthly sales	Operating profit ⁽²⁾	Average monthly sales	Operating profit ⁽²⁾	Average monthly sales	Operating profit ⁽²⁾	Average monthly sales	Operating profit ⁽²⁾	Average monthly sales				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
Shop A	30,759	9,828	32.0	2,563	25,842	7,895	30.6	2,154	24,589	8,133	33.1	2,049	9,960	2,793	28.0	1,660
Shop B	7,892	2,587	32.8	658	14,676	6,115	41.7	1,223	16,263	7,066	43.4	1,355	10,032	4,109	41.0	1,672
Shop C	6,460	1,783	27.6	538	6,580	1,849	28.1	548	7,662	2,715	35.4	639	3,745	1,354	36.2	624
Shop D ⁽⁴⁾	1,943	575	29.6	389	5,998	1,898	31.6	500	6,839	2,658	38.9	570	3,310	1,361	41.1	552
Shop E	5,643	1,452	25.7	470	5,359	1,245	23.2	447	5,960	1,970	33.1	497	2,394	697	29.1	399
Shop F	6,280	1,536	24.5	523	3,976	722	18.2	331	5,327	1,561	29.3	444	2,293	634	27.6	382
Shop G ⁽⁴⁾	2,410	387	16.1	301	3,775	686	18.2	315	4,997	1,473	29.5	416	2,169	582	26.8	362

Notes:

- (1) Our stores include both our experience centres and self-operated stores.
- (2) Operating profit of a particular store refers to the revenue generated by the store for the year/period deducting the operational costs incurred at the store level, comprising among others, staff costs, cost of goods sold, rental costs and other rentals and related expenses.
- (3) The margin of a particular store refers to the operating profit of the store divided by its revenue of the store for the year/period.
- (4) Shop D was opened in August 2021 and Shop G was opened in May 2021.

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Set forth below is the annual same store growth rate in terms of revenue of our major stores from FY2021 to FY2023:

	FY2021 vs FY2022 (%)	FY2022 vs FY2023 (%)
Shop A	(16.0)	(4.8)
Shop B	86.0	10.8
Shop C	1.8	16.5
Shop D	28.6	14.0
Shop E	(5.0)	11.2
Shop F	(36.7)	34.0
Shop G	4.4	32.4

The operating performance of our major stores at any point in time during the Track Record Period is influenced by various factors at the material time, including changes in consumers' spending patterns, internal resource arrangements, variations in rent for individual stores, regional competition, and macroeconomic conditions. For instance, during the Track Record Period, Shop B experienced an increase in revenue, mainly due to its relocation within the same region which is nearer to the station of mass transportation system in late FY2021, and the deployment of experienced staff from another shop throughout the Track Record Period. On the other hand, Shop F recorded a negative growth rate in FY2022 due to the opening of a new store in the same region that year. Nevertheless, Shop F achieved a positive growth rate in FY2023, along with improved margins compared to FY2021 and FY2022, mainly attributable to our intensified sales efforts and effective cost control measures. Taking into account that (i) out of the newly opened 28 self-operated stores during the Track Record Period, 26 stores broke even under three months and 16 stores achieved investment payback under 12 months; (ii) nearly all of our existing stores achieved operating profits during the Track Record Period; and (iii) our retail business has shown an upward trend during the Track Record Period despite the challenging retail environment, all of which would also be important indicators of the performance of our self-operated stores and the effectiveness of our expansion strategies, our Directors considered the performance of our offline retail business to be satisfactory as a whole. We will continue to closely monitor the overall performance of our retail business as well as the performance of each self-operated stores and refine our strategies as needed.

Site Selection and Evaluation of our Self-operated Stores

The factors that we take into account when selecting and evaluating a new store location include the premises size and accessibility of the location to the local neighbourhoods and communities, the estimated foot traffic, cost of set-up, potential exposure to extreme weather conditions and the geographic coverage of our existing stores.

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It is common for our self-operated stores and the stores of major chain retailers in the health supplements market and the cosmetics and skincare products market in Hong Kong are located in the same region. Given their dominant position, we believe it would be difficult for us to avoid proximity in respect of store location. Nevertheless, our Directors are of the view that such proximity does not lead to cannibalisation based on, among others, the following reasons:

- (i) the products sold in our self-operated stores and the stores of the major chain retailers are different. Our self-operated stores sell products under all of our own brands with certain third-party brands, while products sold at the stores of such chain retailers do not cover a full spectrum of products of our own brands. Therefore, our self-operated stores capture customers who prefer to purchase and consume products under a wider range of our own brands. Meanwhile, the major chain retailers capture a more diversified customer coverage, which include end-customers who will normally purchase our products as well as other brands and products (such as beauty products); and
- (ii) we believe that end-customers will find the purchasing experience at our self-operated stores to be different to the stores of such major chain retailers. Apart from directly selling our products at our self-operated stores, we also provide ancillary services such as simple body check-ups and recommendations to end-customers. Our product consultants, who are trained to be familiar with our products, will also be able to provide suggestions to end-customers on the product types based on the specific questions or health concerns raised. End-customers may also apply for our membership after purchasing at our self-operated stores and enjoy the benefits and promotions under our membership programme. As confirmed by our Hong Kong Legal Counsel, no licence or certificate is required for our Group to provide these simple body check-ups and recommendations to end-customers.

Brand Experience Centres

Our brand experience centres aim to provide our registered members with better customer services with more spacious and comfortable environment and staffed with our product consultants to maintain customers relationship by, among others, providing brand and product information and health recommendations. As at the Latest Practicable Date, we operated two brand experience centres, located at Mong Kok and Tsim Sha Tsui, two districts that are known for their convenience and easy access by transportation in Hong Kong so that end-customers can go visiting there easily. Our brand experience centres, staffed with a team of product consultants, primarily cater to our registered members, apart from offering them direct purchase of products under our own brands, we also offer them other ancillary services such as simple body check-ups and recommendations while collecting feedback from them. As confirmed by our Hong Kong Legal Counsel, no licence or certificate is required for our Group to provide these

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simple body check-ups and recommendations to end-customers. In addition, our product consultants will follow up with our registered members from time to time to check on their health conditions and to ask for feedback after using our products. They will also inform them of our latest products and product promotions. Furthermore, we will organise and invite registered members to attend birthday and stores' anniversary celebrations as well as health-related seminars and talks.

Exhibitions and Trade Fairs

Exhibitions and trade fairs, apart from being one of the marketing activities, is also one of the sales channels which contributed revenue to our Group during the Track Record Period. We attend various exhibitions and trade fairs primarily in Hong Kong, such as the Hong Kong Brands and Products Expo and HKTDC Food Expo, with our booths stationed by our sales promoters. Visitors of the exhibitions and trade fairs mainly include our existing and target end-customers, could purchase our products at the exhibition booths after understanding our products from sales promoters directly. As such, our Directors are of the view that, attending exhibitions and trade fairs is also one of the effective channels which allows our Group to promote our products, expand end-customers reach and strengthen our own brand image.

Online Retail Sales

We consider that e-commerce provides an additional sales channel that are accessible anytime and from anywhere, to broaden our end-customers reach and offer convenient access to our products. During the Track Record Period, our online retail sales were conducted primarily through:

- (i) our own e-commerce platform, Zinomall, targeting end-customers in both Hong Kong and overseas. We sell products under our own brands as well as certain products under third-party brands; and
- (ii) our self-operated account and store on third-party e-commerce platforms, such as HKTVmall and Tmall.hk. We are a registered merchant on HKTVmall to sell products under our own brands targeting end-customers in Hong Kong. The online store on Tmall.hk is operated in our own name, where we sell a range of products under our own brands targeting end-customers in the PRC.

For FY2021, FY2022, FY2023 and 6M2024, our revenue generated from online retail sales amounted to approximately HK\$11.9 million, HK\$12.3 million, HK\$13.3 million and HK\$6.3 million, accounting for approximately 6.4%, 5.9%, 5.3% and 5.3% of our total revenue for each of the corresponding years/period, respectively.

Wholesale Business

The wholesale business was one of our main streams of revenue during the Track Record Period, which amounted to approximately HK\$93.8 million, HK\$94.1 million, HK\$118.0 million and HK\$45.6 million and accounted for approximately 49.7%, 45.2%, 47.0% and 38.7% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively. We sell products under our own brand mainly through the following channels: (i) sales to chain retailers, including a large-scale local health and beauty products chain retailer in Hong Kong; and (ii) sales to non-chain retailers, mainly including pharmacies and trading companies. To the best knowledge of our Directors after making reasonable enquiries, these trading companies include among others, cosmetics stores, gift shops and healthcare product stores, which are operated by Independent Third Parties, and purchase products from us for onward sale in their online or offline channels. During the Track Record Period, we primarily provided health supplements and cosmetics and skincare products under our own brands to our wholesale customers.

In our wholesale business, we generally sell our products to our wholesale customers for onward sale to end-customers, via a combination of their offline and online channels. Our Directors believe that by maintaining an established network of wholesale customers, we would be able to effectively market and sell our products by tapping into their customer base as well as their experience and expertise in marketing and promotion of health supplements and cosmetics and skincare products, which would enable us to expand our business presence and market share. According to the F&S Report, adopting a wholesale model is an industry practice in both the health supplements market and the cosmetics and skincare products market. We recognise the value of collaborations with our wholesale customers to enhance our visibility of products and expand our geographical reach in both the health supplements market and the cosmetics and skincare products market, and thereby driving our growth and reinforcing our market share.

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Movement in Number of Wholesale Customers

During the Track Record Period, neither we nor our wholesale customers terminated our transactions after we accepted the individual orders placed by our wholesale customers. The following table sets forth the movement of the number of our wholesale customer base during the Track Record Period:

	FY2021	FY2022	FY2023	6M2024
Number of wholesale customers at the beginning of the year/period	61	84	89	102
Number of new wholesale customers ^(Note) during the year/period	35	20	36	12
Number of wholesale customers not transacting with us during the year/period	(12)	(15)	(23)	(49)
Number of wholesale customers at the end of the year/period	84	89	102	65

Note: “new wholesale customers” refer to wholesale customers which have not transacted with us during the preceding financial year.

Our relationship with our major wholesale customers during the Track Record Period remained relatively stable, which our Directors believe was primarily attributable to our effective management in fostering good business relationships with our wholesale customers. We maintain close communications with our wholesale customers, aiming to gain a comprehensive understanding of their demands.

Relationship with our Wholesale Customers

To the best of the knowledge of our Directors after making reasonable enquiries, all of our wholesale customers during the Track Record Period were Independent Third Parties. The relationship between us and our wholesale customers is one of a buyer-seller relationship, in which we sell our products based on the individual purchase orders placed by them, who will then resell such products to end-customers in general public via a combination of offline and online channels.

We retain no ownership and control over our products and transfer all significant risks and rewards associated with our products to our wholesale customers after the products are sold to the wholesale customers. Therefore, we generally have no obligation to help our wholesale customers to dispose of their unsold products in any circumstance and we are not entitled to monitor the performance or inventory of our wholesale customers, which according to the F&S Report, is in line with the market practice in both the health supplements market and the cosmetics and skincare products market in Hong Kong.

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However, in order to maintain business relationship with and to facilitate the sales of our products of our wholesale customers, we would discuss with them from time to time to understand their demands and collaborate with them to participate in promotions and advertising activities to expedite the sales of our products. We believe that this strategy enables us to manage our business relationship with our wholesale customers more effectively and to better allocate our resources in assisting them to improve their sales of our products, if needed.

During each year/period of the Track Record Period, Customer A was our largest wholesale customer in terms of revenue, accounted for a substantial amount of our revenue generated from the wholesale business and over 40% of our total revenue. For details of our relationship with Customer A, please refer to “Our Customers – Our Business Relationship with Customer A” in this section below.

Typical Arrangements under our Wholesale Business

During the Track Record Period, save for a trading term agreement entered into with Customer A which stipulates certain trading terms, such as credit terms and payment methods, our Group has not entered into any long-term agreements or minimum purchase agreements with our wholesale customers. According to the F&S Report, health supplements and cosmetics and skincare products providers generally do not enter into long-term agreements or minimum purchase agreements with their wholesale customers in order to (a) swiftly adapt to market changes and adjust sales strategies, as consumer preferences in the health supplements sector are rapidly evolving; and (b) provide greater flexibility in negotiating more favorable commission rates and pricing terms for them. Accordingly, such arrangement is in line with the industry norm and practice in both the health supplements market and the cosmetics and skincare products market in Hong Kong. Set forth below is a summary of the transaction arrangements between our wholesale customers and us, under which our wholesale customers typically place purchase orders with us from time to time.

Delivery	Products will be packed and delivered by logistics service providers to our wholesale customers on the delivery dates specified in the relevant purchase orders, typically within a few days. The title of our products is transferred upon delivery.
Pricing Policy	Please refer to “Our Pricing Policy” in this section below.
Marketing and Sales	We may have sales promoters stationed in selected stores of Customer A to promote and sell our products. We will discuss with Customer A from time to time on implementing marketing plans or advertising campaigns.

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Return Policy	The products purchased by our wholesale customers may be returned to us where product defects or quality issues are identified upon receipt, for discontinued products (i.e. products which sales are to be discontinued by us due to reasons such as upgrade or launch of new products), or as a result of excess products after a promotion event, details of which shall be discussed between us and our wholesale customers and agreed upon mutual consents.
Payment Method	Generally by bank transfer.
Credit Term	Cash on delivery or a credit term of 60 to 90 days from the date of issuing invoice, on a customer-by-customer basis.

Sales through Consignment Arrangements

During the Track Record Period, we had consignment arrangements with a few consignees, including a large-scale local health and beauty products chain retailer in Hong Kong, namely Consignee A, to sell products under our own brands at their stores in Hong Kong. For FY2021, FY2022, FY2023 and 6M2024, our revenue generated from consignment arrangements amounted to approximately HK\$10.7 million, HK\$8.7 million, HK\$8.0 million and HK\$3.2 million and accounted for approximately 5.6%, 4.2%, 3.1% and 2.7% of our total revenue for each of the corresponding years/period, respectively. Revenue generated from Consignee A for FY2021, FY2022, FY2023 and 6M2024 amounted to approximately HK\$9.9 million, HK\$8.4 million, HK\$7.8 million and HK\$3.2 million, representing approximately 5.3%, 4.1%, 3.1% and 2.7% of our total revenue for each of the corresponding years/period, respectively.

Typical Arrangements under our Consignment Business

We do not enter into any long-term agreement as regard to minimum purchases with our consignees, who usually place replenishment notes with our Group from time to time.

According to the F&S Report, such arrangement is in line with the market practice in the health supplements market and the cosmetics and skincare products market in Hong Kong. Set forth below is a summary of the typical transaction arrangements between our consignees and us.

Delivery	We are responsible for the delivery on the dates specified in the relevant delivery notes.
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Consignment Payment	We are entitled to payment from the consignees based on the consignees' total sales deducting a specific percentage and certain other agreed allowance. We may be required to pay an one-off shelf space fee to our consignees, when a new product is listed on the shelf.
Pricing Policy	Please refer to "Our Pricing Policy" in this section below.
Marketing and Sales	We conduct promotional activities and campaigns as agreed with the consignees, with the associated promotion expense maybe shared by us under case-by-case basis.
Inventory management	Consignees are responsible for monitoring inventory level of our products, and place replenishment orders with our Group as needed.
Return Policy	The products consigned to the consignees may be returned to us where product defects or quality issues are identified upon receipt. The consignees may return expired products, excess inventory, unsuccessful trial products or products removed from sale based on our mutual consent, and we shall collect such products from the consignees within a specified timeframe.
Payment Method	Generally by bank transfer.
Credit Term	A credit period of 60 to 90 days from the date of issuing invoice.

According to the F&S Report, Consignee A is one of the largest chain retailers of health and beauty products in Hong Kong, with approximately 170 stores as at 31 December 2023. We first commenced our business relationship with Consignee A in 2017 and have established a stable and sound business relationship.

OUR OWN BRANDS AND PRODUCTS

Our Own Brands

Since our establishment, we have been focusing on developing and fostering our own brands as our Directors believe that by possessing distinguishable brand names, it would enhance our corporate image, raise brand awareness and increase customer loyalty. As at the Latest Practicable Date, we carried a total of eight own brands, namely (i) “Herbs (草姬)”;

(ii) “ZINO”;

(iii) “Classic (正統)”;

(iv) “Umeya (梅屋)”;

(v) “Energie (男補)”;

(vi) “Men’s INFiNiTY (男極)”;

(vii) “Regal Green (綠康營)”;

and (viii) “Herbs Pet (恩寵)”:



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Our Products

Our product portfolio consists of: (i) products under our own brands, which are supplied to us primarily by our manufacturers on an OEM basis; and (ii) products under third-party brands, which mainly include health supplements and personal care products that are supplied to us primarily by brand owners or other trading companies. During the Track Record Period, nearly all of our total revenue was attributable to products under our own brands, while third-party brand products accounted for less than 1% of the revenue for each of FY2021, FY2022, FY2023 and 6M2024.

Our product portfolio in respect of product categories include: (i) health supplements; (ii) cosmetics and skincare products; and (iii) health supplements for pets, which were first launched in April 2024. Set forth below is a breakdown of our revenue by product categories and functions during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %
Health Supplements	165,975	88.0	191,423	92.0	228,411	90.9	109,613	90.0	109,017	92.6
– Immune System and Post-Covid Care	61,805	32.8	70,958	34.1	83,403	33.2	42,107	34.6	34,006	28.9
– Metabolic Syndrome Care	35,469	18.8	35,783	17.2	47,453	18.9	21,928	18.0	24,841	21.1
– Men's/Women's Health	25,907	13.7	26,905	12.9	29,013	11.5	15,181	12.5	13,429	11.4
– Anti-Ageing	9,402	5.0	20,600	9.9	28,895	11.5	11,974	9.8	14,716	12.5
– Other Health Supplements ⁽¹⁾	33,392	17.7	37,177	17.9	39,647	15.8	18,423	15.1	22,025	18.7
Cosmetics and Skincare Products, Pet Products and Other Products^(2, 3)	22,663	12.0	16,605	8.0	22,813	9.1	12,128	10.0	8,794	7.4
Total	188,638	100.0	208,028	100.0	251,224	100.0	121,741	100.0	117,811	100.0

Notes:

- (1) Mainly including health supplements for lifestyle-related illness and daily care, skeletal care and detoxing and weight control.
- (2) Our Group began selling pet products in the first half of 2024. For 6M2024, the revenue generated from selling pets products accounted for less than 0.1% of our total revenue for the same period.

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- (3) Other products mainly include health-related food which accounted for less than 0.1% of our total revenue during the Track Record Period.

For detailed analysis of our revenue by product category during the Track Record Period, please refer to “Financial Information” in this prospectus.

As at the Latest Practicable Date, we had 50 health supplements, 21 cosmetics and skincare products and two health supplements for pets under our own brands. The following table sets out the brands, number of products and suggested retail price range in respect of products under our own brands as at the Latest Practicable Date:

Brands	Number of products	Suggested retail price range ⁽⁵⁾ HK\$
Herbs (草姬)		
– Immune System and Post-Covid Care	11	299.0–599.0
– Metabolic Syndrome Care	8	188.0–599.0
– Men’s/Women’s Health	5	229.0–499.0
– Anti-Ageing	2	499.0–2,480.0
– Other Health Supplements ⁽¹⁾	13	99.0–459.0
Regal Green (綠康營)		
– Immune System and Post-Covid Care	1	299.0
– Women’s Health	2	389.0–399.0
– Other Health Supplements ⁽²⁾	1	268.0
Umeya (梅屋)		
– Other Health Supplements ⁽³⁾	2	256.0–269.0
Energie (男補)		
– Men’s Health	3	299.0–449.0
Men’s INFiNiTY (男極)		
– Men’s Health	1	499.0
Classic (正統)		
– Other Health Supplements ⁽⁴⁾	1	168.0

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Cosmetics and Skincare Products

Brands	Number of products	Suggested retail price range⁽⁵⁾ HK\$
ZINO	21	49.0–659.0

Health Supplements for Pets

Brands	Number of products	Suggested retail price range⁽⁵⁾ HK\$
Herbs Pet (恩寵)	2	388.0

Notes:

- (1) Mainly including health supplements for lifestyle-related illness and daily care, skeletal care and detoxing and weight control.
- (2) Mainly including health supplements for lifestyle-related illness and daily care.
- (3) Mainly including health supplements for lifestyle-related illness and daily care and detoxing and weight control.
- (4) Mainly including health supplements for detoxing and weight control.
- (5) The suggested retail price range represents the recommended retail prices of our products and are shared with our wholesale customers and consignees, who generally follow our suggested retail price for onward sale to end-customers. As (i) promotional offers and discounts are occasionally adopted for our products such as seasonal sale or bulk purchase discounts; (ii) additional discounts are extended to our members; and (iii) our revenue from wholesale business is calculated based on the wholesale price sold to our wholesale customers, rather than the retail price, there exists a variance between the suggested retail price range and the average selling price of our products, with the latter calculated based on the actual revenue received by our Group for the sales of products.

Health Supplements

Our health supplements mainly include orally consumed health products which generally take the forms of pills, tablets or liquids for oral intake, intending to supplement the diet and enhance the general physical health or specific body functions including immune system, anti-ageing and other health-related matters. Our health supplements are mainly sold under our own brands including “Herbs (草姬)”, “Classic (正統)”, “Umeya (梅屋)”, “Energie (男補)”, “Men’s INFiNiTY (男極)” and “Regal Green (綠康營)”. Meanwhile, we also sell health supplements under certain third-party brands. Our health supplements generally have a shelf life of approximately 36 months from the date of production.

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As at the Latest Practicable Date, one of our health supplements, namely “Herbs Human Vital (草姬元氣腎寶)” is classified as a Chinese medicine under the Chinese Medicine Ordinance and we have obtained the certificate of registration issued by the Medicines Board under the Chinese Medicine Ordinance. Save as disclosed above, our Directors confirm that none of our other health supplements as at the Latest Practicable Date (i) is classified as medicine, pharmaceutical product or Chinese medicine; or (ii) requires registration under the Chinese Medicine Ordinance or the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong).

Cosmetics and Skincare Products

Our cosmetics and skincare products mainly include skincare and beauty products for external use for maintenance and/or improvement of skin conditions, such as serum, cream, mask, makeup remover and facial cleanser, of which the main functions include skin whitening, anti-ageing and anti-wrinkle. Our cosmetics and skincare products are mainly sold under our own brand of “ZINO”. Meanwhile, we also sell cosmetics and skincare products under certain third-party brands. Our cosmetics and skincare products generally have a shelf life of approximately 36 months from the date of production.

Health Supplements for Pets

Our health supplements for pets mainly include orally consumed health products for pets, such as health supplements for the digestive health and anti-allergy function of pets, which are sold under our own brand of “Herbs Pet (恩寵)”. Our health supplements for pets generally have a shelf life of approximately 24 months from the date of production.

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Major Products under Our Own Brands

The table below sets out examples of our major products under our own brands as at the Latest Practicable Date:

Function	Product	Brand	Main ingredients	Sample picture
Immune System and Post-Covid Care	Herbs The 4th Generation of Cordyceps Mycelia CS-4 (草姬第4代蟲草 CS-4)	Herbs (草姬)	Cordyceps Mycelia, Lecithin	
	Herbs Ganoderma Sporo-Pollen (草姬靈芝孢子)	Herbs (草姬)	Ganoderma Lucidum Spore, Ganoderma Lucidum, Ganoderma Mycelium	
	Herbs Tuberaceae Cordyceps Mycelia (草姬金鑽蟲草)	Herbs (草姬)	Cordyceps Sinensis Mycelium, Perigord Truffle	
Metabolic Syndrome Care	Herbs Cardio Pro (Formula Upgraded with Notoginseng) (草姬活心丸 (三七強效版))	Herbs (草姬)	Red Yeast Rice Powder, Natto Extract Powder, Panax Notoginseng Extract	
	Herbs Liver Re-Gen (草姬芝肝寶)	Herbs (草姬)	Antrodia Cinnamomea Mycelia Extract, Natto Extract	
	Herbs Human Vital (草姬元氣腎寶)	Herbs (草姬)	Radix Rehmanniae Preparata, Ganoderma Lucidum, Fructus Corni	

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Function	Product	Brand	Main ingredients	Sample picture
Men's/Women's Health	Herbs Prostate Vital Super (草姬前列腎寶)	Herbs (草姬)	Saw Palmetto Extract, Cushaw Seed Extract, Fructus Corni Extract	
	Energie Super Power 5:1 (男補精力丸5:1)	Energie (男補)	Guarana Extract, Maca Root Extract, Cynomorium Songaricum Extract	
	Men's Infinity (男極 Men's Infinity)	Men's INFiNiTY (男極)	Guarana Extract, Maca Root Extract, Cynomorium Songaricum Extract	
	Herbs Women Vital Super (草姬滋陰珍寶)	Herbs (草姬)	Guilu Er Xian Concentrated Powder, Ultra-fine Nano Meter Pearl Powder, Black Fungus Extract	
	Regal Green Women's Balance (Regal Green 凍齡滋陰丸)	Regal Green (綠康營)	Guilu Er Xian Concentrated Powder, Ultra-fine Nano Meter Pearl Powder, Black Fungus Extract	
	Anti-Ageing	Herbs NMN24000+ (草姬 NMN24000+)	Herbs (草姬)	Beta-Nicotinamide Mononucleotide, Ganoderma Lucidum Spore

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Function	Product	Brand	Main ingredients	Sample picture
Other Health Supplements	Herbs Vision Pro Ex (草姬亮目丸 (升級版))	Herbs (草姬)	Lutein, Zeaxanthin, Bilberry Extract, Goji Berry Extract	
	Regal Green Skin Derma (Regal Green濕敏膚)	Regal Green (綠康營)	HIDROX Organic Olive Extract, Echinacea Root Extract, Marigold Flower	
	Herbs Joints & Muscles Pro EX (草姬筋腱通)	Herbs (草姬)	AYUFLEX Extract, Bromelain, Magnesium, Calcium	
	Herbs Fat Burn Master (草姬燒脂控)	Herbs (草姬)	IGOB131 Africa Mango Seed Extract, MicroFer Functional Fermented Cereals Powder	
	Classic Black Oolong Slimming Tea (正統黑烏龍)	Classic (正統)	Oolong Tea, Cassia Seed	
	Umeya Cha Plum Upgraded Version (梅屋順便茶梅 (強效版))	Umeya (梅屋)	Dried Plum, Moringa Extract, Semen Cassia Extract	

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Function	Product	Brand	Main ingredients	Sample picture
Cosmetics and Skincare	ZINO Anti Yellowish Serum (ZINO 去黃精)	ZINO	EGF, Brassica Oleracea Italica Extract, White Tea Extract	
	ZINO Dark Circle Removal Golden Eye Mask (ZINO 黑眼療 • 金箔眼膜)	ZINO	Caviar Extract, Human Oligopeptide-1, Sodium Hyaluronate	
	ZINO Anti-Dark Spot Serum (ZINO 激白淡斑精華)	ZINO	Niacinamide (Vitamin B3), Whitening Plant Extract	
Pets Health Supplements	Herbs Pet G.I.Balance Pro-Bio (恩寵腸道益生菌配方)	Herbs Pet (恩寵)	Lactobacillus Gasseri, Lactobacillus Reuteri, Streptococcus Thermophilus, Bifidobacterium Lactis, Bacillus Coagulans	
	Herbs Pet Allergy Pro-Bio (恩寵舒敏益生菌配方)	Herbs Pet (恩寵)	Lactobacillus Helveticus, Lactobacillus Rhamnosus, Lactobacillus Fermentum, Bifidobacterium Bifidum	

Development of Products under our Own Brands

With a vision of continuing the enhancement of existing products and the development of new products to diversify our product portfolio, we have a product development team consisting of four staff as at the Latest Practicable Date. Our team will meet from time to time for the purpose of evaluating and considering the needs to upgrade our existing products and launch new products through conducting market research and analysis and discussing proposed formulations with suppliers.

The process adopted by us in enhancing and diversifying our product portfolio mainly include:

- (i) *Determination of initial product concepts.* Our product development team follows a structured process to determine an initial product concept. The process involves conducting preliminary industry research including review of reports, studies and publications, where we identify key nutritional and functional components and evaluate their associated health benefits as well as the safety and regulatory compliance. We carefully determine the composition of raw materials for our products, including the combination and types used, by studying published reports, journals and research. Our final products are also arranged for testing by Hong Kong government-approved organisations, as further particularised in step (iv) below. For further details on how we leverage industry research and reports, please refer to “Launch of Upgraded/Newly Developed Products” in this section.

At the same time, our team closely monitors market trends and consumer demand, seeking to understand customers’ preferences in relation to health supplements and cosmetics and skincare products. This is accomplished through various market research methods, including attending industry-related exhibitions and trade fairs, analysing online e-commerce and social media trends for consumer insights, and engaging in discussions with our frontline sales personnel, suppliers and major wholesale customers. We then leverage the information gathered to refine our initial product concept. The above multifaceted approach empowers us to continuously adapt our product portfolio, ensuring alignment with customer preferences and evolving market dynamics.

- (ii) *Selection and assessment of suppliers.* After coming up with product concepts, we proceed to select our suppliers. We select potential suppliers based on their industry reputation and certifications, evaluate their quality assurance measures and assess their regulatory compliance records. We also review their product range and customisation options and compare their pricing, shipping logistics and payment terms. Once we engage a supplier, we maintain regular discussions and conduct performance reviews, while inspecting our suppliers’ production facilities through site visits to ensure they meet our standards.

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Depending on the nature of the products, our product development team will either approach (a) Independent Third Party manufacturers who are able to produce semi-finished products on an OEM basis, or (b) Independent Third Party key raw materials suppliers who can source key raw materials required under our product concepts. For details of our quality control on our suppliers and our criteria for selecting suppliers, please refer to “Quality Control – Quality Assurance Relating to Our Suppliers” in this section below.

- (iii) *Mockup and evaluation of sample products.* We discuss with our selected suppliers on how to refine our product concepts and arrive at a final design, and our suppliers then create a mockup based on our discussions. We then evaluate the sample products to ensure adherence to product specification and appropriate quality standards and provide feedback, and, if necessary, discuss further adjustments to the formulation with the relevant supplier. We do not possess any patented formulas for our products. Nevertheless, our suppliers are subject to confidentiality requirements, and our discussed designs shall be kept confidential by our suppliers. We are entitled to sell the products under our own brand names and to register trademarks in that regard.
- (iv) *Procurement.* After our management team decides to purchase the new products, we will place orders with the relevant suppliers to produce the new products. We generally order directly from these manufacturers through purchase orders, and we settle the orders according to relevant credit terms, as there are no fee arrangements in place for sharing revenue with such suppliers. The suppliers will then procure our orders and produce a certificate of analysis for our assessment and evaluation. We may engage Independent Third Party service providers to perform services such as powder mixing, encapsulation or bottling. We arrange for the products to be tested by Hong Kong government-approved organisations, such as The Hong Kong Standards and Testing Centre Limited, to ensure compliance with relevant laws and regulations relating to safety standards in Hong Kong. For details of the relevant laws and regulations, please refer to “Regulatory Overview” in this prospectus. Once the new products pass the safety test, we will then deliver the products to our warehouse for final packaging and will launch the new products under our own brands.
- (v) *Logistics and delivery.* We discuss with various Independent Third Party service providers in Hong Kong for their services to transfer and transport our procured products. We examine the delivered goods to ensure that there is no damage and will generally reject or return damaged products back to the relevant suppliers. For details of our selection of service providers, “Our Suppliers – Service Providers in Manufacturing Process” in this section below.

Though we do not have a typical scheduled time frame for our product development process as it varies from product to product, it generally takes around six months to one year for upgrading an existing product and developing a new product, depending on the nature and complication of the formulations of a product.

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Launch of Upgraded/Newly Developed Products

Before the launch of upgraded or newly developed products and as part of our promotion efforts, we may conduct industry research and reference reports, studies and publications to enhance our offerings. For instance, we cited the research findings of a biotech company, regarding the characterisation of the anti-oxidation effects and the evaluation of the carcinogenic risks of NMN and Ganoderma Lucidum, for our NMN products.

During the Track Record Period, in order to cater for different needs of end-customers and to respond swiftly to market trends and demands, we have (i) upgraded two existing products, namely “Herbs NMN24000+ (草姬NMN24000+)” and “Herbs Vision Pro Ex (草姬亮目丸(升級版))”; and (ii) launched ten new products, including “Herbs Detox Pro (草姬健肝丸)”, “Herbs Fat Burn Master (草姬燒脂控)”, “Herbs Joints & Muscles Pro EX (草姬筋腱通)” and “Herbs Calm Ease Pro (草姬靜心飲)”.

Besides, considering the increasing growth in the demand for pet health solutions, we launched a new brand called “Herbs Pet (恩寵)” in 2024 to meet the diverse needs of pet owners. As at the Latest Practicable Date, we have two orally consumed health products for pets, mainly for their digestive health and anti-allergy function.

OUR CUSTOMERS

Due to the nature of our business, our customers consist of (i) end-customers from the general public, who (a) directly purchase from us under our retail business, or (b) purchase from the stores of our consignees where our products are sold under consignment arrangements; and (ii) wholesale customers (including both chain and non-chain retailers) whom we wholesale our products to for onward sales to end-customers from the general public. For details, please refer to “Our Business Model” in this section.

During the Track Record Period, our total revenue generated from sales to wholesale customers amounted to approximately HK\$93.8 million, HK\$94.1 million, HK\$118.0 million and HK\$45.6 million, representing approximately 49.7%, 45.2%, 47.0% and 38.7% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively, and our remaining total revenue was generated from sales to end-customers under our retail business and consignment arrangements, who are mostly individuals. Our Directors consider that during the Track Record Period, the sale to each individual customer is immaterial and difficult to quantify individually.

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Top Five Wholesale Customers

Revenue generated from our top five wholesale customers for FY2021, FY2022, FY2023 and 6M2024 amounted to approximately HK\$92.1 million, HK\$92.2 million, HK\$113.4 million and HK\$44.7 million, representing approximately 48.9%, 44.3%, 45.1% and 38.0% of our total revenue for each of the corresponding years/period, respectively, while revenue generated from our largest wholesale customer, namely Customer A for FY2021, FY2022, FY2023 and 6M2024 amounted to approximately HK\$90.3 million, HK\$90.2 million, HK\$110.7 million and HK\$43.8 million, representing approximately 47.9%, 43.3%, 44.0% and 37.2% of our total revenue for each of the corresponding years/period, respectively.

The table below sets forth certain information with respect to our top five wholesale customers during each year/period of the Track Record Period:

FY2021

Ranking	Wholesale Customers	Principal products sold	Commencement year of business relationship	Credit term	Payment method	Revenue <i>HK\$'000</i>	% of total revenue %
1	Customer A ⁽¹⁾	Health supplements and cosmetics and skincare products	2000	60 days from invoice month end	Bank transfer	90,294	47.9
2	Customer B ⁽²⁾	Health supplements	2018	Cash on delivery	Bank transfer	1,010	0.5
3	Customer C ⁽³⁾	Health supplements and cosmetics and skincare products	2020	Cash on delivery	Bank transfer	519	0.3
4	Customer D ⁽⁴⁾	Health supplements	2020	Cash on delivery	Bank transfer	184	0.1
5	Customer E ⁽⁵⁾	Health supplements	2018	Cash on delivery	Bank transfer	140	0.1
Total						<u>92,147</u>	<u>48.9</u>

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FY2022

Ranking	Wholesale Customers	Principal products sold	Commencement year of business relationship	Credit term	Payment method	Revenue HK\$'000	% of total revenue %
1	Customer A ⁽¹⁾	Health supplements and cosmetics and skincare products	2000	60 days from invoice month end	Bank transfer	90,182	43.3
2	Customer B ⁽²⁾	Health supplements	2018	Cash on delivery	Bank transfer	809	0.4
3	Customer C ⁽³⁾	Health supplements and cosmetics and skincare products	2020	Cash on delivery	Bank transfer	535	0.3
4	Customer D ⁽⁴⁾	Health supplements	2020	Cash on delivery	Bank transfer	514	0.2
5	Customer F ⁽⁶⁾	Health supplements	2021	Cash on delivery	Bank transfer	196	0.1
Total						92,236	44.3

FY2023

Ranking	Wholesale Customers	Principal products sold	Commencement year of business relationship	Credit term	Payment method	Revenue HK\$'000	% of total revenue %
1	Customer A ⁽¹⁾	Health supplements and cosmetics and skincare products	2000	60 days from invoice month end	Bank transfer	110,651	44.0
2	Customer C ⁽³⁾	Health supplements and cosmetics and skincare products	2020	Cash on delivery	Bank transfer	896	0.4
3	Customer G ⁽⁷⁾	Health supplements	2023	Cash on delivery	Bank transfer	653	0.3
4	Customer H ⁽⁸⁾	Health supplements and cosmetics and skincare products	2022	Cash on delivery	Bank transfer	619	0.2
5	Customer D ⁽⁴⁾	Health supplements	2020	Cash on delivery	Bank transfer	595	0.2
Total						113,414	45.1

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6M2024

Ranking	Wholesale Customers	Principal products sold	Commencement year of business relationship	Credit term	Payment method	Revenue HK\$'000	% of total revenue %
1	Customer A ⁽¹⁾	Health supplements and cosmetics and skincare products	2000	60 days from invoice month end	Bank transfer	43,768	37.2
2	Customer C ⁽³⁾	Health supplements and cosmetics and skincare products	2020	Cash on delivery	Bank transfer	365	0.3
3	Customer I ⁽⁹⁾	Health supplements	2024	30 days from invoice month end	Bank transfer	273	0.2
4	Customer J ⁽¹⁰⁾	Health supplements and cosmetics and skincare products	2022	Cash on delivery	Bank transfer	203	0.2
5	Customer K ⁽¹¹⁾	Health supplements and cosmetics and skincare products	2023	Cash on delivery	Bank transfer	119	0.1
Total						44,728	38.0

Notes:

- (1) Customer A: a large-scale local health and beauty products chain retailer in Hong Kong, which, according to F&S Report, is the largest chain retailer of health and beauty products in Hong Kong with approximately 300 stores as at 31 December 2023. For further details of the background of Customer A, please refer to “Background of Customer A” in this section.
- (2) Customer B: a non-chain retailer, which is a private company incorporated in Hong Kong, and is an online store that specialises in, among others, men’s daily necessities and health and wellness products.
- (3) Customer C: a non-chain retailer, which is a sole proprietorship established in Hong Kong, and is a trading company in Hong Kong.
- (4) Customer D: a non-chain retailer, which is a private company incorporated in Hong Kong, and engaged in, among others, retail business.
- (5) Customer E: a non-chain retailer, which is a private company incorporated in Hong Kong, and engaged in the sales of health supplement products business.
- (6) Customer F: a non-chain retailer, which is a private company incorporated in Hong Kong, and engaged in the retail of, among others, personal care products, and has several general retail department stores in Hong Kong.
- (7) Customer G: a non-chain retailer, which is a private company incorporated in Hong Kong and is an international commercial platform that offers diversified, quality international certified products.

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- (8) Customer H: a non-chain retailer, which is a sole proprietorship established in Hong Kong and engaged in sales of skincare and cosmetics products via mail or online orders.
- (9) Customer I: a non-chain retailer, which is a private company incorporated in Hong Kong, and engaged in, among others, retail and wholesale trading.
- (10) Customer J: a non-chain retailer, which is a private company incorporated in Hong Kong and is an online store that specialises in the wholesale and retail of healthcare products and cosmetics and skincare products.
- (11) Customer K: a non-chain retailer, which is a sole proprietorship established in Hong Kong, and is a trading company in Hong Kong.

To the best of the knowledge of our Directors after making reasonable enquiries, all the top five wholesale customers of our Group during each year/period of the Track Record Period were Independent Third Parties, and none of our Directors, their close associates or our Shareholders who owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our top five customers at the relevant times.

Our Business Relationship with Customer A

Our business relationship with Customer A commenced in 2000. During each year/period of the Track Record Period, Customer A was our largest wholesale customer. For the risks relating to our reliance on Customer A, please refer to “Risk Factors – Risks Relating to Our Business – We are exposed to risk of reliance on a chain retailer customer for onward sale of our products to end-customers.” in this prospectus.

Background of Customer A

According to F&S Report, Customer A is the largest chain retailer of health and beauty products in Hong Kong, with approximately 300 stores as at 31 December 2023. Customer A, which has more than 100 years of history, is part of a leading pan-Asian retailer group which operates in 13 countries and territories with a focus on supermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants. The said retail group is listed on the London Stock Exchange with secondary listings on the Singapore Stock Exchange and Bermuda Stock Exchange. Based on the annual report of the said retail group, its health and beauty division recorded a revenue of approximately US\$2.4 billion in 2023. In this regard, our Directors believe that, by selling our products through the extensive sales network of Customer A, we are able to effectively enhance our product visibility in Hong Kong and also tourists from the PRC and overseas who are looking to buy health supplements and cosmetics and skincare products from reputable chain retailers in Hong Kong.

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Our Wholesale Arrangement with Customer A

We maintain a buyer/seller relationship with Customer A, where we sell our products to Customer A for its onward sales to end-customers. The wholesale prices for our products sold to Customer A are determined on a case-by-case basis based on negotiations between Customer A and us, which are typically set at a discount to the suggested retail prices. The products sourced from us by Customer A included a wide range of our health supplements and cosmetics and skincare products under our own brands, including “Herbs (草姬)”, “Energie (男補)” and “ZINO”.

Our Directors consider that the wholesale arrangement with Customer A, which was agreed and adopted between Customer A and us after commercial negotiation, is beneficial to us as it allows us to sell in bulk for better production planning and achieve return on product sales within a shorter time frame when compared to a consignment model. In particular, our Directors are of the view that, given Customer A is the largest chain retailer of health and beauty products in Hong Kong, a wholesale arrangement with Customer A allows us to effectively enhance our product visibility and more effectively sell our products in bulk. Furthermore, by maintaining the wholesale arrangement with Customer A during the Track Record Period, our Directors believe that we can draw on our 20 years long of trading record and rapport with Customer A to optimise our inventory planning, supply chain management and marketing and sales strategies.

We have sales promoters, who are employees of our Group, stationed at the selected retail stores of Customer A to promote our products and to receive instant feedback from end-customers. They interact with end-customers visiting the retail stores of Customer A directly by providing them with advice and recommendations on product usage and selection.

We, as a wholesale supplier of Customer A, are subject to certain trading terms (such as general credit terms, return policies and promotional activities) with Customer A regarding our sales to them as we may agree with them from time to time, unless each individual purchase order may stipulate otherwise. Set forth below is a summary of the major trading arrangement with Customer A during the Track Record Period:

Credit Term

60 days from invoice month end.

Return Policies

Based on the mutual understanding of the Group and Customer A, Customer A is entitled to return products to us in the circumstances: (i) where product defects or quality issues are identified upon receipt; (ii) for discontinued products (i.e. products which sales are to be discontinued by us due to reasons such as upgrade or launch of new products); (iii) or as a result of excess products after a promotion event.

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Promotional Activities

In addition to arranging sales promoters to station at the retail stores of Customer A, we would also negotiate other advertisement arrangements and media support with Customer A, including placement of banners and other advertisement materials, with the detailed terms to be agreed for each individual arrangement. We generally are not required to bear the cost of such promotion activities.

Our Group and Customer A have not entered into any non-compete arrangements in connection with the wholesale arrangement.

During the Track Record Period, Customer A returned products of approximately HK\$6.8 million to us, representing approximately 2% of the total value of products sold to Customer A. Such amount of returned products was deducted from revenue recognised during the Track Record Period. To the best knowledge of our Directors after making reasonable enquiries, the return was mainly due to reasons such as damaged packaging, removal of discontinued products from shelves and inventory management by Customer A.

Our Sustainable Business Relationship with Customer A

Despite the relatively large portion of revenue contribution from Customer A during the Track Record Period, our Directors are of the view that our business relationship with Customer A is sustainable and our business dealings with Customer A do not give rise to excessive risks in our business operations for the following reasons:

- (1) It is an industry norm to establish business relationship with major chain retailers of health and beauty products in Hong Kong, such as Customer A*

According to the F&S Report, Customer A is the largest health and beauty chain retailer in Hong Kong in terms of number of retail stores as at 31 December 2023, offering a vast array of products ranging from health supplements to cosmetics and skincare products. Given its leading position, it is an industry norm in the health supplements market and the cosmetics and skincare products market to establish business relationship with major scale chain retailers of health and beauty products in Hong Kong, such as Customer A for its onward sales to end-customers.

- (2) We provide a wide variety of high-quality products to Customer A*

Based on the experience in and the insights into the industry of our management and product development team and the market intelligence we have collected from various channels, we are able to discern the new trends in consumer's preferences and identify and supply to Customer A suitable health supplements and cosmetics and skincare products which meet the prevailing market trends and demand of the end-customers to diversify its product offerings. For details of our product development strategy, please refer to "Our

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Own Brands and Products – Launch of Upgraded/Newly Developed Products” in this section. Our Directors are of the view that our ability in launching upgraded and newly developed products which accord with the prevailing end-customers’ demand also helps Customer A keep abreast of the market trends.

(3) We are able to meet the stringent criteria for selection of suppliers of Customer A

According to the F&S Report, large chain retailers generally have stringent selection criteria for their suppliers, which may constitute an entry barrier for new entrants when they seek to establish business relationships with them. According to the F&S Report, when evaluating and assessing a supplier, Customer A generally takes into account, among others: (i) whether the suppliers have proven track records in the industry; (ii) whether the products offered are authentic products; (iii) whether the products in the portfolio can meet the prevailing demand of end-customers; (iv) whether the suppliers are able to ensure stability in product supply; and (v) whether the suppliers can demonstrated their abilities to promote their products in the market. In particular, Customer A may request its suppliers to submit a written proposal for introduction of new products. The stringent selection criteria may constitute an entry barrier for new entrants when they seek to establish business relationships with Customer A.

We first commence our business relationship with Customer A in 2000 and have established long-term relationship with Customer A. Over the years, we have accumulated an in-depth understanding of its requirements on products and quality, which helps us in preparing the aforementioned proposal to their satisfaction and provides us with a competitive edge to secure orders from Customer A. By leveraging our competitive strengths, including a proven track record and strong promotional capabilities, along with a long-term relationship with Customer A and a deep understanding of their product and quality requirements, we believe we can distinguish ourselves from our competitors and position ourselves to trade with Customer A on reasonable terms. For further details of our competitive strengths, please refer to “Competitive Strengths” in this section.

(4) We have maintained a sound business relationship with Customer A

During the Track Record Period, Customer A had maintained good credibility and made payments to us on a timely basis in accordance with the agreed credit terms, and we had not experienced any product recall requested by, dispute with or complaint from Customer A relating to product quality or delivery timeliness which would have had a material adverse impact on our business operations. While any of the foregoing issues may impair our business relationship with Customer A if it does arise in the future, we believe the chance is remote given our long-term track record with Customer A. The business relationship between Customer A and us has lasted for over 20 years and the terms of sales to Customer A have been reasonable. We do not foresee any barrier to the long-term development of our business relationship on a continuing basis.

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Views of our Directors

In light of the above reasons, our Directors are of the view that our business relationship with Customer A is sustainable in nature and see no compelling reasons for Customer A to terminate our business relationship or substantially decrease the purchase from us in the foreseeable future. Our Directors also believe that our Group can continue our business relationship with Customer A on reasonable terms. As such, our Directors consider that the risks associated with the relatively large proportion of revenue generated by our sales to Customer A during the Track Record Period are not excessive.

Whilst the Directors are of the view that the business relationship with Customer A is sustainable in nature, we shall continue to seize growth opportunities and further diversify our sales channels and customer base to minimise risks associated with any adverse change which may occur to our wholesale business. In this respect, we have expanded our self-operated store network throughout the Track Record Period from four stores as at 1 January 2021 to 33 stores as at the Latest Practicable Date, and correspondingly the proportion of revenue from our retail business has increased from approximately 44.7% of our total revenue for FY2021 to approximately 49.9% of our total revenue for FY2023 with the amount of revenue from our retail business increased by approximately 32.8% between FY2021 and FY2023. Our total revenue from our retail business has increased approximately 16.9% from 6M2023 to 6M2024. We intend to continue extending our self-operated store network by reaching 48 to 50 stores over the next three years depending on our sales performance and market conditions, and we intend to apply approximately 24.6% of the net proceeds from the Global Offering to achieve this.

We also intend to increase offline marketing and promotion activities to increase our brand awareness and recognition of products, as well as further develop our e-commerce business to reach a broader spectrum of customers in Hong Kong, the PRC and overseas by (i) developing and optimising Zinomall, our self-operated e-commerce platform to increase its visibility and web traffic, (ii) developing a dedicated mobile APP to supplement our self-operated e-commerce platform, and (iii) setting up more online stores targeting end-customers in the PRC on various popular e-commerce platforms in the PRC, such as JD.com (京東) and Xiaohongshu (小紅書) to increase visibility and web traffic of our online stores.

By adopting the above multipronged strategy aimed at diversifying our sales channels, our Directors believe that our Group will be able to effectively mitigate any adverse impact which may be brought about by changes to our wholesale business.

OUR SUPPLIERS

We engage Independent Third Party manufacturers to produce semi-finished products under our own brands on an OEM basis whilst we source third-party brand products from brand owners or trading companies from time to time. We also purchase some key raw materials such as cordyceps mycelium (蟲草菌絲體) and ganoderma spore (靈芝孢子) in mixed powder form, packaging materials and engage Independent Third Party suppliers for services such as powder mixing, encapsulation, bottling, labelling, ink jetting and logistics services. For FY2021, FY2022, FY2023 and 6M2024, our aggregate purchases from suppliers amounted to approximately HK\$60.1 million, HK\$61.6 million, HK\$71.0 million and HK\$26.5 million, respectively. Our Directors confirm that we did not experience any material price fluctuation of semi-finished products, key raw materials, packaging materials and the aforementioned services throughout the Track Record Period.

Manufacturers for Semi-finished Products and Suppliers of Key Raw Materials and Packaging Materials

We engage Independent Third Party manufacturers, which include among others, health food and health care suppliers, to produce semi-finished products, mainly referring to health supplements pending encapsulation, bottling or packaging before they can be sold to consumers in the market, under our own brands on an OEM basis. The raw materials used by these Independent Third Party manufacturers in manufacturing our semi-finish products are sourced from various regions, including among others, China, Taiwan and the United States. We also purchase some key raw materials and packaging materials. As we place orders with them on an order-by-order basis, we have not entered into any long-term agreement with our Independent Third Party manufacturers and key raw material suppliers. There is no minimum quantity purchase requirement, and the details of each purchase (including prices and settlement arrangements) are normally determined by negotiation between our Group and our suppliers for each order.

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Set forth below is a summary of the typical arrangement between our OEM suppliers and us:

Role and obligations of suppliers	:	To produce semi-finished products under our own brands on an OEM basis.
Exclusivity	:	No exclusivity is granted by us or the OEM suppliers.
Pricing	:	The pricing is negotiated by us with the OEM suppliers on a case-by-case basis.
Return policy	:	We are entitled to return the semi-finished products and/or request refund from our OEM suppliers if product defects or quality issues are identified upon receipt.
Credit Terms	:	30%–50% advance/deposit upon placing order, with remaining balance to be paid before collecting the goods or within 14 days after delivery.

Our Directors confirm that we had not committed any breaches of the provisions of the agreements entered into between the Independent Third Party manufacturers and key raw material suppliers and us that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

Service Providers in Manufacturing Process

We engage service providers based in Hong Kong to carry out services such as powder mixing, encapsulation, bottling, packaging, labelling and ink jetting services as well as logistic services. We primarily select such service providers based on criteria including the scope and quality of their services provided, their proven track records in the industry as well as their prices.

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Top Five Suppliers

For FY2021, FY2022, FY2023 and 6M2024, aggregate purchases from our five largest suppliers amounted to approximately HK\$27.9 million, HK\$26.8 million, HK\$36.8 million and HK\$12.8 million, representing approximately 46.4%, 43.6%, 51.9% and 48.5% of our total purchases for each of the corresponding years/period, respectively, while purchases from our largest supplier for FY2021, FY2022, FY2023 and 6M2024 amounted to approximately HK\$12.9 million, HK\$9.9 million, HK\$15.1 million and HK\$5.3 million, representing approximately 21.4%, 16.0%, 21.3% and 20.0% of our total purchases for each of the corresponding years/period, respectively. The following tables set forth a breakdown of the purchases by our Group from our five largest suppliers during each year/period of the Track Record Period:

FY2021

Ranking	Supplier	Principal product/ service procured	Commencement year of business relationship	Credit term	Payment method	Purchase amount <i>HK\$'000</i>	% of total purchase %
1	Supplier A ⁽¹⁾	Semi-finished products of health supplements	2012	30% advance upon placing order, remaining balance before collecting the goods in Hong Kong	Bank transfer	12,891	21.4
2	Supplier B ⁽²⁾	Semi-finished products of health supplements	2011	50% deposit, remaining balance within 14 days after delivery	Bank transfer	4,916	8.2
3	Supplier C ⁽³⁾	Encapsulation and packaging services of health supplements	2011	Monthly	Bank transfer	4,349	7.2
4	Supplier D ⁽⁴⁾	Semi-finished products of health supplements	2011	30% before delivery, remaining balance within 30 days after delivery	Bank transfer	3,003	5.0
5	Supplier E ⁽⁵⁾	Semi-finished products of health supplements	2019	50% deposit, remaining balance before delivery	Bank transfer	2,770	4.6
Total						27,929	46.4

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FY2022

Ranking	Supplier	Principal product/ service procured	Commencement year of business relationship	Credit term	Payment method	Purchase amount <i>HK\$'000</i>	% of total purchase %
1	Supplier A ⁽¹⁾	Semi-finished products of health supplements	2012	30% advance upon placing order, remaining balance before collecting the goods in Hong Kong	Bank transfer	9,878	16.0
2	Supplier B ⁽²⁾	Semi-finished products of health supplements	2011	50% deposit, remaining balance within 14 days after delivery	Bank transfer	5,647	9.2
3	Supplier E ⁽⁵⁾	Semi-finished products of health supplements	2019	50% deposit, remaining balance before delivery	Bank transfer	4,264	6.9
4	Supplier C ⁽³⁾	Encapsulation and packaging services of health supplements	2011	Monthly	Bank transfer	3,919	6.4
5	Supplier D ⁽⁴⁾	Semi-finished products of health supplements	2011	30% before delivery, remaining balance within 30 days after delivery	Bank transfer	3,119	5.1
Total						26,827	43.6

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FY2023

Ranking	Supplier	Principal product/ service procured	Commencement year of business relationship	Credit term	Payment method	Purchase amount <i>HK\$'000</i>	% of total purchase %
1	Supplier A ⁽¹⁾	Semi-finished products of health supplements	2012	30% advance upon placing order, remaining balance before collecting the goods in Hong Kong	Bank transfer	15,124	21.3
2	Supplier E ⁽⁵⁾	Semi-finished products of health supplements	2019	50% deposit, remaining balance before delivery	Bank transfer	6,667	9.4
3	Supplier C ⁽³⁾	Encapsulation and packaging services of health supplements	2011	Monthly	Bank transfer	5,542	7.8
4	Supplier D ⁽⁴⁾	Semi-finished products of health supplements	2011	30% before delivery, remaining balance within 30 days after delivery	Bank transfer	5,307	7.5
5	Supplier B ⁽²⁾	Semi-finished products of health supplements	2011	50% deposit, remaining balance within 14 days after delivery	Bank transfer	4,184	5.9
Total						36,824	51.9

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6M2024

Ranking	Supplier	Principal product/ service procured	Commencement year of business relationship	Credit term	Payment method	Purchase amount <i>HK\$'000</i>	% of total purchase %
1	Supplier A ⁽¹⁾	Semi-finished products of health supplements	2012	30% advance upon placing order, remaining balance before collecting the goods in Hong Kong	Bank transfer	5,281	20.0
2	Supplier E ⁽⁵⁾	Semi-finished products of health supplements	2019	50% deposit, remaining balance before delivery	Bank transfer	2,410	9.1
3	Supplier C ⁽³⁾	Encapsulation and packaging services of health supplements	2011	Monthly	Bank transfer	1,976	7.5
4	Supplier D ⁽⁴⁾	Semi-finished products of health supplements	2011	30% before delivery, remaining balance within 30 days after delivery	Bank transfer	1,720	6.5
5	Supplier B ⁽²⁾	Semi-finished products of health supplements	2011	50% deposit, remaining balance within 14 days after delivery	Bank transfer	1,430	5.4
Total						12,817	48.5

Notes:

- (1) Supplier A: a health food supplier in Hong Kong, principally engaged in the provision of health supplements, health care and medical supplies.
- (2) Supplier B: a healthcare supplier in the PRC, principally engaged the manufacturing and processing of health supplements.
- (3) Supplier C: a licensed packer in Hong Kong, principally engaged in packaging services of pharmaceuticals under the supervision of registered pharmacists.
- (4) Supplier D: a medical and health food supplier in Taiwan, principally engaged in the manufacturing of health supplements and health food and specialises in the field of microbial fermentation.
- (5) Supplier E: a health food supplier in Taiwan, principally engaged in the research, development, manufacture and sale of health food raw materials and healthcare products.

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To the best knowledge of our Directors after making reasonable enquiries, all the top five suppliers of our Group during each year/period of the Track Record Period were Independent Third Parties, and none of our Directors, their close associates or our Shareholders who owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our top five suppliers at the relevant times.

OUR PRICING POLICY

We strive to offer health supplements and cosmetics and skincare products at affordable prices and determine the pricing of the products under our own brands on a cost-plus basis. In our wholesale business, the wholesale prices at which our products are sold to the wholesale customers are determined on a case-by-case basis based on negotiations between the wholesale customers and us, with the wholesale prices generally fixed at a discount to the suggested retail price of the products. Factors that are taken into account include, among others, our procurement costs, the volume of orders, the expected profit margins of us and of our wholesale customers, the intended market positioning of the products, and the market response from time to time. When determining the retail prices for sales of our products, the major relevant factors include our procurement costs, our target market positioning and operating profit margin in respect of each product, and the market response from time to time.

We maintain a suggested retail price list and also provide the same to both our wholesale customers and consignees, who generally follow our suggested retail price. From time to time, we will initiate promotion events to end-customers, such as designing promotion plans and offering discounts. The products which are subject to promotion and discounts are selected after considering, among others, the inventory, popularity, profit margin, seasonality, shelf life of the products and customers' feedback. For promotion events initiated by our wholesale customers and/or consignees, we generally allow them to have a certain percentage of discounts of our suggested retail price during a specified promotion period, which complements to their own promotion plans. We will discuss with them before the launch of any promotion event on, among others, the timetable and prices of products under such promotion event.

SALES AND MARKETING

Our sales team consisted of 171 staff as at the Latest Practicable Date, mainly including our sales promoters. Led by Ms. Gammy Kwok, our sales team is primarily responsible for, among others, keeping constant contact with existing customers by providing them with advice and recommendations on products as well as receiving feedback from them, approaching potential customers and obtaining purchase orders.

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Our marketing team consisted of 26 staff as at the Latest Practicable Date. Led by Ms. Gammy Kwok, our marketing team is primarily responsible for, among others, the conduction of market research, the formulation of marketing strategies as well as the promotion of our own brands and products. Our marketing team holds meetings from time to time with our sales team to analyse the sales performance of our products, review advertising feedback and strategies, discuss marketing ideas and formulate marketing plans. We also engage Independent Third Party marketing agencies from time to time for, among others, making our promotion videos and films. We have adopted a multifaceted marketing strategy to market and promote our own brands and products by conducting various marketing activities coupled with the engagement of entertainers (such as actors and singers), KOLs, medial professionals, sales promoters and product consultants. We conduct marketing activities through various media and channels. For FY2021, FY2022, FY2023 and 6M2024, our advertising and promotion expenses amounted to approximately HK\$29.5 million, HK\$28.1 million, HK\$34.8 million and HK\$14.5 million, representing approximately 15.6%, 13.5%, 13.9% and 12.3% of our total revenue for each of the corresponding years/period, respectively.

From time to time, we will review our marketing materials to ensure compliance with the relevant requirements under the laws of Hong Kong. In order to comply with regulations, we devote considerable resources to review the relevant regulations and guidelines and communicate with the relevant government authorities before we finalise our packaging and promotional materials. The marketing materials are approved by our management before they are published.

Seasonality

Our business is affected by seasonality. We generally derive a higher amount of revenue from sales of our products in the third and fourth quarters of the year, i.e., during the autumn and winter seasons. Our Directors believe that this seasonal pattern is primarily due to (i) the weather during the autumn and winter seasons may cause more allergies and other symptoms and thus increase demand of end-customer on health supplements; and (ii) the timing of exhibitions and trade fairs, such as the Hong Kong Brands and Products Expo and HKTDC Food Expo. Our sales generally slow down during the first quarter of the year after the increase in sales in the third and fourth quarters of the year and also due to Chinese New Year public holiday.

Advertisements

Offline Channel

We conduct advertising to promote products under our own brands from time to time in various forms, including advertisements on major television channels and newspapers to draw the public attention to our products and to keep the public informed about our promotion activities. In addition, when we launched new products, we may also issue press releases concerning the new products for publication. The press releases contain detailed explanations of the product features and enable the public to gain an in-depth understanding of the new products.

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Online Channel

Given that online media have significant influence on end-customers' spending behaviour in recent years, we have placed emphasis on online marketing and promotion, which we consider to be an effective and efficient means for promotion of our products. During the Track Record Period, we have been promoting our products (including our newly launched products) by posting advertisements on social media platforms and websites, including without limitation, YouTube, Facebook, Instagram and Xiaohongshu (小紅書). We have also engaged a number of KOLs in Hong Kong and the PRC to introduce our products and to share their user experiences by posting articles, videos and/or photos on social media platforms.

Engagement of Entertainers (such as actors and singers), and KOLs

During the Track Record Period, we engaged over 100 entertainers (such as actors and singers) and KOLs such as Mr. Roger Kwok, Ms. Eliza Sam Lai Heung, Ms. Alice Fung So Bor and Ms. Mary Hon to promote our own brands and products. For each of FY2021, FY2022, FY2023 and 6M2024, our entertainers' and KOLs' expenses amounted to approximately HK\$3.8 million, HK\$3.4 million, HK\$4.9 million and HK\$2.4 million, representing approximately 2.0%, 1.6%, 2.0% and 2.0% of our total revenue for each of the corresponding years/period, respectively.

Set forth below is a summary of the salient terms of the agreements entered between our entertainers (such as actors and singers) and KOLs and us:

Role and obligations of our entertainers and KOLs	:	To promote products under our own brands and participate in promotional activities of the Group. The agreements between the entertainers and KOLs and the Group are generally in relation to the promotion of either a specific product or to the production of a specific number of promotional materials, such as advertisement videos, social media posts or other forms of media.
Duration	:	The agreements are generally for a fixed term, and the use of the promotional materials by the Group are limited to a specific time period.
Approval of promotional materials	:	Any promotional materials, such as recorded advertisement videos or social media posts, are only released upon the final agreement by both the Group and each entertainer and KOL and approved by each entertainer and KOL.

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- Pricing** : The pricing for each agreement is subject to negotiations between the entertainers and KOLs, taking into account various factors, such as (i) the level of work, type and medium of advertisements involved and the type of products to be promoted in the entertainers and KOLs engagement; and (ii) the popularity, image and follower base of the respective entertainers and/or KOLs at the time of the engagement.
- Exclusivity** : There are generally no exclusivity arrangements between the entertainers and KOLs with the Group. The entertainers and KOLs are generally free to represent and promote other products. However, some entertainers and KOLs have agreed to not participate in similar promotional activities for same types of products within the period of which the promotional materials are available for use by the Group.

Our Directors are of the view, and the Sole Sponsor concurs that our dependence on such entertainers and KOLs is insignificant, given that (i) the entertainers and KOLs we engage are not directly involved in selling our products, as we have our own sales channels, including self-operated stores and online retail sales; (ii) our Group employs a diversified marketing strategy, and is not reliant on any single entertainer or KOL for driving sales; (iii) our expenses for engaging artists and KOLs represent approximately 12.0% to 16.4% of the total advertising and promotion expenses for each year during the Track Record Period; and (iv) there were changes of entertainers and KOLs during the Track Record Period but there was no material adverse change in the sales of the promoted products.

In addition to entertainers and KOLs, we also engage medical professionals with expertise in healthcare and nutrition whom we believe are corresponding with our own brand image from time to time to provide their views on our products.

In-store Promotion and Membership System

As at the Latest Practicable Date, we had 89 product consultants at our self-operated stores and brand experience centres, who interact with end-customers directly by providing them with advice and recommendations on product usage and selection such that end-customers can gain instant knowledge of our products. We also place brochures and leaflets with our product information and photographs at our self-operated stores and brand experience centres.

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Under our membership programme, our registered customers accumulate reward points for purchases exceeding a certain amount, which entitle them discounts on future purchases. Additionally, our registered members can (i) enjoy discount offers on their purchases based on their corresponding membership tiers, (ii) receive various exclusive promotional offers or gifts, (iii) receive exclusive event invitations, and (iv) receive health information updates from our newsletters. Our product consultants at our brand experience centres follow up with our registered members from time to time to check up on their health conditions and to ask for their feedbacks after using our products. They will also inform our registered members of our latest products and product promotions. Furthermore, for our membership programme's exclusive events, we will organise and invite registered members to attend birthday and stores' anniversary celebrations as well as health-related seminars and talks. We believe that our membership programme has been successful in promoting customer loyalty and increasing our own brand awareness. Details of our different membership tiers are set out below.

Membership tiers	Silver	Gold	Platinum	Diamond
Discounts	N/A	2%	5%	8%
Tier criteria	Become a silver member by application	Spending over HK\$2,500 within six months	Spending over HK\$10,000 within six months	Spending over HK\$20,000 within six months
Validity period	No expiry date	No expiry date	From date of joining the membership tier until 31st December of the following year	From date of joining the membership tier until 31st December of the following year

In addition, we also had 82 sales promoters as at the Latest Practicable Date, who are primarily stationed at the stores of Customer A to promote our products and to receive instant feedback from end-customers.

Exhibitions and Trade Fair

We also participate in exhibitions and trade fairs from time to time, such as the Hong Kong Brands and Products Expo and HKTDC Food Expo to promote products under our own brands and enhance our own brand awareness.

QUALITY CONTROL

We strive to provide safe, reliable and consistent products with a strong emphasis on our product quality and assurance. We have a standardised quality control procedures for selecting our suppliers and for ensuring our products are of quality, safe and suitable for consumption or use and will fully comply with the relevant laws and regulations. Our Directors confirm that we had not experienced any product quality issue that would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, we had a quality control team of four staff overseeing the quality control procedures. The members of the quality control team involve our senior procurement manager and senior procurement officer of our Group, most of them has on average over 10 years of experience in the health supplements market and the cosmetics and skincare products market.

Quality Assurance Relating to Our Suppliers

We engage Independent Third Party manufacturers to produce semi-finished products under our own brands on an OEM basis. We also purchase some key raw materials and packaging materials. In general, we select potential suppliers based on their industry reputation and certifications, evaluate their quality assurance measures and assess their regulatory compliance records. We enforce a series of quality control measures with our manufacturers, encompassing product inspections, adherence to industry-specific quality standards, continuous monitoring of production processes, and prompt resolution of any quality-related issues that may arise.

Manufacturers of semi-finished products

In general, we select manufacturers to produce semi-finished products on an OEM basis based on the suitability and quality of their product formulations. We adopted the following approach in the selection of Independent Third Party manufacturers for our semi-finished products:

- (i) collecting information about the corporate background and the reputation in the industry of the manufacturers;
- (ii) inspecting the production facilities of the manufacturers to ascertain whether their manufacturing process is under stringent supervision and complies with the relevant safety standards;
- (iii) inspecting the certificates, licences and permits and all other supporting documents in respect of the credentials of the manufacturers, such as whether they have “GMP” certification issued by TGA or other issuing authorities or similar certification, patent proofs and test reports in respect of the ingredients or of the products produced; and

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- (iv) requesting for proposal or quotation from the identified manufactures for evaluation, normally we will request the manufactures to include in the proposals, among others, their formula proposals, quotations and delivery arrangements.

Suppliers of key raw materials

For our suppliers of key raw materials, we select them based on the suitability and quality of their key raw material specifications. We also implemented stringent selection guidelines to evaluate and identify suitable suppliers of key raw materials. We generally take into account a variety of factors, including but not limited to, their product quality, pricing and delivery timeframe, market reputation, and whether their products meet our required quality standard. We adopt the following approach in the selection of suppliers of key raw materials:

- (i) identifying potential suppliers through various methods such as market research, referrals and site visits; and
- (ii) evaluating the qualifications of suppliers, through examining, among others, their product quality, pricing and delivery timeframe, market reputation, quality management systems, and whether their products meet our required quality standard and are compliant with applicable regulations.

Our Directors confirm that we did not encounter any major difficulties in finding suitable suppliers and we did not have disputes with any suppliers that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period.

Quality Assurance Relating to Our Products

We adopt stringent quality control procedures on the quality of our products, which ensure that our products (including the ingredients used therein) comply with the specifications, the application industry standards as well as the applicable laws and regulations. During the supplier onboarding process, the responsible procurement supervisor obtains relevant certificates (e.g., Good Manufacturing Practice Certification) from the supplier to ensure that the production environment of the supplier meets the required standards. For any newly launched products, we will closely examine the certificates of analysis provided by the relevant suppliers, and for our products (including any newly launched products), we obtain certification of analysis from suppliers, which sets out the specifications and some testing results of the products, before shipment and generally arrange for a safety test to ensure such products meet the relevant safety standards required by the governing authorities in Hong Kong, including the safety standards set by the Department of Health of Hong Kong. Furthermore, we will inquire about the sources and origins of the raw materials to be used by our suppliers in manufacturing our products to evaluate the quality and effectiveness of the raw materials. We also conduct site visits to our suppliers to oversee the manufacturing process, in order to assess the on-site hygiene standards and the quality of the raw materials utilised.

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We may also perform checking on our products, including arranging for our products to be tested by Hong Kong government-approved organisations such as The Hong Kong Standards and Testing Centre Limited, and to conduct general checks on the packaging, product specification and expiry date on products stored in our warehouses. For details, please refer to “Inventory and Warehousing” in this section.

Product Liability and Return

As agreed with our suppliers, products purchased by us from them may be returned to them for replacement or refund where products defects or quality issues are identified.

End-customers directly purchasing products from our self-operated stores, brand experience centres and Zinomall can refund or exchange the products with defective or other quality issues, or within a predetermined period of 14 days for return upon approval by us. As for customers purchasing from our self-operated account and store on third-party online platforms including HKTVmall and Tmall.hk, we accept product refund or exchange in accordance with the return policy of such online platforms. Wholesale customers are also entitled to return products to us in the following circumstances: where product defects or quality issues are identified upon receipt, for discontinued products (i.e. products which sales are to be discontinued by us due to reasons such as upgrade or launch of new products), or as a result of excess products after a promotion event, details of which shall be discussed between us and our wholesale customers and agreed upon mutual consent. During the Track Record Period, the total sales value of products returned by our customers amounted to approximately HK\$6.8 million, representing less than 1.0% of the total revenue, which is mostly contributed by Customer A.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any significant recalls or returns of our products; (ii) we were not subject to any fines, negative findings, product liability exposure or other penalties from government authorities or other regulatory bodies; and (iii) we had not received any complaints or claims from our customers in respect of the quality of our products, neither of which would have had a material adverse impact on our business, financial condition or results of operation during the Track Record Period.

It is also our Group’s policy that all customer complaints should be dealt with promptly and seriously upon receipt. Our sales team is responsible for, among others, handling customers’ enquiries, feedbacks and complaints to ensure prompt responses to customers’ concerns and to provide them with solutions. Complaint case reports will be generated and provided to the management of our Group for review and discussion.

INVENTORY AND WAREHOUSING

Our inventory comprises primarily products, semi-finished products, raw materials as well as packaging materials and our inventory level varies according to the demands of our customers, our marketing, sales and production plans. We place purchase orders for products, semi-finished products, raw materials and packaging materials as and when necessary.

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We monitor our inventory level from time to time in order to minimise the risk of inventory buildup. Our Directors confirm that, during the Track Record Period, we had not experienced any material shortage of inventory.

Inventory Control at our Warehouse

We store our products, semi-finished products, key raw materials and packaging materials in the warehouses located in Kwai Chung, Hong Kong. We place orders with our suppliers regularly to replenish the inventory stock to a pre-determined level which in turn allows us to avoid additional warehouse costs. We normally maintain an inventory level at the warehouse that is sufficient for our sales for about two to five months on average.

We continuously monitor the shelf life of the products in our self-operated stores and brand experience centres by, among others, performing regular inspection for products which will be expired within 18 months. Inventories which will be expired within 18 months are stored in a designated area for all close-to-expire inventories. The marketing team will determine the appropriate strategy to handle close-to-expire inventories such as launching promotions and discounts to promote sales. Any proposed impairment or write-offs on inventory shall be approved by a Director.

Inventory Control at our Self-operated Stores and Brand Experience Centres

We continuously monitor the shelf life of the products in our self-operated stores and brand experience centres by, among others, perform regular inspection for the identification of damaged products or products which will be expired within 18 months. These products identified will be returned to the warehouse and stored in the designated area for all close-to-expire inventories. We generally launch promotions and provide discounts to promote sales of slow-moving or close-to-expire inventories.

LOGISTICS

During the Track Record Period, we engaged Independent Third Party logistics service providers for the delivery of products from our warehouses to the designated locations of our customers. We have not entered into any long-term contract with such service providers. We incurred delivery expenses of approximately HK\$5.0 million, HK\$5.1 million, HK\$5.1 million and HK\$2.4 million for FY2021, FY2022, FY2023 and 6M2024, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption in the delivery arrangement of our products and had not suffered any material loss as a result of delays in delivery or poor handling of our products by the logistics service providers engaged by us.

MARKET AND COMPETITION

According to the F&S Report, both the health supplements market and the cosmetics and skincare products market we operate in are competitive and evolving. For more information of the competitive landscape of our markets and industries, please refer to “Industry Overview” in this prospectus.

Our Directors believe that we are in a favourable position to compete with the existing market players and the new entrants and will be able to remain competitive. Our Directors are confident that the implementation of our business strategies with the net proceeds from the Global Offering will enable us to expand our business so as to reinforce and further enhance our market position. Please refer to “Competitive Strengths” and “Business Strategies” in this section for further information.

USER PRIVACY AND DATA SECURITY

In the ordinary course of business, we collect, store and use certain personal information of our employees, suppliers, end-customers and other individuals from time to time, such as (i) when customers registered as members with us, we may collect their particulars including without limitations, names, ages, phone numbers and date of birth; (ii) when customers place online orders through online platforms, such as Zinomall, HKTVmall and Tmall.hk, we may collect their account names, phone numbers, transaction information and other information; and (iii) during the selection of our suppliers’ process, we collect suppliers’ basic information, such as their corporate information.

We strictly follow the relevant laws and regulations in collecting the personal information, and we continuously improve our practices in personal information protection by internal inspections, supervision, review and other measures to ensure maximum protection of personal information. For details on our risks associated with the protection of personal information, please refer to “Risk Factors – Risks Relating to Our Business – Our business collects and processes a large amount of customer data, and any improper use or disclosure of or unauthorised access to such data may harm our business and reputation and may result in threats of lawsuits, administrative penalty and related liabilities.” in this prospectus.

To ensure proper and sufficient protection for user privacy and data security, we have implemented internal data security and protection protocols which provide for data management responsibilities, data protection and confidentiality procedures. We also update our policies and internal control measures for data protection based on evolving regulatory requirements and industry standards. We implemented several detailed measures with respect to cybersecurity and personal data protection. For example, we notify end-customers and obtain consents from them about how we collect and use their personal data. Data regarding end-customers’ online purchases made through third-party platforms are managed subject to those third-party platforms’ data governance policies.

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Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations relating to user privacy and data security in all material aspects. We will closely monitor further regulatory developments and take appropriate measures in a timely manner.

EMPLOYEES

As at Latest Practicable Date, we had a total of 241 employees (including 213 full-time and 28 part-time employees), all of whom were based in Hong Kong. Set forth below is an analysis of our employees by functions as at the Latest Practicable Date:

Function	Number of employees
Management	3
Accounting and Finance	8
Human Resources and Administration	9
Procurement, Warehousing and Logistics	24
Sales and Marketing	197
Total	241

Recruitment and Training

We generally recruit our employees from the open job markets through, among others, online job portals and the Labour Department of Hong Kong. During the Track Record Period, we have also engaged a recruitment agency, being an Independent Third Party. Pursuant to the recruitment agency services agreement, the agency fee we pay to such recruitment agency is based on certain percentage of the total annual remuneration package of the successful candidates referred by the recruitment agency. As advised by our Hong Kong Legal Counsel, we have been in compliance with the applicable laws and regulations in relation to recruitment and employment in all material respects during the Track Record Period.

Our recruitment policy is based on a number of factors including the level of knowledge and experience we require of our employees. We provide introductory training at the time when our employees first join us and thereafter regular on-the-job training, depending on his or her role. We believe such initiatives have contributed to the increased employee productivity. In particular, we recognise that the service etiquette and product knowledge of our frontline sales promoters and product consultants are critical in presenting the image of our products and our own brands. In order to provide professional service and comprehensive information to our customers, we provide trainings for all our frontline sales personnel from time to time to ensure that they establish a solid knowledge on health issues, nutrition and our products, improvement of communication skills and to stay abreast of the market trends and health products.

BUSINESS

We enter into a standard employment contract with our employees which set out terms such as remuneration and period of employment. During the Track Record Period, our staff cost, including, salaries, commissions and benefits, was approximately HK\$55.3 million, HK\$63.8 million, HK\$71.8 million and HK\$34.8 million for FY2021, FY2022, FY2023 and 6M2024, respectively.

We have no labour union established for our employees. Our Directors confirm that, during the Track Record Period, there was no material dispute with our employees in the course of our business operations. As such, we believe that we maintain a positive working relationship with our employees.

INSURANCE

We maintain insurance policies which cover, among others, (i) statutory employees' compensation for employees; (ii) medical insurance for our employees; and (iii) office and event insurance for, *inter alia*, property damage, loss of money, personal accident and public liability. Our Directors consider that our insurance coverage is adequate and consistent with industry norm.

For details of the risk relating to our Group's insurance coverage, please refer to "Risk Factors – Risks Relating to Our Business – Our business and reputation may be affected by product liability claims, litigation, customer complaints, product tampering, food safety issues, food-borne illnesses, health threats, quality control concerns or adverse publicity relating to our products or the health supplement industry. Product liability insurance of our suppliers may not cover our liability sufficiently or at all." in this prospectus. Our Directors confirm that we did not make and were not subject to any insurance claims that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As at the Latest Practicable Date, we did not own any property in Hong Kong and details of our leased properties (including the lease expiry profile of our stores as at the Latest Practicable date) are as follows:

No.	Location	Principal usage	Duration of tenancy
1	Units 2309–2310, 23/F, Laford Centre, 838 Lai Chi Kok Road, Kowloon, Hong Kong	Office	1 December 2022 – 31 July 2025
2	Unit C4-C, 6/F, Block C, Hong Kong Industrial Centre, 489–491 Castle Peak Road, Kowloon, Hong Kong	Office	23 July 2023 – 22 July 2025

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No.	Location	Principal usage	Duration of tenancy
3	7/F, Ching Hing Industrial Building, Stage I, 19–25 Fu Uk Road, Kwai Chung, New Territories, Hong Kong	Warehouse	12 June 2023 – 11 June 2026
4	9/F, Ching Hing Industrial Building, Stage I, 19–25 Fu Uk Road, Kwai Chung, New Territories, Hong Kong	Warehouse	1 July 2024 – 30 June 2026
5	11/F, Ching Hing Industrial Building, Stage I, 19–25 Fu Uk Road, Kwai Chung, New Territories, Hong Kong	Warehouse	1 July 2024 – 30 June 2026
6	Office No. 504, 5/F, Tower 1, Silvercord, No. 30 Canton Road, Kowloon, Hong Kong	Brand experience centre	15 March 2023 – 14 March 2026
7	Unit Nos. 1&2, 18/F, Central Commercial Tower, No. 736 Nathan Road, Kowloon, Hong Kong	Brand experience centre	8 September 2023 – 7 September 2025
8	Shop No. 123, 1/F, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong	Store	8 May 2023 – 7 May 2026
9	Shop No. 183, 2/F, Commercial Accommodation of Tsuen Kam Centre, Tsuen Wan, New Territories, Hong Kong	Store	17 December 2021 – 16 December 2024
10	Shop No. G28, G/F, Fortune City One, Commercial Block B, City One Shatin, No. 1 Ngan Shing Street, Shatin, New Territories, Hong Kong	Store	1 November 2024 – 31 October 2026
11	Shop No. 1-140, Level 1, Commercial Portion, Tseung Kwan O Plaza, New Territories, Hong Kong	Store	20 April 2024 – 19 April 2027
12	Shop No. 318, 3/F, Commercial/Car Park Block (also known as Tse Wan Shan Shopping Centre), Tse Lok Estate, Tse Wan Shan, Kowloon, Hong Kong	Store	15 June 2024 – 14 June 2027

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No.	Location	Principal usage	Duration of tenancy
13	Shop No. G102, G/F, KOLOUR Tsuen Wan I, 68 Chung On Street, Tsuen Wan, New Territories, Hong Kong	Store	16 July 2024 – 15 July 2027
14	Shop No. 12B, Level 3, Shatin Plaza, No. 21–27 Sha Tin Centre Street, Sha Tin, New Territories, Hong Kong	Store	16 August 2024 – 15 August 2027
15	Shop No. 072b, Level 2, Zone A, Tai Po Mega Mall, No.8 & 10 On Pong Road, Tai Po, New Territories, Hong Kong	Store	16 September 2024 – 15 September 2027
16	Shop No. 2202, Level 2, Mostown (Phase 4), No. 18 On Luk Street, Shatin, New Territories, Hong Kong	Store	1 December 2024 – 30 November 2027
17	Shop No. 119, Level 1, Multi-story Commercial/Car Park Accommodation, Lower Wong Tai Sin, Wong Tai Sin, Kowloon, Hong Kong	Store	28 December 2021 – 27 December 2024
18	Shop No. A258, Level 2, Reserved Commercial Areas of the Commercial Accommodation, 8 Long Yat Road, Yuen Long, New Territories, Hong Kong	Store	1 March 2022 – 28 February 2025
19	Shop No. 499, Level 4, Metroplaza, Kwai Fong, New Territories, Hong Kong	Store	1 August 2024 – 31 July 2026
20	Shop No. L2-120, Level 2, Sham Shui Po, V Walk, No. 28 Sham Mong Road, Kowloon, Hong Kong	Store	1 September 2022 – 31 August 2025
21	Shop No. LG-2a, Lower Ground Level, APM, Millennium City 5, No. 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	Store	1 December 2022 – 30 November 2025
22	Shop No. 315, Level 3, Plaza Hollywood, Diamond Hill, Kowloon, Hong Kong	Store	20 February 2023 – 19 February 2026

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No.	Location	Principal usage	Duration of tenancy
23	Shop No. 329, Level 3, Landmark North, No. 39 Lun Sum Avenue, Shek Wu Hui, Sheung Shui, New Territories, Hong Kong	Store	23 April 2023 – 22 April 2026
24	Shop No. 53, Level 3, South Wing, Trend Plaza, Tuen Mun, New Territories, Hong Kong	Store	9 June 2023 – 8 June 2026
25	Shop No. G29, G/F, Commercial Accommodation of Port Centre, Aberdeen, Hong Kong	Store	10 July 2023 – 9 July 2026
26	Shop No. 123A, 1/F, Mikiki, The Latitude, 638 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong	Store	1 August 2023 – 31 July 2025
27	Shop No. 53A, Level 2, Fanling Town Centre, No. 18 Fanling Station Road, Fanling, New Territories, Hong Kong	Store	15 September 2023 – 14 September 2026
28	Shop No. F40, Lower Floor, East Footbridge, Kornhill Plaza, 1-2 Kornhill Road, Hong Kong	Store	1 November 2023 – 31 October 2026
29	Shop Unit 185B, 1/F, Maritime Square Extension, Tsing Yi, Hong Kong	Store	1 December 2023 – 30 November 2026
30	Shop No. U216, Upper Ground 2 Floor, Commercial Centre II, Lok Fu Place, Lok Fu Estate, 198 Junction Road, Kowloon, Hong Kong	Store	18 December 2023 – 17 December 2026
31	Shop No. G10, G/F, OP Mall, Tsuen Wan, New Territories, Hong Kong	Store	2 January 2024 – 1 January 2027
32	Shop S125D, 1/F, T Town South, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	Store	1 April 2024 – 31 March 2027

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No.	Location	Principal usage	Duration of tenancy
33	Shop Unit 307 on 3rd floor of the Southside to be erected on Aberdeen Inland Lot No. 467, Heung Yip Road, Wong Chak Hang, Hong Kong	Store	1 May 2024 – 30 April 2026
34	Shop No. UG06 on the Upper Ground Floor at Olympian City 3. No. 1 Hoi Wang Road, Kowloon, Hong Kong	Store	23 May 2024 – 22 May 2027
35	Shop No. L022, Ground Floor, Commercial Car Park Block, Tin Yiu Estate, Tin Wu Road, Tin Shui Wai, New Territories, Hong Kong	Store	22 June 2024 – 21 June 2027
36	Shop No. 1074B on Level 1 of the Commercial Development of Metro City Phase II erected on Tseung Kwan O Town Lot No. 27	Store	22 July 2024 – 21 July 2027
37	Shop No. 48, G/F, KOLOUR Yuen Long, No. 1 Kau Yuk Road and Nos. 36–46 Tai Tong Road, Yuen Long, New Territories, Hong Kong	Store	1 August 2024 – 31 July 2027
38	Shop Unit 114, The Lane, Tseung Kwan O Town Lot No. 24, Hong Kong	Store	1 July 2024 – 30 June 2027
39	Shop G-5f, Ground Floor of V City, No. 83 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories, Hong Kong	Store	1 November 2024 – 31 October 2027
40	Shop No. L46, Lower Ground Floor, Fitfort, No. 560 King's Road, North Point, Hong Kong	Store	2 September 2024 – 1 September 2027

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Our Directors confirm that we did not have any issue or dispute with the landlords in securing or renewing our leases which would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTIES

We have registered certain trademarks and domain names in Hong Kong. For details of the intellectual property rights which are material to our Group's business, please refer to "Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights" in Appendix IV to this prospectus. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us.

LICENCES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, our business operations primarily took place in Hong Kong. As advised by our Hong Kong Legal Counsel, (i) save as disclosed below, we are not required to possess any specific licence, permit, approval or certificate to carry out our business activities in Hong Kong; and (ii) during the Track Record Period and up to the Latest Practicable Date, we have obtained all the licences and permits from the relevant regulatory authorities in Hong Kong for our business operations in all material aspects.

No.	Name of our subsidiary	Issuing authority	Licence	Licence number
1.	Herbs Generation	Chinese Medicine Council of Hong Kong	Licence for wholesalers of proprietary Chinese medicines	PW-2003-00171
2.	Herb Generation	Chinese Medicine Council of Hong Kong	Licence for manufacturer of proprietary Chinese medicines (external packing only)	PM-2019-00002

For a summary of such relevant laws and regulations in Hong Kong, please refer to the "Regulatory Overview" in this prospectus.

LEGAL AND REGULATORY COMPLIANCE**Legal Proceedings**

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

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

During the Track Record Period and up to the Latest Practicable Date, our Group had received a total of 21 complaint letters from the Department of Health of Hong Kong notifying that certain advertisements of our Group's products might contravene sections 3 and/or 3B of the UMAO due to certain restricted words being used. For instance, those advertisements published by our Group mentioned that some of our products can stabilise cholesterol, improve tinnitus, remedy frequent urination and urination difficulty or reduce the risk of liver diseases, and that our products had been used by persons with cataracts or hyperthyroidism. We have been notified that, such wordings may have fallen within the restrictions under sections 3 and/or 3B of the UMAO which prohibits advertisements claiming to treat or prevent certain diseases or conditions. In response, our Group discontinued or rectified the content of the relevant advertisements within two to four weeks following the receipt of the complaint letter.

We also received a total of two letters from the Office of the Communications Authority of Hong Kong during the Track Record Period in relation to a suspected contravention of the UEMO, namely that ZINO International sent commercial electronic messages to a claimant whose number has been listed in a do-not-call register. In response, our Group took immediate action by promptly removing the concerned numbers from our call list upon receiving the complaint letter. Our Hong Kong Legal Counsel advised that such unsolicited advertising to numbers on a do-not-call register would not constitute a breach of relevant laws and regulations concerning the collection of personal information in Hong Kong.

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Our Directors believe that these were due to the inadvertent oversight by our marketing staff. No charge has been laid against and no penalty has been imposed on our Group in respect of the above suspected contraventions during the Track Record Period and up to the Latest Practicable Date. In light of the fact that these cases had been closed, long time period had lapsed and no charge had been laid by the relevant authorities on our Group in respect of these letters, our Hong Kong Legal Counsel advised that the risk that our Group will be subject to the maximum penalty (a fine of HK\$100,000) under the above ordinances is extremely remote.

In particular, in order to prevent recurrence of the non-compliance incidents, the following internal control measures have been adopted:

- (i) our Group has adopted compliance guidelines to provide specific guidance to the staff on product labelling and advertisements in ensuring compliance with relevant laws and regulations, including the UMAO and UEMO;
- (ii) our management review all of our marketing materials to ensure compliance with the relevant requirements under the laws of Hong Kong and all the marketing materials must be approved by our management, before they are published;
- (iii) we have distributed the relevant training materials to our Directors and management in which they were given an overview on the applicable laws and regulations on advertisement laws of Hong Kong. We will arrange various trainings to be provided by appropriate accredited institution to reinforce our Directors' and management's awareness on applicable Hong Kong laws and regulations, especially in respect of the UMAO and UEMO.
- (iv) the managing director and marketing manager are responsible for reviewing and approving articles, storyboards and videos prepared by our product managers or other marketing service providers engaged by us before their market launch;
- (v) regularly download the most updated do-not-call register from the website of the Communications Authority to cleanse our calling number databases against the numbers registered in the do-not-call register;
- (vi) implement regular training sessions to educate employees about compliance requirements relating to advertising regulations and laws; and
- (vii) consult relevant governing bodies and our external legal advisers for guidance and advice in case of any uncertainties or queries regarding compliance matters related to labelling and advertisements.

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During the Track Record Period and up to the Latest Practicable Date, we received two complaints from the Consumer Council regarding our Group's health supplement products. One complaint alleged that a customer experienced symptoms after consuming our products, while the other complaint was about colour difference in the capsules. We provided explanations to address the complaints and arranged refunds for the complainants. The aforementioned two cases were subsequently settled, and no further action was taken by the complainants. Our Directors are of the view that the former case is an isolated incident, while the issue of colour difference in the latter case was attributed to variations in the colouring of natural raw material, which is commonly observed in health supplements made from natural raw materials.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in "Risk Factors" in this prospectus. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular operational and financial risks relating to our business operation:

- (i) *Customer concentration risk management.* Please refer to "Our Customers – Our Business Relationship with Customer A" in this section.
- (ii) *Credit risk management.* We are subject to risks in relation to the collectability of our trade and other receivables, please refer to "Risk Factors – Risks Relating to Our Business – Our wholesale customers and consignees may delay and/or default in their payments to us." in this prospectus for further details. Our wholesale customers and consignees primarily consist of chain retailers and non-chain retailers, who are generally offered credit terms up to 90 days. We review the credit terms for each existing and prospective corporate customer from time to time. The settlement and credit terms granted to wholesale customers and consignees are determined with reference to, among other things, (a) the length of the business relationship with us; (b) the payment history of the customer; and (c) the financial strength and creditability of the customer. Material overdue payments are closely monitored and evaluated on a case-by-case basis in order to deduce the appropriate follow-up actions having regard to our business relationship with the customer, its history of making payments, its financial position as well as the general economic environment.
- (iii) *Regulatory risk management.* We keep ourselves abreast of any changes in government policies, regulations, and licensing requirements in Hong Kong in relation to our business operations, as well as the relevant environmental and safety requirements. We will ensure that any changes of the above are closely monitored and communicated to our senior management for proper implementation and compliance.

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We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. Our Directors are responsible for formulating, supervising and overseeing the effectiveness of our risk management system and implementation of our internal control systems.

Internal Control Review

In preparation of the Listing, our Group engaged an independent internal control consultant (the “**IC Consultant**”) to undertake a review on our internal control over financial reporting to review the adequacy and effectiveness of the risk management and internal control system associated with the major business processes of the Group, and to identify findings and provide recommendations to us. Following the recommendation of the IC Consultant, we have adopted a series of internal control measures to enhance our internal control system, which include but not limited to (i) establishing policies for key processes of our business operations like sales, procurement, logistics and inventory management; (ii) formalising cash count processes, vendor onboarding and inventory counts; (iii) documenting distributor assessments; (iv) requiring dual signatories for bank payments; and (v) conducting independent reviews of manual journal vouchers.

Specifically, for sales transactions involving cash settlements, we have taken additional measures, including (i) installation of closed-circuit televisions to monitor crucial areas like the cashier and Point-of-Sales system; (ii) daily cash counts by the shop supervisor or assistant shop supervisor with documented results; and (iii) timely cash deposit into the bank by the supervisor.

The IC Consultant performed follow-up review on those actions taken by the Company and did not identify any further deficiency in the internal control system. Based on the results of the follow-up review, our Directors confirmed our Group had adopted all the applicable internal control measures and policies suggested by the IC Consultant and did not have any significant deficiencies in its internal control system as of the Latest Practicable Date.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following risk management and internal control measures:

- (i) establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee comprise three independent non-executive Directors, for details, please refer to “Directors and Senior Management – Board Committees – Audit Committee” in this prospectus;
- (ii) promulgate well-rounded policies and procedures to enhance our internal control and risk management, especially in the key areas of corporate governance as a listed company on the Stock Exchange. For instance, we plan to establish policies and procedures in relation to conflict of interests, securities trading activities by our Directors and employees, major transactions review and approvals, key accounting matters and compliance supervision, among others;

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- (iii) improve other key aspects of general internal control, such as improve our internal corporate structures to implement operating efficiency, setting down engagement and management procedures for independent directors, company secretaries and accounting personnel, conducting group-wide periodic internal control and risk management assessment, developing anti-bribery, anti-fraud and anti-money laundering procedures, launching trade secret protection systems, enhancing product quality management, improving compliance management procedures, among others; and
- (iv) provide trainings to our Directors, management and employees to continuously raise their awareness of the importance of internal controls and legal compliance. We intend to continue to provide trainings for Directors and management with respect to the Listing Rules and duties of directors of a listed company on the Stock Exchange.

To ensure the above compliance culture is embedded into everyday workflow and set the expectations for individual behaviour across the organisation, we will regularly conduct internal compliance checks and inspirations, adopt strict accountability internally and conduct compliance training.

Based on the above, our Directors are of the view that our Company has taken reasonable steps to establish an internal control system and procedures to manage the risks exposed to us and enhance the control environment in both the daily operation and management levels. Accordingly, our Directors are of the view that the internal control system currently implemented by our Group is adequate and effective to our operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We have been taking and will continue to take effective measures to embrace environmental, social and governance (ESG) practices into every aspect of our business operations. To do so, we establish an ESG management structure, set down ESG duties at each level of our Company, and enhance our ESG management level and execution capabilities on an ongoing basis.

Governance Structure

The Board sets our strategic direction, ensuring alignment between its ESG strategy, values, and core businesses. The ESG strategy is developed through evaluating, prioritising, and managing these issues and risks. Our Board will adopt the following approach to manage material ESG issues:

- *Identify and Assess.* Our Board will engage internal and external stakeholders (including, but not limited to, shareholders/investors, the management and employees, customers, suppliers, regulatory authorities, and non-governmental organisations) to identify material ESG issues and risks inherent in our business operations. We believe that open dialogue with stakeholders plays a crucial role in maintaining our business sustainability.

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- *Review.* Our Board will review the metrics and progress made against ESG-related goals annually to guide us to achieve better ESG performance. The Board will consider establishing targets, potentially aligned with those adopted by our peers, to enhance our strategic focus and accountability in ESG matters.

Process to Identify, Assess and Manage ESG-related Risks

To identify material ESG issues and risks inherent in our business operations, the Group has considered various sources to align with industry expectation, including benchmarking against peers' disclosures, MSCI's ESG Industry Materiality Map, and local and international reporting standards and frameworks such as the Stock Exchange's "How to Prepare an ESG Report", the Sustainability Accounting Standards Board, and recommendations of the Task Force on Climate-related Financial Disclosures. The identified topics were then prioritised based on our internal understanding of their significance to our business operations and stakeholders.

We have identified the following material ESG issues and their potential impacts:

Material ESG issues

Potential Risks, Opportunities and Impacts

Environmental aspects

Use of resources

As a provider of health supplements and cosmetics and skincare products, our primary resource consumption involves electricity in our retail stores and warehouses, as well as packaging materials for our products. With plans to expand our sales network, we anticipate increased energy demand and packaging usage, which could lead to higher operating costs and a greater environmental impact. To mitigate our environmental impact, we implement various environmental-friendly measures in our business operations to reduce our energy consumption and packaging use. For details, please refer to "Environment" in this section.

Climate change

We recognise the potential impacts of climate change on our business operations and value chain, from supply and operations to market dynamics and regulatory compliance. With the increasing focus on climate action, we also anticipate stricter regulations regarding emissions reduction. For details, please refer to "Climate Change" in this section.

Material ESG issues***Potential Risks, Opportunities and Impacts*****Social aspects*****Employment and labour standards***

We consider attracting, recruiting, and retaining quality staff to be important aspects of our business. To create a positive work environment, ensure compliance, and maintain a skilled workforce, we have adopted policies and implemented measures to address the various aspects of employment, including compensation and dismissal, equal opportunities, diversity, anti-discrimination, training and development, and other benefits and welfare. For details, please refer to “Employee Caring” in this section.

Product responsibility

Product responsibility is crucial in our industry as our health supplements and cosmetics and skincare products directly impact end users. To provide safe, reliable and consistent products, we have a standardised quality control procedures for ensuring our products are of quality, safety and suitable for consumption or use and fully comply with relevant laws and regulations. For details, please refer to “Quality Control” in this prospectus.

Supply chain management

Supply chain quality plays an important role in ensuring our product quality as we rely on our suppliers to supply the required semi-finished goods, key raw materials, packaging materials and to provide services to us. For details, please refer to “Responsible Sourcing” in this section.

Environment

We proactively monitor changes in laws and compliance risks on environmental issues. We promptly adjust to changes in regulations and policies to ensure our compliance with environmental issues. Considering the impact of our business on the climate and the environment, we take appropriate measures in our business operations to minimise the impact of our operations on the environment. We also promote environmental awareness and encourage environmentally-friendly measures to improve resource efficiency.

We take the following environmental-friendly measures in our business operations:

Resources Management

- (i) strive to continuously improve our resource management, by responsibly manage and utilise energy resources for the benefit of the business and society; and
- (ii) implement effective measures to manage the use of packaging materials, including the cessation of shrink-wrapping and request suppliers to reduce use of packaging materials.

Energy Efficiency and Emissions Management

- (i) reduce energy consumption so as to reduce carbon footprint;
- (ii) encourage the adoption of energy-efficient equipment; and
- (iii) turn off the unnecessary electrical equipment and lights.

Waste Management

- (i) handle waste in accordance with applicable laws and regulations;
- (ii) minimise the generation of all kinds of waste where applicable; and
- (iii) reuse and recycle as much as possible.

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Environmental Metrics and Targets

Our energy consumption includes the electricity used at our offices, warehouses, brand experience centres and self-operated stores. We account for both direct emissions and energy indirect emissions. As our Group did not own or lease any motor vehicles for majority of the Track Record Period or operate any cold storage systems or other equipment that directly emit greenhouse gases, our direct emissions (Scope 1) are considered negligible. Meanwhile, our energy indirect emissions (Scope 2) are mainly from the electricity we purchase. Regarding other indirect emissions (Scope 3), which refer to emissions that occur in our value chain and outside our direct operations, we will collect and measure in the future.

The table below sets out our electricity consumption and the greenhouse gas emissions for FY2021, FY2022, FY2023 and 6M2024, respectively:

	Unit	FY2021	FY2022	FY2023	6M2024
Electricity consumption	kWh	155,112	232,000	261,460	151,360
Electricity consumption intensity	kWh per sq. ft.	8.89	7.26	7.01	6.94 ⁽²⁾
Scope 2 indirect emissions ⁽¹⁾	tonnes of CO ₂ equivalent	63	93	105	62
Intensity of Scope 2 indirect emissions	kg of CO ₂ equivalent per sq. ft.	3.62	2.91	2.81	2.84 ⁽²⁾

Note:

- (1) With reference to Reporting Guidance on Environmental KPIs in Appendix 2 to How to Prepare an ESG Report issued by the Stock Exchange, our Scope 2 emissions are calculated based on the emission factors provided by utility providers in Hong Kong.
- (2) Intensity figures for the stub period have been prorated to facilitate comparison with full-year data.

As we anticipate an increase in the number of shops and employees due to the expansion of our business operations, we recognise the potential for higher overall energy consumption. To mitigate this, we have reviewed our historical electricity consumption and have set a target to reduce 5% of Scope 2 emissions intensity by 2030 with 2023 as the baseline year. Going forward, we will continue to monitor ESG-related metrics, review our progress against existing targets, and consider setting new targets as our ESG strategy evolves. While these initiatives may lead to a potential increase in operating costs, such as from the purchase of more energy-efficient equipment and the allocation of additional resources and manpower to monitor ESG metrics and targets, they are essential for enhancing our strategic focus and accountability in ESG matters.

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The Group's packaging materials usage has increased due to the expansion of our business. In response, we have improved packaging practices such as providing trainings to employees to reduce product wastage and manage packaging materials more efficiently. Since 2020, the Group has been progressively replacing the shrink-wrapping process with round stickers for an increasing number of products to reduce plastic waste. To further minimise packaging waste, we also encourage customers to purchase products without outer boxes and avoid using plastic bags. Furthermore, our procurement department maintains inventory management to prevent over-purchasing and ensures timely use of materials before expiration. To minimise product wastage, we also utilise products nearing their expiration date by incorporating them into promotional offerings.

The table below sets out our packaging materials used for FY2021, FY2022, FY2023 and 6M2024, respectively:

Type of packaging materials used ⁽¹⁾	Unit	FY2021	FY2022	FY2023	6M2024
Cardboard	'000 pieces	47	42	47	26
Product box	'000 pieces	1,137	1,166	1,391	617
Product label	'000 pieces	1,735	1,836	2,213	972
Shrink-wrapping	'000 pieces	884	825	900	379
Plastic bag	'000 pieces	48	41	31	15
Total packaging materials usage	'000 pieces	3,851	3,910	4,582	2,009
Packaging materials usage intensity by unit of products sold	Pieces per unit of products sold	2.7	2.6	2.6	2.4

Note:

- (1) These figures include only the materials used for packaging purposes and exclude the immediate product containers and labels. The packaging materials used comprise cardboard boxes used for delivering products to customers purchased through our own e-commerce platform, as well as materials used for final product packaging, including product boxes, labels, shrink-wrapping used to package individual items, and plastic bags used at our retail stores. The total usage is calculated by multiplying the number of products sold by the amount of packaging materials used per product.

Responsible Sourcing

The Group incorporates several factors such as product quality, quality control management and product environment during our supplier selection process. We consider proximity to our facilities when sourcing raw materials from suppliers and encourage suppliers to minimise unnecessary packaging materials used for logistics to reduce our carbon footprint in upstream logistics.

BUSINESS

Beyond environmental considerations, the Group does not conduct animal testing in its own operations nor does it knowingly source materials or products that have been tested on animals, unless such testing is mandated by law. As part of our future plans, we will include the consideration of suppliers that do not perform animal testing in our supplier selection process.

To ensure product quality and assess suppliers' adherence to our requirements, we conduct annual supplier evaluations. These evaluations focus on quality control while also reviewing suppliers' ethical practices and other relevant policies. For details of our supply chain management, please refer to "Quality Control – Quality Assurance Relating to our Suppliers" in this prospectus.

Climate Change

As the principal activities of our Group are the retail and wholesale of health supplements and cosmetics and skincare products, and the relevant products are mainly purchased from manufacturers, the major climate change-related risk we face is the occasional shortage of the supply of products due to extreme climate events. However, such risk is not significant to our Group as we procure products from a variety of suppliers and the impact of product shortage from a single supplier is minimal. Furthermore, extreme climate events may also cause temporary suspension of our Group's operation and harm the safety of our staff. To mitigate the risk, we have formulated and implemented the emergency work arrangement under extreme weather so as to protect the safety of our staff.

We are also mindful of transition risk associated with environmental regulations and the drive towards carbon neutrality in Hong Kong, as outlined in the Hong Kong SAR Government's Climate Action Plan 2050. These changes are likely to influence our Group's operation and supply chain and lead to increased operating expenses. To mitigate such risk, our Group will continue to improve our resource management and reduce greenhouse gas emissions. We will also closely monitor the potential risks and opportunities brought by climate change.

Social Responsibilities

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Corporate social responsibility is integral to our core growth philosophy in the health and wellbeing sector, playing a crucial role in our ability to deliver sustainable value to our shareholders. We actively contribute through initiatives like health awareness talks, volunteering activities, and donations of essential health supplies, which underscore our commitment to the communities we serve.

BUSINESS

Employee Caring

Our human resources department is responsible for implementing and supervising our employee caring systems. The Group has an employee handbook that outlines our human resources policies, including but not limited to recruitment, dismissal, compensation, benefits and welfares, promotion, equal opportunities, diversity, code of conduct, and employee grievance and complaint. We have adopted the following policies and practices in our business operation:

Recruitment and Dismissal & Training and Development

The Group has established procedures and guidelines for recruitment, handling terminations, and dismissals. To further support our employees, we provide onboarding training as well as regular training sessions covering topics such as product knowledge, communication skills, and on-the-job training. For details of the Group's recruitment and training polices, please refer to "Recruitment and Training" in this prospectus.

Remuneration, Compensation and Benefits

The Group determines employee compensation based on factors such as job responsibilities, skills, and market rates. We have established an employee performance appraisal management system to evaluate our employees' performance. To attract and retain talent, we provide remuneration and welfare packages to employees, including non-monetary benefits such as medical plans, employee insurance, special bonus, staff discount, birthday leaves, marriage leaves, maternity leaves, and compassionate leaves.

Diversity of Workforce

We promote diversity and inclusion in the workplace to foster an inclusive culture. We provide equal opportunities for all individuals regardless of their race, nationality, religion, physical condition, disability, gender, pregnancy, sexual orientation, political status, age or any other discrimination prohibited by applicable laws and regulations. We strictly prohibit discrimination, harassment, and retaliation in all aspects of employment. Additionally, we provide an appropriate channel and feedback mechanism for employees to raise internal grievances or complaints.

As advised by our Hong Kong Legal Counsel, we have been in compliance with the applicable laws and regulations in relation to recruitment and employment in all material respects during the Track Record Period.

BUSINESS

Set forth below is an analysis of our employees by gender and age group as at the Latest Practicable Date:

	Number of employees
Gender	
Male	27
Female	214
	<hr/>
Total	241
	<hr/> <hr/>
Age Group	
Below 30	18
30 to 50	147
Above 50	76
	<hr/>
Total	241
	<hr/> <hr/>

Occupational Health and Safety

We strive to provide our employees with a safe and healthy working environment whilst complying with all applicable laws and regulations. We have also implemented occupational health and safety guidelines in which our employees are required to strictly comply. Our occupational health and safety policy is shown below:

- (i) providing a safe and healthy workplace and work systems for all employees; and
- (ii) providing adequate resources for implementing the health and safety plan, employee training and supervision.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents involving personal injury or property damage, and we were not subject to any material claims, lawsuits, penalties or disciplinary actions as a result of any material accidents.

BUSINESS

AWARDS AND RECOGNITION

We have been granted a number of awards in recognition of our business development. Some of the significant awards and recognitions we have received are set forth below:

Award/Recognition	Award year	Awarding institution/authority
Hong Kong Top Brands (香港名牌)	2006–2024	Hong Kong Brand Development Council and the Chinese Manufacturers’ Association of Hong Kong
Heart to Heart Company (有心企業)	2006–2024	Hong Kong Federation of Youth Group
Manpower Developer (人才企業)	2016–2025	The Employees Retraining Board
Watsons HWB Awards (亮金級健康美麗大獎 (健康纖體塑身保健食品)/ 炫銅級健康美麗大獎 (健康美肌產品))	2023	Watsons
Hong Kong Star Brand – Enterprise Award (香港星級品牌 – 企業獎)	2020–2021	Hong Kong Small and Medium Enterprises Association, Hong Kong Trade Development Council and Hong Kong Productivity Council
The Most Popular Chinese Health Food (最強人氣中式保健食品)	2021	TVB
The Most Trusted Health Food Brand for Healthcare Professionals in Hong Kong (香港醫護人員最信賴健 康食品品牌)	2014–2016	Hong Kong Health Care Federation
Caring Company (商界展關懷)	2023–2024	Hong Kong Council of Social Service (HKCSS)

BUSINESS

Award/Recognition	Award year	Awarding institution/authority
ESG Brand Corporate Award Diamond Prize (ESG品牌企業大獎「鑽石獎」)	2024	The Federation of Hong Kong Brands
Excellence in Strong Immunity Ganoderma Brand Award (卓越強免疫靈芝品牌大獎)	2024	HK01
Best-Selling Cordyceps Health Product Award (卓越暢銷蟲草保健品大獎)	2024	HK01
Popular Liver Health Product Award (卓越人氣護肝保健品大獎)	2024	HK01
Greater Bay Most Outstanding Business Awards (最優秀大灣區企業大獎 GBAMOB)	2024	CORPHUB

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon the Listing, our Board will consist of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors, namely:

Name	Age	Position/Title	Principal responsibilities	Time of joining our Group	Date of appointment as Director
Ms. Kwok Chi Yan Gammy (郭致因)	63	Chairlady of the Board, executive Director and the Chief Executive Officer	Overall strategic planning, business development and operation, and marketing of our Group	June 1999	7 May 2024
Mr. Li Yat Sing Petras (李日勝)	64	Executive Director and the Chief Operating Officer	Overall day-to-day management, business and supply chain operations, and product development of our Group	July 2003	7 May 2024
Ms. Young Yuen Pik (楊婉璧)	59	Executive Director	Overall financial planning and management and human resources matters of our Group	October 2015	7 May 2024
Mr. Kwok Chun On (郭晉安)	60	Non-executive Director	Overall strategic advice on the marketing of our Group	June 1999	7 May 2024
Professor Chan Chi Fai Andrew, SBS, JP (陳志輝)	71	Independent non-executive Director	Supervising and providing independent judgement to our Board	May 2024 ^(Note)	7 May 2024 ^(Note)
Mr. Lam Yiu Por (林曉波)	48	Independent non-executive Director	Supervising and providing independent judgement to our Board	May 2024 ^(Note)	7 May 2024 ^(Note)
Dr. Tsang Hing Lim Kenneth (曾慶廉)	55	Independent non-executive Director	Supervising and providing independent judgement to our Board	May 2024 ^(Note)	7 May 2024 ^(Note)

Note: All independent non-executive Directors were appointed on 7 May 2024 with effect upon Listing.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Petras Li is the spouse of Ms. Gammy Kwok, Mr. Roger Kwok is the brother of Ms. Gammy Kwok and thus the brother-in-law of Mr. Petras Li. Save as disclosed in this prospectus, none of our Directors and members of senior management are related to other Directors or members of senior management.

Executive Directors

Ms. Kwok Chi Yan Gammy (郭致因) (formerly known as Kwok Ping Mui (郭平妹) and Kwok Chi Yan Gammy (郭致忻)), aged 63, is our chairlady of the Board, an executive Director and the Chief Executive Officer. Ms. Gammy Kwok is also the founder of our Group. She is primarily responsible for the overall strategic planning, business development and operation, and marketing of our Group. She has also been serving as a director of Herbs Generation since May 2000 and a director of ZINO International since July 2001.

Ms. Gammy Kwok has more than 30 years of wellness related experience. Prior to founding our Group, she was admitted as a registered nurse (general) by the Nursing Board of Hong Kong (currently known as the Nursing Council of Hong Kong) in September 1991. From August 1992 to November 1996, Ms. Gammy Kwok worked in various positions at Johnson and Johnson, a multi-national corporation principally engaging in, among others, healthcare products, with her last position held being an assistant professional manager.

Ms. Gammy Kwok received a bachelor of science degree in nursing from University of British Columbia in Canada in May 1990 and an executive master of business administration degree from The Chinese University of Hong Kong in Hong Kong in November 2019.

Ms. Gammy Kwok was the director/supervisor of the following companies which were deregistered during her tenure:

Company name	Position	Status	Place of incorporation	Principal business prior to deregistration	Reason of deregistration	Date of deregistration
Xianluoni Trading (Shenzhen) Co., Ltd* (仙洛妮貿易(深圳)有限公司)	Supervisor	Cancelled	PRC	No business operation	Voluntary deregistration	3 March 2017
ZINO Canada Enterprises Ltd	Director	Dissolved	Canada	No business operation	Voluntary deregistration	20 November 2013

DIRECTORS AND SENIOR MANAGEMENT

Ms. Gammy Kwok confirmed that the above companies (i) did not have any business relationship with our Group prior to their respective deregistration; (ii) were solvent and not loss-making at the time of their respective deregistration; and (iii) were not subject to any claim or litigations at the time of their respective deregistration. Ms. Gammy Kwok further confirmed that there was no wrongful act on her part leading to the deregistration of above companies and she is not aware of any actual or potential claim that has been or will be initiated against her as a result of the aforementioned deregistration, and that her involvements in above companies were part and parcel to her services and that no misconduct or misfeasance had been involved in the respective deregistration.

Mr. Li Yat Sing Petras (李日勝), aged 64, is our executive Director and the Chief Operating Officer. Mr. Petras Li is primarily responsible for overall day-to-day management, business and supply chain operations, and product development of our Group. Mr. Petras Li has more than 20 years of experiences in logistics in the health supplements industry and the cosmetics and skincare products industry. He joined our Group in July 2003, where he served as a supply chain manager of Herb Generation and ZINO International until March 2013. Since April 2013, he served as an operations director of Herb Generation and ZINO International. He has also been serving as a director of Broadcast HRM since September 2010 and a director of Herbs Generation and ZINO International since May 2022, respectively.

Prior to joining our Group, from November 1990 to June 2003, Mr. Petras Li was a project manager at VAC International Ltd and was mainly responsible for design and construction projects.

Mr. Petras Li received a bachelor of arts degree in business administration from the University of Portsmouth in United Kingdom in July 2013. He received a diploma in cosmetic studies and management in school of continuing and professional studies at The Chinese University of Hong Kong and Hong Kong Cosmetic Technical Resources Centre in June 2013.

Mr. Petras Li was the supervisor of the following company which was deregistered during his tenure:

Company name	Position	Status	Place of incorporation	Principal business prior to deregistration	Reason of deregistration	Date of deregistration
Xianluoni Trading (Shenzhen) Co., Ltd* (仙洛妮貿易(深圳)有限公司)	Supervisor	Cancelled	PRC	No business operation	Voluntary deregistration	3 March 2017

DIRECTORS AND SENIOR MANAGEMENT

Mr. Petras Li confirmed that the above company (i) did not have any business relationship with our Group prior to its respective deregistration; (ii) was solvent and not loss-making at the time of its deregistration; and (iii) was not subject to any claim or litigations at the time of its deregistration. Mr. Petras Li further confirmed that there was no wrongful act on his part leading to the deregistration of above company and he is not aware of any actual or potential claim that has been or will be initiated against him as a result of the aforementioned deregistration, and that his involvements in above company was part and parcel to his services and that no misconduct or misfeasance had been involved in the deregistration.

Ms. Young Yuen Pik (楊婉璧), aged 59, is our executive Director and is primarily responsible for overall financial planning and management and human resources matters of our Group. She has also been the assistant accounting and human resources director of Herbs Generation since October 2022.

Ms. Scarlett Young joined our Group in October 2015 and served as an accounting manager of Herbs Generation until September 2017. From October 2017 to June 2021, she served as an accounting and human resources manager of Herbs Generation. From July 2021 to September 2022, she served as the senior accounting and human resources manager of Herbs Generation.

Prior to joining our Group, from June 1994 to March 2015, Ms. Scarlett Young worked as an accounts manager at G.E.W. International Corporation Ltd., an electrical appliance manufacturer in Hong Kong. From August 1992 to July 1993, she was an assistant accountant in Polarmax Ltd., a company principally engaged in exportation of electronic and electrical appliances. From September 1989 to July 1992, Ms. Scarlett Young was a trainee accountant in Heneghan, Joseph & Co., a company principally engaged in provision of accounting and audit services.

Ms. Scarlett Young received a bachelor of arts degree from The Polytechnic of North London in United Kingdom (currently known as the University of North London) in July 1991 and a master of corporate finance degree from The Hong Kong Polytechnic University in Hong Kong in December 2005.

Non-executive Directors

Mr. Kwok Chun On (郭晉安) (formerly known as Kwok Ah On (郭亞安)), aged 60, is our non-executive Director and is primarily responsible for overall strategic advice on the marketing of our Group. He first became our brand ambassador in 2002. He was also a director of Herbs Generation from May 2000 to May 2022 and a director of ZINO International from July 2001 to May 2022, mainly responsible for providing overall strategic advice on the marketing of the business of our Group. He resigned as directors from these companies in May 2022 to devote more time to his personal career development and family commitment. After his resignation as directors of the two companies, Mr. Roger Kwok held no position in the Group other than him acting as our brand ambassador until his subsequent appointment as a non-executive director of the Company on 7 May 2024.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Roger Kwok has been active in the film and television entertainment industry for over 30 years including appearing in various television dramas in TVB and won the Best Actor for three times at the TVB Anniversary Awards.

Mr. Roger Kwok was educated at a local secondary school in Hong Kong.

Independent non-executive Directors

Professor Chan Chi Fai Andrew, *SBS, JP* (陳志輝) (“**Professor Chan**”), aged 71, was appointed as an independent non-executive Director of our Company on 7 May 2024 taking effect on the Listing Date. He is primarily responsible for supervising and providing independent judgement to our Board.

Professor Chan was awarded the title of the emeritus professor of the department of marketing in The Chinese University of Hong Kong with effect from July 2021. Professor Chan held various positions in the department of marketing in The Chinese University of Hong Kong. He was (i) a lecturer from September 1986 to July 1993; (ii) a senior lecturer from August 1993 to July 1996; (iii) a professor II from August 1996 to July 2009; (iv) a professor from August 2009 to December 2012; and (v) a professional consultant from January 2013 to June 2021.

Professor Chan has been active in participating in public services. From September 1999 to September 2005, he was the chairman of the Hong Kong Consumer Council. From July 2004 to June 2010, he was the chairman of the Hong Kong Deposit Protection Board. From September 2005 to September 2012, Professor Chan was also a member of the Electoral Affairs Commission. From July 2010 to June 2020, he was the head of Shaw College at The Chinese University of Hong Kong. From September 2011 to September 2017, he was the chairman of the Chinese Medicine Council. From December 2010 to November 2016, he was the chairman of the Process Review Committee.

Professor Chan has been the president of the GBA business school since July 2020. He is also a member of the Energy Advisory Committee, Assessment Panel of Public Policy Research Funding Scheme, and Art Advisor for Xiqu of the Arts Development Council.

Professor Chan has been an independent non-executive director of Tao Heung Holdings Limited (a company listed on the Stock Exchange (stock code: 00573)) since March 2007. From May 2014 to June 2017, he was an independent non-executive director and a member of the audit committee and the nomination committee of Asiaray Media Group Limited (a company listed on the Stock Exchange (stock code: 01993)). From June 2014 to March 2016, he was an independent non-executive director and a member of the audit committee, the remuneration committee, the nomination committee and the compliance committee of Bamboos Health Care Holdings Limited (a company listed on the Stock Exchange (stock code: 02293)).

DIRECTORS AND SENIOR MANAGEMENT

Professor Chan received a bachelor of business administration degree at The Chinese University of Hong Kong in November 1977. He obtained a master of business administration degree in December 1979 from the University of California, Berkeley in the United States and a doctor of philosophy degree from The Chinese University of Hong Kong in Hong Kong in December 1993. Professor Chan was appointed as a Justice of the Peace in July 2005 by the government of Hong Kong SAR and was awarded the Silver Bauhinia Star in July 2007.

Mr. Lam Yiu Por (林曉波) (“**Mr. Lam**”), aged 48, was appointed an independent non-executive Director of our Company on 7 May 2024 taking effect on the Listing Date. He is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Lam has about 20 years of experience in the field of finance and accounting. He is currently the chief financial officer and company secretary of Dingdang Health Technology Group Limited (a company listed on the Stock Exchange (stock code: 09886)) since January 2021. From November 2013 to July 2020, Mr. Lam worked in Greentech Technology International Limited (formerly known as L’sea Resources International Holdings Ltd., a company listed on the Stock Exchange (stock code: 00195)) with his last position as the vice president and chief financial officer. From December 2005 to May 2008, he was the chief financial officer and company secretary of Lijun International Pharmaceutical (Holding) Co., Ltd (currently known as SSY Group Limited, a company listed on the Stock Exchange (stock code: 02005)). From July 2004 to December 2005, he was the financial controller and qualified accountant of Zhongtian International Limited (currently known as China Clean Energy Technology Group Limited, a company previously listed on the Stock Exchange (stock code: 02379)).

Mr. Lam has been an independent non-executive director of JNBY Design Limited (a company listed on the Stock Exchange (stock code: 03306)) since October 2016 and Xiamen Yan Palace Bird’s Nest Industry Co., Ltd (a company listed on the Stock Exchange (stock code: 01497)) since November 2023. From January 2021 to June 2022, Mr. Lam was an independent non-executive director and a member of the audit committee of Tian Ge Interactive Holdings Limited (a company listed on the Stock Exchange (stock code: 01980)). From November 2016 to November 2018, he was an independent non-executive director and a member of the audit committee of China Tontine Wines Group Limited (a company listed on the Stock Exchange (stock code: 00389)). From October 2015 to June 2020, he was an independent non-executive director and a member of the audit committee of Denox Environmental & Technology Holdings Limited (a company listed on the Stock Exchange (stock code: 01452)). From April 2015 to May 2017, he was a non-executive director of Zhong Ao Home Group Limited (a company listed on the Stock Exchange (stock code: 01538)). From December 2014 to March 2016, he was an independent non-executive director and a member of the audit committee of Yat Sing Holdings Limited (currently known as China Supply Chain Holdings Ltd, a company listed on the Stock Exchange (stock code: 03708)) while from June 2012 to February 2014, he was an independent non-executive director of GR Properties Limited (currently known as GR Life Style Company Limited, a company listed on the Stock Exchange (stock code: 00108)).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam received a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1997. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries), a chartered financial analyst of the CFA Institute and a fellow of the Association of Chartered Certified Accountants in October 2004, March 2006, September 2006 and November 2007, respectively.

Dr. Tsang Hing Lim Kenneth (曾慶廉) (“**Dr. Tsang**”), aged 55, was appointed an independent non-executive Director of our Company on 7 May 2024 taking effect on the Listing Date. He is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Tsang has been a medical practitioner in Hong Kong for over 30 years. He has been the chief executive officer of Gleneagles Hospital Hong Kong since January 2021, the chairman of IHH China Operations Steering Committee since November 2023, and the regional chief executive officer of IHH Healthcare North Asia since April 2024. He was the chief operating officer of Gleneagles Hospital Hong Kong from April 2019 to December 2020.

Dr. Tsang received a bachelor's degree in medicine and surgery from The University of Hong Kong in Hong Kong in November 1993 and a master's degree in occupational medicine from The Chinese University of Hong Kong in Hong Kong in December 2009. He became a Fellow of the Hong Kong Academy of Medicine in December 2018, a Fellow of the Hong Kong College of Community Medicine in August 2018 and a Fellow of the Royal Australasian College of Medical Administrators in September 2018.

Dr. Tsang is an Appeal Board Panel Member under the Rabies Ordinance, Food & Health Bureau of the Government of the Hong Kong Special Administrative Region, the treasurer of the Private Hospital Association of Hong Kong and an executive advisory board member of Hospital Management Asia. He is also an Honorary Clinical Associate Professor of School of Public Health, Li Ka Shing Faculty of Medicine of The University of Hong Kong and a member of the Administrative Medicine Subspeciality Board of the Hong Kong College of Community Medicine.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Each of Ms. Gammy Kwok, Mr. Petras Li and Ms. Scarlett Young is an executive Director and also a member of our senior management team. For their biographical details, please refer to “Directors – Executive Directors” in this section above. In addition to our executive Directors, our senior management also comprises of the following person:

Name	Age	Position/Title	Principal responsibilities	Date of joining our Group
Mr. Tsang Hing Suen (曾慶煊)	40	Chief Financial Officer	Overseeing capital operations and finance of our Group	January 2024

Mr. Tsang Hing Suen (曾慶煊), aged 40, joined our Group in January 2024 and is our Chief Financial Officer. He is primarily responsible for overseeing capital operations and finance of our Group.

Mr. Tsang has over 17 years of experience in the field of accounting and audit. From November 2022 to January 2024, he worked in Dah Chong Hong, Limited, a company principally engaged in healthcare, electrical and fast-moving consumer goods products. From May 2015 to April 2022, he worked as a financial controller in Aristo Securities Limited, a securities firm licensed under the SFO. From January 2011 to May 2015, he worked in various position at BDO Limited with his last position as a manager. From December 2009 to January 2011, he worked as a senior audit assistant in Hong Kong Great Wall CPA Limited with his last position as a senior audit assistant. From February 2009 to June 2009, he worked as an accountant in PKF Hong Kong and from September 2007 to February 2009, he worked in SHINEWING (HK) CPA Limited with his last position as a staff accountant II. Mr. Tsang is currently an independent non-executive director of Grown Up Group Investment Holdings Limited, a company listed on the Stock Exchange (stock code: 01842).

Mr. Tsang received a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in Hong Kong in December 2007. He became a member of The Hong Kong Institute of Certified Public Accountants in September 2012.

COMPANY SECRETARY

Ms. Chan Oi Ling (陳藹玲), aged 37, joined our Group in March 2024 and is our company secretary. She is primarily responsible for maintaining investor relations, daily operation of the office of the Board and the company secretarial matters of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Ms. Chan served as a manager from April 2023 to February 2024 at Apex IT Consulting Limited, a company principally engaged in information technology consultancy activities. From July 2022 to March 2023, she worked as a manager at CCPA Consultants Limited. From April 2021 to June 2022, she worked as a manager at J CPA Limited. From January 2017 to March 2021, she worked as a finance manager at Hong Kong Listco Services Limited, a company principally engaged in wide range of corporate services in Hong Kong. From January 2011 to December 2016, Ms. Chan also worked in various positions at BDO Limited with her last position held being a manager. From January 2010 to December 2010, she worked as a semi-senior auditor at Li, Tang, Chen & Co.

Ms. Chan received a bachelor of business administration degree in accountancy from The City University of Hong Kong in July 2009 in Hong Kong. She became a member of The Hong Kong Institute of Certified Public Accountants in July 2013.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this prospectus, each of our Directors and senior management confirms with respect to himself or herself that he or she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date; (ii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iii) there are no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to in Rule 3.09D of the Listing Rules in May 2024; and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) that his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company; and (iii) that there are no other factors that may affect his independence at the time of his or her appointments.

DIRECTORS AND SENIOR MANAGEMENT

Rule 8.10 of the Listing Rules

Each of our Directors has confirmed that, as at the Latest Practicable Date, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

BOARD COMMITTEES

Our Company has formed three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established the Audit Committee on 7 May 2024 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and approve our Group's financial reporting process and internal control and risk management system.

The Audit Committee consists of three members, namely Professor Chan, Mr. Lam and Dr. Tsang, all of whom are independent non-executive Directors. The chairperson of the Audit Committee is Mr. Lam.

Remuneration Committee

We have established the Remuneration Committee on 7 May 2024 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group.

The Remuneration Committee consists of four members, namely Ms. Gammy Kwok, Professor Chan, Mr. Lam and Dr. Tsang, three of whom are independent non-executive Directors. The chairperson of the Remuneration Committee is Professor Chan.

Nomination Committee

We have established the Nomination Committee on 7 May 2024 with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

DIRECTORS AND SENIOR MANAGEMENT

The Nomination Committee consists of four members, namely Ms. Gammy Kwok, Professor Chan, Mr. Lam and Dr. Tsang, three of whom are independent non-executive Directors. The chairperson of the Nomination Committee is Ms. Gammy Kwok.

CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Pursuant to Code Provision C.2.1 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson of the Board and chief executive officer and Ms. Gammy Kwok currently performs these two roles. Our Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively given that (i) Ms. Gammy Kwok and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and will make decisions of our Group accordingly; and (ii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Group. Our Board will continue to review and consider splitting the roles of chairperson of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

BOARD DIVERSITY

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills,

DIRECTORS AND SENIOR MANAGEMENT

knowledge, and industry experience. The Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

We recognise the particular importance of gender diversity. Our Board currently comprises seven Directors, including two female Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim to maintain the proportion of female members after Listing. We will also ensure that there is gender diversity when recruiting staff at mid to senior level, as well as engage more resources in training more female staff with the aim of providing a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the shareholders' expectation and international and local recommended best practices.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including salaries, contributions to pension schemes, other allowances and benefits in kind and discretionary bonuses) paid by our Group to our Directors for FY2021, FY2022, FY2023 and 6M2024 was approximately HK\$3.5 million, HK\$3.6 million, HK\$3.8 million and HK\$1.7 million, respectively.

Of the five individuals with the highest emoluments of the Group for FY2021, FY2022, FY2023 and 6M2024, one, one, two and three of them are our Directors respectively. The aggregate amount of remuneration (including salaries, contributions to pension schemes, other allowances and benefits in kind and discretionary bonuses) paid by our Group to the remaining four, four, three and two individuals for FY2021, FY2022, FY2023 and 6M2024 was approximately HK\$4.2 million, HK\$4.3 million, HK\$3.5 million and HK\$1.8 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. No Director has waived or has agreed to waive any emoluments during the same period.

Under the arrangements currently in force, the aggregate remuneration (excluding discretionary bonuses) payable to and the benefits in kind receivable by our Directors for the year ending on 31 December 2024 is estimated to be approximately HK\$3.2 million.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed South China Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon the Listing in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceed of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering, Joy & Love will be entitled to exercise voting rights of 67.5% of the issued share capital of our Company. Joy & Love is wholly owned by Ms. Gammy Kwok. Joy & Faith will be entitled to exercise voting right of 7.5% of the issued share capital of our Company. Joy & Faith is wholly owned by Mr. Petras Li. In addition, Mr. Petras Li is the spouse of Ms. Gammy Kwok. Ms. Gammy Kwok and Mr. Petras Li, through Joy & Love and Joy & Faith, will be entitled to exercise an aggregate voting right of 75.0% of our Company. As such, Joy & Love, Joy & Faith, Ms. Gammy Kwok and Mr. Petras Li will be our Controlling Shareholders as defined in the Listing Rules upon Listing.

INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Controlling Shareholders and their respective close associates:

Management independence

Our business is managed and conducted by our Board, which comprises three executive Directors, one non-executive Director and three independent non-executive Directors. For details, please refer to “Directors and Senior Management” in this prospectus. Whilst Ms. Gammy Kwok and Mr. Petras Li, being our Controlling Shareholders, are also our executive Directors, we believe that our Directors are able to perform their roles in our Company independently and that our Group is capable of managing our business independently from our the Controlling Shareholders for the following reasons:

- (i) each Director is aware of his/her fiduciary duties as a director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and that he/she does not allow any conflict between his/her duties as a Director and his/ her personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall, save in certain circumstances provided by the Articles of Association, abstain from voting at the relevant meetings of our Board in respect of such transactions;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) our Board comprises seven Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of the Board. This provides a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole. This is also in line with the requirement as set out in the Listing Rules; and
- (iv) our independent non-executive Directors will bring independent judgement to the decision-making process of our Board.

Our Company has also established internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. Since our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of our Group. Please refer to “Directors and Senior Management” in this prospectus for the background of our Directors. Further, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole, together with our senior management team, are able to make independent managerial decisions in the best interest of our Company having regard to their own knowledge of the corporation and their experience and skills without unduly requiring the support of our Controlling Shareholders.

Operational independence

Our Group possesses sufficient facilities, technology, skills and knowledge required for conducting our business. We have an established and complete organisation structure, comprising various separate departments each charged with specific responsibilities. Our Group also has independent access to our customers and an independent management team to operate our business. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business. For details, please refer to “Corporate Governance Measures” in this section. Our Directors further confirm that, as at the Latest Practicable Date, we have not entered into any connected transaction within the meaning ascribed to it under Chapter 14A of the Listing Rules with any of our Controlling Shareholders or their respective close associates which will be subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules and will continue after the Listing. We do not rely on our Controlling Shareholders in respect of our operation.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Based on the above, our Directors consider that our Group can operate independently from our Controlling Shareholders and their respective close associates from the operational perspective.

Financial Independence

Our Company is empowered to make independent decisions in respect of business and financial matters according to our business needs. Our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and the ability to operate independently of our Controlling Shareholders from financial perspective. In addition, we have established an independent audit system, a standardised financial and accounting system and a complete financial management system. We are able to make financial decisions independently and our Controlling Shareholders do not intervene with our financial matters.

During the Track Record Period, our Group had loans and advances from our Controlling Shareholders or their respective associates for working capital purpose. As at 30 June 2024, our amounts due to the Controlling Shareholders, which was non-trade in nature, amounted to approximately HK\$20.0 million, representing the dividends payable to Ms. Gammy Kwok and Mr. Petras Li. Our Directors confirm that our balance with the Controlling Shareholders has been fully settled as of the Latest Practicable Date. For further information, please refer to “Financial Information – Discussion of Key Items of Consolidated Statements of Financial Position – Balance with Controlling Shareholders” and Note 22 to the Accountants’ Report set out in Appendix I to this prospectus.

During the Track Record Period, our bank loans, the balances of which being approximately HK\$6.0 million as at 30 June 2024, were secured by, among others, the personal guarantee provided by our Controlling Shareholders. Such bank loans has been fully repaid and the personal guarantee provided by our Controlling Shareholders has been released accordingly as at the date of this prospectus. Further details are set out in Note 17 to the Accountants’ Report set out in Appendix I to this prospectus.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in the future operations of our Group and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

COMPETING BUSINESS

Our Controlling Shareholders confirmed that as at the Latest Practicable Date, none of them nor their respective close associate(s) have any interest in any business, apart from the business operated by our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group that would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and Directors on the one hand and our Group on the other hand will be taken:

- (i) as part of our preparation for the Listing, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the board meeting;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (iii) our Company has also established internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions and our Company will comply with the applicable Listing Rules;
- (iv) our independent non-executive Directors may engage external legal adviser(s) in appropriate circumstances at the cost of our Company;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (v) our Audit Committee shall be responsible for overseeing the implementation of the above measures; and

- (vi) we have appointed South China Capital Limited as our compliance adviser, which will, upon our consultation, provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various Listing Rules requirements relating to directors' duties and corporate governance.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, as at the Latest Practicable Date and immediately following the completion of the Capitalisation Issue and the Global Offering (and without taking into account any awards that may be granted under the Post-IPO Share Award Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of substantial Shareholder	Capacity/ Nature of interest	As at the Latest Practicable Date		Immediately following the completion of the Capitalisation Issue and the Global Offering	
		Number of Shares ^(Note 1)	Approximate percentage of shareholding	Number of Shares ^(Note 1)	Approximate percentage of shareholding
Joy & Love	Beneficial owner	9 (L)	90%	90,000,000 (L)	67.5%
Ms. Gammy Kwok	Interest in controlled corporation ^(Note 2)	9 (L)	90%	90,000,000 (L)	67.5%
	Interest of spouse ^(Note 4)	1 (L)	10%	10,000,000 (L)	7.5%
Joy & Faith	Beneficial owner	1 (L)	10%	10,000,000 (L)	7.5%
Mr. Petras Li	Interest in controlled corporation ^(Note 3)	1 (L)	10%	10,000,000 (L)	7.5%
	Interest of spouse ^(Note 4)	9 (L)	90%	90,000,000 (L)	67.5%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Joy & Love is wholly owned by Ms. Gammy Kwok. By virtue of the SFO, Ms. Gammy Kwok is deemed to be interested in the Shares in which Joy & Love is interested.
- (3) Joy & Faith is wholly owned by Mr. Petras Li and by virtue of the SFO, Mr. Petras Li is deemed to be interested in the Shares in which Joy & Faith is interested.
- (4) Ms. Gammy Kwok and Mr. Petras Li are spouses to each other. By virtue of the SFO, Ms. Gammy Kwok is deemed to be interested in all the Shares in which Mr. Petras Li is interested and Mr. Petras Li is deemed to be interested in all the Shares in which Ms. Gammy Kwok is interested.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the above table, our Directors are not aware of any person who will or any entity which will, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any awards that may be granted under the Post-IPO Share Award Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering:

<i>Authorised share capital</i>		<i>HK\$</i>
39,000,000	Shares of HK\$0.01 each par value	390,000
<i>Issued share capital</i>		
10	Shares in issue as at the date of this prospectus	0.1
<i>Shares to be issued</i>		
99,999,990	Shares to be issued pursuant to the Capitalisation Issue	999,999.9
33,333,600	Shares to be issued pursuant to the Global Offering	333,336
<i>Total issued shares on completion of the Global Offering</i>		
133,333,600	Shares	1,333,336

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Global Offering become unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue are made. It does not take into account any awards that may be granted under the Post-IPO Share Award Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates granted to our Directors to issue or repurchase Shares as referred to in “General Mandate to Issue Shares” and “General Mandate to Repurchase Shares” in this section, as the case may be.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus and, will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than entitlement under the Capitalisation Issue.

POST-IPO SHARE AWARD SCHEME

Our Company has conditionally adopted the Post-IPO Share Award Scheme on 3 December 2024. Please refer to “Statutory and General Information – D. Share Scheme” in Appendix IV to this prospectus for further details.

GENERAL MANDATE TO ISSUE SHARES

Conditional upon the conditions as stated in “Structure and Conditions of the Global Offering – Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed the aggregate of:

- (i) 20% of the total number of the Shares in issue immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account of any awards which may be granted under the Post-IPO Share Award Scheme); and
- (ii) the total number of Shares repurchased by our Company pursuant to the authority granted to our Directors referred to in “General mandate to repurchase Shares” in this section.

SHARE CAPITAL

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to any awards which may be granted under the Post-IPO Share Award Scheme. This mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to allot and issue or deal with Shares, please refer to “Statutory and General Information – A. Further Information about our Group – 4. Resolutions of our Shareholders dated on 3 December 2024” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such number of Shares as will represent not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of any awards which may be granted under the Post-IPO Share Award Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information – A. Further Information about our Group – 5. Explanatory Statement on Repurchase of our own Securities” in Appendix IV to this prospectus.

This mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

SHARE CAPITAL

For further details of this general mandate to repurchase Shares, please refer to “Statutory and General Information – A. Further Information about our Group – 4. Resolutions of our Shareholders dated on 3 December 2024” and “A. Further Information about our Group – 5. Explanatory Statement on Repurchase of our own Securities” in Appendix IV to this prospectus

CIRCUMSTANCES UNDER WHICH GENERAL MEETING OF OUR COMPANY IS REQUIRED

The circumstances under which a meeting is required are provided in the Articles, a summary of which is set out in Appendix III to this prospectus.

CORNERSTONE INVESTMENT

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares that may be purchased for an aggregate amount of approximately HK\$28.0 million (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$3.75, being the low-end of the Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 7,465,600 Offer Shares, representing approximately (i) 22.4% of the Offer Shares; (ii) 5.6% of the Shares in issue immediately upon completion of the Global Offering.

Assuming an Offer Price of HK\$3.95, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 7,088,000 Offer Shares, representing approximately (i) 21.3% of the Offer Shares; (ii) 5.3% of the Shares in issue immediately upon completion of the Global Offering.

Assuming an Offer Price of HK\$4.15, being the high-end of the Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 6,746,400 Offer Shares, representing approximately (i) 20.2% of the Offer Shares; (ii) 5.1% of the Shares in issue immediately upon completion of the Global Offering.

We believe that the Cornerstone Placing signifies our Cornerstone Investors’ confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group’s business network, or through introduction by the Sole Overall Coordinator of the Global Offering, as further particularised below.

To the best knowledge of our Directors after reasonable enquiries, (i) each of the Cornerstone Investors is an Independent Third Party; (ii) none of the Cornerstone Investors is accustomed to taking instructions from our Company, Directors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, Directors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; (iv) each Cornerstone Investor will be utilising its internal resources as its source of funding for the subscription of the Offer Shares; and (v) no approval from other stock exchange is required for each Cornerstone Investor’s investment in our Company as described in this section. Furthermore, we further confirm that (i) none of the Cornerstone Investors has the right to nominate any Director nor has any

CORNERSTONE INVESTMENT

representative on our Board; and (ii) none of the Cornerstone Investors is expected to be involved in the management of the business of our Company. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

Each of the Cornerstone Investors has agreed that the Sole Overall Coordinator may defer the delivery of all or any part of the Offer Shares it has subscribed for to a date later than the Listing Date. The delayed delivery arrangement is in place to facilitate over-allocation in the International Offering. There will be no delayed delivery if there is no over-allocation in the International Offering. Each Cornerstone Investor has agreed that it shall pay the relevant Offer Shares before the Listing Date. There will be no delayed settlement of payment.

The Cornerstone Placing will form part of the International Placing and the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors or their close associates will become a substantial shareholder of the Company, and the Cornerstone Investors will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, following the principles set out in chapter 4.15 of the Guide for New Listing Applicants published by the Stock Exchange.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer. If the total demand for Shares in the Hong Kong Public Offer falls within the circumstance as set out in “Structure and Conditions of the Global Offering – The Hong Kong Public Offer – Reallocation” in this prospectus, our Company and the Sole Overall Coordinator have the absolute discretion to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a pro rata basis to satisfy the public demands under the Hong Kong Public Offer pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around Wednesday, 18 December 2024.

CORNERSTONE INVESTMENT

THE CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

	Investment Amount	Total number of Offer Shares to be subscribed by the Cornerstone Investor	Percentage of the total Shares in issue immediately upon completion of the Global Offering	Percentage of the total number of Offer Share
	(HK\$) (in million)		(approximate %)	(approximate %)
Based on the Offer Price of: HK\$3.75 (being the low-end of the indicative Offer Price range)				
Water Live Wealth Limited	20.0	5,332,800	4.0	16.0
Vital Message	5.0	1,332,800	1.0	4.0
Mr. Yuen Tsz Ho Ronald	3.0	800,000	0.6	2.4
Total	28.0	7,465,600	5.6	22.4
HK\$3.95 (being the mid-point of the indicative Offer Price range)				
Water Live Wealth Limited	20.0	5,063,200	3.8	15.2
Vital Message	5.0	1,265,600	0.9	3.8
Mr. Yuen Tsz Ho Ronald	3.0	759,200	0.6	2.3
Total	28.0	7,088,000	5.3	21.3
HK\$4.15 (being the high end of the indicative Offer Price range)				
Water Live Wealth Limited	20.0	4,819,200	3.6	14.5
Vital Message	5.0	1,204,800	0.9	3.6
Mr. Yuen Tsz Ho Ronald	3.0	722,400	0.5	2.2
Total	28.0	6,746,400	5.1	20.2

CORNERSTONE INVESTMENT

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

Water Live Wealth Limited

Water Live Wealth Limited is a company incorporated in the BVI with limited liability, which is directly wholly-owned by Mr. Lo Chi Wai (盧志威). Mr. Lo has over 16 years of experience in the investment industry and is currently serving as the shareholder, director, responsible officer of SilkyWater Asset Management Limited (潤淼資產管理有限公司), a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

We became acquainted with Water Live Wealth Limited through introduction by the Sole Overall Coordinator of the Global Offering.

Vital Message

Vital Message is a company incorporated in Hong Kong with limited liability, which is wholly owned by Guangdong Yuewei Edible Fungi Technology Co., Ltd.* (廣東粵微食用菌技術有限公司) (“**Guangdong Yuewei**”). Guangdong Yuewei is one of the top five suppliers of our Company during the Track Record Period, which is owned as to 40% by Guangdong Academy of Sciences Holdings Co., Ltd. (廣東省科學院控股有限公司) (“**GDAS Holdings**”), and as to 11% and 7.2% by two PRC individuals, namely Li Senzhu* (李森柱) and Xie Yizhen* (謝意珍), respectively, with remaining 23 shareholders each holding less than 5% of Guangdong Yuewei. Each of Li Senzhu* (李森柱) and Xie Yizhen* (謝意珍) is an Independent Third Party. GDAS Holdings is a state-owned enterprise established under the laws of the PRC. The main business activities of Vital Message is trading.

Notwithstanding the relationship between our Company and Vital Message as a wholly-owned subsidiary of our supplier, there are no side arrangements between us or any benefit, direct or indirect, conferred on Vital Message by virtue of or in relation to its subscription in the Offer Shares.

Yuen Tsz Ho Ronald (袁子豪)

Mr. Yuen has over 20 years of experience in the food supplements industry, with expertise in sourcing, formulation design, manufacturing and supply of food supplements from around the globe. He is the director of G&C International Limited, which is one of the top five suppliers of our Group during the Track Record Period, engaging in the business of the wholesale of food supplements.

Notwithstanding the relationship between our Company and Mr. Yuen as the director of our supplier, there are no side arrangements between us or any benefit, direct or indirect, conferred on Mr. Yuen by virtue of or in relation to his subscription in the Offer Shares.

CORNERSTONE INVESTMENT

CLOSING CONDITIONS

The obligations of the Cornerstone Investors to subscribe for the Offer Shares under the respective Cornerstone Investment Agreements are subject to, among other things, the following closing conditions:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (2) the Offer Price having been agreed upon between the Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters);
- (3) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Offer Shares agreed to be subscribed for by the Cornerstone Investors) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (4) no laws (as defined therein) shall have been enacted or promulgated by any governmental authority (as defined therein) which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (5) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreements are accurate and true in all respects and not misleading and that there is no breach of this Agreement on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountants' Report in Appendix I to this prospectus, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this prospectus, including "Forward-Looking Statements", "Risk Factors", "Business" and elsewhere therein.

OVERVIEW

Established for over 20 years, we are a provider of a variety of health supplements and cosmetics and skincare products in Hong Kong. We focus on the development, sales and marketing of products under our own brands through a multi-channel sales model. Since the founding of our Group in 1999, we have been actively building up and developing our own brands and products. As at the Latest Practicable Date, we carried a total of eight own brands, namely (i) "Herbs (草姬)"; (ii) "ZINO"; (iii) "Classic (正統)"; (iv) "Umeya (梅屋)"; (v) "Energie (男補)"; (vi) "Men's INFiNiTY (男極)"; (vii) "Regal Green (綠康營)"; and (viii) "Herbs Pet (恩寵)", among which, according to the F&S Report, "Herbs (草姬)" has become a household brand name for health supplements sold in Hong Kong. According to the F&S Report, our Group ranked the fifth in terms of retail sales value of immune system health supplements with a market share of approximately 4.9%, and the tenth in terms of retail sales value of all health supplements with a market share of approximately 3.6%, among all international and local health supplement providers in Hong Kong in 2023.

We have experienced steady growth from FY2021 to FY2023. Our revenue increased from approximately HK\$188.6 million in FY2021 to approximately HK\$208.0 million in FY2022 and further increased to approximately HK\$251.2 million in FY2023, representing a CAGR of approximately 15.4% from FY2021 to FY2023. Our revenue decreased slightly from HK\$121.7 million in 6M2023 to HK\$117.8 million in 6M2024. We recorded a relatively stable gross profit margin of approximately 72.0%, 71.9% and 73.8% for FY2021, FY2022 and FY2023, respectively, and approximately 73.1% and 74.2% for 6M2023 and 6M2024, respectively. Our net profit for the year increased from approximately HK\$23.2 million in FY2021 to approximately HK\$28.0 million in FY2022 and further increased to approximately HK\$39.5 million in FY2023, representing a CAGR of approximately 30.5% from FY2021 to FY2023. Our net profit decreased from HK\$18.3 million in 6M2023 to HK\$7.5 million in 6M2024, primary attributable to the expenses incurred in connection with the Listing of HK\$9.9 million.

FINANCIAL INFORMATION

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). All HKFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted on a consistent basis by our Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost basis. The preparation of the historical financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 3 to the Accountants’ Report included in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial conditions and results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

Market Recognition of Our Own Brands and Our Products and our Marketing and Promotion Strategies

The growth of our historical sales was mainly driven by, among others, the increasing market recognition of our own brands as well as the products under our own brands. We expect our future sales will continue to grow from increasing public awareness of products under our own brands in Hong Kong, the PRC and other oversea countries and regions. The growth of these markets is affected by a number of factors, including the consumer preferences. For products under our own brands, we mainly face challenges from Hong Kong and international manufacturers, distributors as well as brand owners in the markets.

We offer a wide variety of health supplements and cosmetics and skincare products under our own brands to our customers. As at the Latest Practicable Date, we had a total of eight own brands, namely (i) “Herbs (草姬)”; (ii) “ZINO”; (iii) “Classic (正統)”; (iv) “Umeya (梅屋)”; (v) “Energie (男補)”; (vi) “Men’s INFiNiTY (男極)”; (vii) “Regal Green (綠康營)”; and (viii) “Herbs Pet (恩寵)”, and we believe our success depends substantially on the popularity of these brands. We also believe that brand recognition plays an important role in influencing end-customers’ decisions in purchasing our products. We have made effort to establish brand recognition and have received various awards and recognitions. We believe that our continued success will depend largely on our ability to protect and enhance the value of our own brands.

FINANCIAL INFORMATION

Furthermore, our ability to market and promote our own brands as well as products under our own brands will remain critical to the success of our business. We enhance the awareness of our own brands through various channels and methods. For FY2021, FY2022, FY2023 and 6M2024, our advertising and promotion expenses amounted to approximately HK\$29.5 million, HK\$28.1 million, HK\$34.8 million and HK\$14.5 million, respectively. To promote our own brands and our products, our marketing and promotional activities mainly include the placement of various advertisements and the engagement of entertainers (such as actors and singers), KOLs, medical professionals, sales promoters and product consultants. In the event that there is any decline in popularity, or negative news on the entertainers and KOLs we engage in marketing activities, in particular if such news relating to their health or image, our own brand image may be tarnished and our sales and results of operations may be adversely affected. In addition, our Directors also believe that our future results of operations will depend significantly upon our ability to increase the sales of our products through marketing and promotional activities, such as advertisements through major television channels and newspapers, participation in trade fairs and exhibitions, and the engagement of brand ambassadors. We plan to continuously engage in advertising and expect advertising expenses to continue to rise in the future, which in turn will increase our selling expenses. As demand for our products may be impacted by the success of our marketing and promotional activities, if we are unable to increase sales of products through marketing efforts, our Group's financial condition and results of operations may be materially and adversely affected.

End-customers' Preference in Pursuing Health Lifestyles and in our Product Mix

Our products, in view of our Directors, are all consumer products, and the demand for which is driven by, among other things, end-customers' preference as a result of health, physical and skin conditions, the brand awareness of products among end-customers, the society's health consciousness and standard of living, as well as the quality of our products. However, if we are unable to anticipate changes in end-customers' preference in pursuing health lifestyles and respond to consumption trend, our business, financial condition and results of operations could be materially and adversely affected.

We offer a large product portfolio including health supplements and cosmetics and skincare products under our own brands as well as third-party brands and therefore are able to offer a broad selection of products so as to enable our customers to fulfil their needs and allow us to adapt to the ever changing market trends. As at the Latest Practicable Date, our product portfolio consists of 50 health supplements, 21 cosmetics and skincare products and two health supplements for pets under our own brands, covering a wide range of functions to meet various health needs of end-customers. For further details, please refer to "Business – Our Own Brands and Products" in this prospectus. Changes in our product mix are driven by various factors, including market trend, end-customers' preference and our ability to develop and introduce new products. Changes in product mix may result in fluctuation in our Group's overall revenue and our profitability.

FINANCIAL INFORMATION

The Competitive Prices of Our Products and Costs of Raw Materials and Packaging Materials

Our Directors believe that a critical differentiator of our business is our ability to provide to our customers products at prices that are appealing to them, which is pivotal to the success of our business. However, we may face various challenges in maintaining the current price rates.

Our profitability is also affected by the costs of raw materials and packaging materials for our products. In particular, we may be unable to respond to increases in the prices for raw materials and packaging materials, and unable to pass on such price increases to our end-customers due to competitive conditions or other reasons. Even if we are able to adjust the pricing as we expected, our profit margin, if any, may be lower than our anticipation.

Any increase in product prices may also cause our sales volume to decline, and more importantly, undermine our own brand positioning and image, making us less attractive to our customers and less competitive in the marketplace, which would adversely affect our overall profitability, business, financial condition and results of operations.

Coverage, Performance and Expansion of Our Sales Network

During the Track Record Period, we operated our business and sold our products through our retail business, wholesale business and consignment arrangements via a variety of offline and online sales channels. Our comprehensive sales network has enabled us to effectively gain significant exposure, build our own brands and products recognition. Our revenue and profit growth will depend to a significant extent on our ability to successfully expand and manage our sales network. We will rely continuously on the sales through (i) our self-operated stores and brand experience centres; (ii) e-commerce platforms, such as our self-operated online platform Zinomall and our self-operated account and store on third-party online platforms including HKTVmall and Tmall.hk; (iii) exhibitions and trade fairs, such as the Hong Kong Brands and Products Expo and HKTDC Food Expo; and (iv) wholesale customers and consignees, including chain retailers and non-chain retailers. We will continue to identify opportunities to expand our sales network, to increase our revenue. For details of our expansion plan, please refer to “Business – Business Strategies” and “Future Plans and Use of Proceeds” in this prospectus. If we cannot implement our plans or if we fail to properly implement our plans due to factors such as inadequate estimate on the demand for our products, our Group’s financial condition and results of operations may be materially and adversely affected.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements relating to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgements based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the material accounting policies, estimates, assumptions and judgements that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Other material accounting policies, estimates, assumptions and judgements, which are important for understanding our financial position and results of operations, are set forth in details in Notes 2 and 3 to the Accountants' Report in Appendix I to this prospectus.

Material Accounting Policies

Revenue

Revenue is recognised when control over a product is transferred to the customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes. Our 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.

Lease Liabilities and Right-of-use Assets

Where the contract contains lease component(s) and non-lease component(s), our 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, we recognise 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 we enter into a lease in respect of a low-value item, we decide 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.

FINANCIAL INFORMATION

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.

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. 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, we have 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.

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.

FINANCIAL INFORMATION

Trade and Other Receivables

A receivable is recognised when our 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 our 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.

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.

Judgements and Estimates

Net Realisable Value of Inventories

Our 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.

Impairment of Non-current Assets

Our 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.

FINANCIAL INFORMATION

SUMMARY OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated, extracted from the Accountants' Report in Appendix I to this prospectus:

	FY2021 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	FY2023 <i>HK\$'000</i>	6M2023 <i>HK\$'000</i> (unaudited)	6M2024 <i>HK\$'000</i>
Revenue	188,638	208,028	251,224	121,741	117,811
Cost of sales	<u>(52,836)</u>	<u>(58,442)</u>	<u>(65,780)</u>	<u>(32,767)</u>	<u>(30,385)</u>
Gross profit	135,802	149,586	185,444	88,974	87,426
Other income	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	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(9,855)</u>
Profit from operations	28,331	33,806	48,252	22,132	11,173
Finance costs	<u>(812)</u>	<u>(1,020)</u>	<u>(970)</u>	<u>(457)</u>	<u>(479)</u>
Profit before taxation	27,519	32,786	47,282	21,675	10,694
Income tax	<u>(4,338)</u>	<u>(4,814)</u>	<u>(7,780)</u>	<u>(3,380)</u>	<u>(3,211)</u>
Profit and total comprehensive income for the year/period	<u><u>23,181</u></u>	<u><u>27,972</u></u>	<u><u>39,502</u></u>	<u><u>18,295</u></u>	<u><u>7,483</u></u>

Non-HKFRS Measure

We believe the non-HKFRS measure set out below provides useful information to investors about our operating performance, and enhances the overall understanding of our past performance and future prospects in the same manner as our management. We define adjusted net profit (non-HKFRS measure) as profit for the year or period adjusted by expenses for the Listing. Given such expenses were incurred for the purpose of the Global Offering, the adjustment has been consistently made during the Track Record Period.

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The non-HKFRS measure shall not be considered in isolation from, or as substitute for analysis of, our consolidated statement of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS measure may be defined separately from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The table below sets forth our adjusted net profit (non-HKFRS measure) during the Track Record Period:

	FY2021	FY2022	FY2023	6M2023	6M2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Profit for the year/period	23,181	27,972	39,502	18,295	7,483
Adjustment for: Listing expenses	–	–	–	–	9,855
Adjusted net profit for the year/period (non-HKFRS measure)	23,181	27,972	39,502	18,295	17,338

Our adjusted net profit (non-HKFRS measures) decreased from approximately HK\$18.3 million in 6M2023 to HK\$17.3 million for 6M2024, primarily due to increase in administrative and other operating expenses of approximately HK\$4.1 million mainly due to the increase in depreciation of right-of-use assets, which was in line with the increased number of our self-operated stores, partially offset by the decrease in selling and distribution costs of approximately HK\$3.4 million because we adopted a prudent marketing strategy in response to the changing economic landscape in Hong Kong for 6M2024.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we sold our health supplements and cosmetics and skincare products under our own brands and certain third-party brands through (i) retail business; (ii) wholesale business; and (iii) consignment arrangements. Our total revenue increased from approximately HK\$188.6 million for FY2021 to approximately HK\$208.0 million for FY2022 and further increased to approximately HK\$251.2 million for FY2023. Our total revenue decreased slightly from approximately HK\$121.7 million for 6M2023 to approximately HK\$117.8 million for 6M2024. During the Track Record Period, nearly all of our revenue was derived from Hong Kong. Meanwhile, our Group had also derived revenue from the PRC and other overseas countries and regions, mainly via e-commerce platforms.

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Revenue by Sales Channels

The following table sets forth a breakdown of revenue by sales channels during the Track Record Period.

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %	Revenue HK\$'000	% of total revenue %
Retail Business	84,231	44.7	105,163	50.6	125,282	49.9	59,063	48.5	69,035	58.6
Wholesale Business	93,756	49.7	94,130	45.2	117,961	47.0	58,545	48.1	45,555	38.7
Consignment Arrangements	10,651	5.6	8,735	4.2	7,981	3.1	4,133	3.4	3,221	2.7
Total	188,638	100.0	208,028	100.0	251,224	100.0	121,741	100.0	117,811	100.0

Revenue Generated from Retail Business

In our retail business, we sell our products through online and offline sales channels to end-customers. Revenue generated from offline retail sales are mainly from our sales in self-operated stores, brand experience centres and our sales through exhibitions and trade fairs. Meanwhile, revenue generated from online retail sales are mainly from our sales through our own e-commerce platform Zinomall, and our self-operated account and store on third-party e-commerce platforms, such as HKTVmall and Tmall.hk.

For FY2021, FY2022, FY2023 and 6M2024, revenue generated from our retail business amounted to approximately HK\$84.2 million, HK\$105.2 million, HK\$125.3 million and HK\$69.0 million, accounting for approximately 44.7%, 50.6%, 49.9% and 58.6% of our total revenue for each of the corresponding years/period, respectively. As at 31 December 2021, 2022, 2023 and 30 June 2024, we had 12, 16, 23 and 29 self-operated stores. As at the Latest Practicable Date, we had a total of 33 self-operated stores and two brand experience centres. For details, please refer to “Business – Our Business Model – Retail Business” in this prospectus.

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Revenue Generated from Wholesale Business

In our wholesale business, we sell our products mainly through sales to chain retailers, such as large-scale local health and beauty products chain retailers in Hong Kong, and non-chain retailers, mainly including pharmacies and trading companies. For FY2021, FY2022, FY2023 and 6M2024, revenue generated from our wholesale business amounted to approximately HK\$93.8 million, HK\$94.1 million, HK\$118.0 million and HK\$45.6 million, accounting for approximately 49.7%, 45.2%, 47.0% and 38.7% of our total revenue for each of the corresponding years/period, respectively. In particular, during each year/period of the Track Record Period, Customer A, the largest chain retailer of health and beauty products in Hong Kong according to the F&S Report, was our largest wholesale customer in terms of revenue, which amounting to approximately HK\$90.3 million, HK\$90.2 million, HK\$110.7 million and HK\$43.8 million and accounting for approximately 47.9%, 43.3%, 44.0% and 37.2% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively.

Revenue Generated from Consignment Arrangements

During the Track Record Period, we had a few consignment arrangements with consignees, including Consignee A, a major health and beauty products chain retailer in Hong Kong. For FY2021, FY2022, FY2023 and 6M2024, revenue generated from consignment arrangements amounted to approximately HK\$10.7 million, HK\$8.7 million, HK\$8.0 million and HK\$3.2 million, accounting for approximately 5.6%, 4.2%, 3.1% and 2.7% of our total revenue for each of the corresponding years/period, respectively. Revenue generated from Consignee A for FY2021, FY2022, FY2023 and 6M2024 amounted to approximately HK\$9.9 million, HK\$8.4 million, HK\$7.8 million and HK\$3.2 million, representing approximately 5.3%, 4.1%, 3.1% and 2.7% of our total revenue for each of the corresponding years/period, respectively.

FINANCIAL INFORMATION

Revenue by Product Categories

The following table sets out a breakdown of our revenue by product categories and functions during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	% of total		% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Health Supplements	165,975	88.0	191,423	92.0	228,411	90.9	109,613	90.0	109,017	92.6
– Immune System and Post-Covid Care	61,805	32.8	70,958	34.1	83,403	33.2	42,107	34.6	34,006	28.9
– Metabolic Syndrome Care	35,469	18.8	35,783	17.2	47,453	18.9	21,928	18.0	24,841	21.1
– Men's/Women's Health	25,907	13.7	26,905	12.9	29,013	11.5	15,181	12.5	13,429	11.4
– Anti-Ageing	9,402	5.0	20,600	9.9	28,895	11.5	11,974	9.8	14,716	12.5
– Other Health Supplements ⁽¹⁾	33,392	17.7	37,177	17.9	39,647	15.8	18,423	15.1	22,025	18.7
Cosmetics and Skincare Products, Pet Products and Other Products^(2, 3)	22,663	12.0	16,605	8.0	22,813	9.1	12,128	10.0	8,794	7.4
Total⁽³⁾	188,638	100.0	208,028	100.0	251,224	100.0	121,741	100.0	117,811	100.0

Notes:

- (1) Mainly including health supplements for lifestyle-related illness and daily care, skeletal care and detoxing and weight control.
- (2) Our Group began selling pet products in the first half of 2024. For 6M2024, the revenue generated from selling pets products accounted for less than 0.1% of our total revenue for the same period.
- (3) Other products mainly include health-related food which accounted for less than 0.1% of our total revenue during the Track Record Period.

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Revenue Generated from Health Supplements

Our health supplements mainly refer to orally consumed health products which generally take the forms of pills, tablets or liquids for oral intake, which are mainly sold under our own brands, including “Herbs (草姬)”, “Regal Green (綠康營)”, “Umeya (梅屋)”, “Energie (男補)”, “Men’s INFiNiTY (男極)” and “Classic (正統)”. Meanwhile, we also sell health supplements under certain third-party brands. During the Track Record Period, our revenue generated from health supplements amounted to approximately HK\$166.0 million, HK\$191.4 million, HK\$228.4 million and HK\$109.0 million for FY2021, FY2022, FY2023 and 6M2024, respectively, among which nearly all were generated from health supplements under our own brands. Health supplements relating to immune system and post-Covid care are one of our major product categories, and our major products under health supplements mainly include “Herbs The 4th Generation of Cordyceps Mycelia CS-4 (草姬第4代蟲草CS4)” and “Herbs Ganoderma Sporo-Pollen (草姬靈芝孢子)”.

Revenue Generated from Cosmetics and Skincare Products, Pet Products and Other Products

Our cosmetics and skincare products mainly refer to various types of products for external use for maintenance and/or improvement of skin conditions, such as serum, cream, mask and makeup remover and facial cleanser, of which the main functions include skin whitening, anti-ageing and anti-wrinkle, which are mainly sold under our own brand, “ZINO”. Meanwhile, we also sell products under certain third-party brands which mainly include personal care products and health-related food. During the Track Record Period, our revenue generated from cosmetics and skincare products, pets products and other products amounted to approximately HK\$22.7 million, HK\$16.6 million, HK\$22.8 million and HK\$8.8 million for FY2021, FY2022, FY2023 and 6M2024, respectively, among which nearly all were generated from cosmetics and skincare products under our own brand of “ZINO”.

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Sales Volume and Average Selling Price

The following table sets out a breakdown of our products with reference to sales volume and average selling price during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Sales volume ⁽³⁾ <i>approximate unit</i>	Average selling price ⁽⁴⁾ <i>HK\$</i>	Sales volume ⁽³⁾ <i>unit</i>	Average selling price ⁽⁴⁾ <i>HK\$</i>	Sales volume ⁽³⁾ <i>unit</i>	Average selling price ⁽⁴⁾ <i>HK\$</i>	Sales volume ⁽³⁾ <i>unit</i>	Average selling price ⁽⁴⁾ <i>HK\$</i>	Sales volume ⁽³⁾ <i>unit</i>	Average selling price ⁽⁴⁾ <i>HK\$</i>
Health Supplements	1,248,000	132.9	1,372,000	139.6	1,592,000	143.5	768,000	142.7	762,000	143.1
- Immune System and Post-Covid Care	457,000	135.4	532,000	133.4	618,000	135.0	304,000	138.5	266,000	127.8
- Metabolic Syndrome Care	249,000	142.5	251,000	142.4	336,000	141.0	156,000	140.6	177,000	140.3
- Men's/Women's Health	166,000	155.6	177,000	151.8	191,000	151.8	99,000	153.3	89,000	150.9
- Anti-Ageing	26,000	354.7	43,000	480.6	58,000	501.7	25,000	479.0	27,000	545.0
- Other Health Supplements ⁽¹⁾	350,000	95.4	369,000	100.9	389,000	101.9	184,000	100.1	203,000	108.5
Cosmetics and Skincare Products, Pet Products and Other Products	194,000	116.9	153,000	108.5	178,000	128.6	96,000	126.3	72,000	122.0
Total/Overall	<u>1,442,000</u>	130.8	<u>1,525,000</u>	136.4	<u>1,770,000</u>	142.0	<u>864,000</u>	140.9	<u>834,000</u>	141.3

Notes:

- (1) Mainly including health supplements for lifestyle-related illness and daily care, skeletal care and detoxing and weight control.
- (2) Other products mainly include health-related food which accounted for less than 0.1% of our total revenue during the Track Record Period.
- (3) Each unit is equivalent to a package of a product.
- (4) Revenue generated from the sales of a product divided by sales volume of such product.

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From FY2021 to FY2023, our sales volume have increased steadily as a result of, among others, (i) the increase in health awareness of the public following the outbreak of COVID-19 as well as the improvement of the local economy after easing of COVID-19 restrictions in 2023; (ii) our increased efforts on marketing and promotional activities especially on our popular products resulting in an increase in sale of such products; (iii) our dedication to upgrade existing products and to launch newly developed products; (iv) our continuous effort in expanding sales network, including the opening of new self-operated stores.

Our sales volume decreased from 864,000 units in 6M2023 to 834,000 units in 6M2024, primarily attributable to (i) the decrease in sales of our cosmetics and skincare products of approximately 24,000 units and other products; and (ii) the decrease in sales of our health supplements products for immune system and post-Covid care as well as men's and women's health, partially offset by the increase in sales of our health supplements products targeting metabolic syndrome care and ant-ageing.

During the Track Record Period, our overall average selling price, which is generally affected by our product mix and discount and provisions of our products, remained relatively stable.

We recorded significant growth in terms of sales volume of our anti-ageing products during the Track Record Period mainly due to the increase in sales volume of our “Herbs NMN10000+ (草姬NMN10000+)” and “Herbs NMN24000+ (草姬NMN24000+)” products. The “Herbs NMN24000+” was launched in 2023, which is an upgraded version of the “Herbs NMN10000+” and contains 2.4 times of NMN in each packing. We recorded sales of approximately 4,000 units and 16,000 units of “Herbs NMN10000+” in FY2021 and FY2022, respectively and approximately 23,000 units of “Herbs NMN24000+” in FY2023. We also recorded approximately 14,000 units of “Herbs NMN24000+” in 6M2024, as compared to approximately 8,000 units in 6M2023. Due to the higher selling prices of such products under this category, which in average exceed HK\$900 per unit at the material time during the Track Record Period, the increase in sales of our “Herbs NMN10000+” and “Herbs NMN24000+” products during the Track Record Period has led to a significant increase in the average selling price of our anti-ageing products.

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Cost of Sales

Our cost of sales primarily comprised materials costs, packaging costs and delivery costs. During the Track Record Period, our cost of sales amounted to approximately HK\$52.8 million, HK\$58.4 million, HK\$65.8 million and HK\$30.4 million for FY2021, FY2022, FY2023 and 6M2024, respectively. Material costs constitutes the majority of our cost of sales and includes the costs for (i) semi-finished products; and (ii) raw materials used in the manufacturing of our products, such as cordyceps mycelium (蟲草菌絲體) and ganoderma spore (靈芝孢子). The table below sets forth a breakdown of our costs of sales during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Amount	% of total cost of sales	Amount	% of total cost of sales	Amount	% of total cost of sales	Amount	% of total cost of sales	Amount	% of total cost of sales
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Material costs	51,443	97.4	57,066	97.6	64,520	98.1	31,947	97.5	29,839	98.2
Packaging costs	818	1.5	834	1.4	795	1.2	487	1.5	387	1.3
Delivery costs	555	1.0	517	0.9	428	0.6	312	0.9	129	0.4
Others	20	0.1	25	0.1	37	0.1	21	0.1	30	0.1
Total	52,836	100.0	58,442	100.0	65,780	100.0	32,767	100.0	30,385	100.0

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Gross Profit and Gross Profit Margin

During the Track Record Period, our gross profit amounted to approximately HK\$135.8 million, HK\$149.6 million, HK\$185.4 million and HK\$87.4 million and our overall gross profit margin was approximately 72.0%, 71.9%, 73.8% and 74.2% for FY2021, FY2022, FY2023 and 6M2024, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channels during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Retail Business	61,811	73.4	76,305	72.6	94,861	75.7	44,254	74.9	52,011	75.3
Wholesale Business	65,794	70.2	66,374	70.5	84,282	71.4	41,383	70.7	32,784	72.0
Consignment Arrangements	8,197	77.0	6,907	79.1	6,301	79.0	3,337	80.7	2,631	81.7
Total/Overall	135,802	72.0	149,586	71.9	185,444	73.8	88,974	73.1	87,426	74.2

Our gross profit represents our revenue less costs of sales. Given the costs of sales for products under the different sales channel are broadly similar, taking into account (i) revenue for sales under our retail business would be subject to in-store promotion offers and discount offers that are available generally for our members and other customers during our promotion events; (ii) revenue for sales under the wholesale business are based on wholesale prices that are determined through negotiations between the wholesale customer and us on bulk selling bases; and (iii) the major expenses under the consignment arrangement, being the consignment expenses, are recorded as selling and distribution costs and would not impact the gross profits of sales under the consignment arrangements, the gross profit margin of sales under our consignment arrangements are generally higher than sales under our retail business and wholesale business during our Track Record Period.

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The following table sets forth a breakdown of our gross profit and gross profit margin by product categories and functions during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
(unaudited)										
Health										
Supplements	119,864	72.2	138,171	72.2	169,596	74.3	80,656	73.6	81,541	74.8
– Immune System and Post-Covid Care	42,916	69.4	48,397	68.2	59,040	70.8	29,589	70.3	23,889	70.2
– Metabolic Syndrome Care	26,623	75.1	26,290	73.5	36,378	76.7	16,729	76.3	19,288	77.6
– Men's/Women's Health	19,203	74.1	19,717	73.3	21,539	74.2	11,279	74.3	9,935	74.0
– Anti-Ageing	7,679	81.7	17,409	84.5	24,447	84.6	10,068	84.1	12,489	84.9
– Other Health Supplements ⁽¹⁾	23,443	70.2	26,358	70.9	28,192	71.1	12,991	70.5	15,940	72.4
Cosmetics and Skincare Products, Pet Products and Other Products⁽²⁾	15,938	70.3	11,415	68.7	15,848	69.5	8,318	68.6	5,885	66.9
Total/Overall	135,802	72.0	149,586	71.9	185,444	73.8	88,974	73.1	87,426	74.2

Notes:

- (1) Mainly including health supplements for lifestyle-related illness and daily care, skeletal care and detoxing and weight control.
- (2) Other products mainly include health-related food which accounted for less than 0.1% of our total revenue during the Track Record Period.

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Other Income

Our other income primarily consist of (i) government grants, which mainly included subsidies and financial assistance from Hong Kong government during the outbreak of COVID-19 and fund on branding, upgrading and domestic sales, with a view to assisting enterprises to develop the Mainland market through e-commerce business; (ii) bank interest income generated from bank deposits; (iii) COVID-19-related rent concessions relating to our self-operated stores and brand experience centres; and (iv) gain on disposals of property, plant and equipment. During the Track Record Period, our other income amounted to approximately HK\$0.4 million, HK\$4.0 million, HK\$0.5 million and HK\$1.3 million for FY2021, FY2022, FY2023 and 6M2024, respectively. In particular, in 2022, our Group successfully applied for funding support of approximately HK\$3.5 million from the Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong Government. The table below sets forth a breakdown of our other income for the years indicated:

	FY2021 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	FY2023 <i>HK\$'000</i>	6M2023 <i>HK\$'000</i> (unaudited)	6M2024 <i>HK\$'000</i>
Government grants	155	3,813	291	–	1,080
Bank interest income	17	18	78	33	109
COVID-19-related rent concessions received	125	34	–	–	–
Gain on disposals of property, plant and equipment	13	–	–	–	–
Others	87	105	153	84	121
Total	397	3,970	522	117	1,310

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Selling and Distribution Costs

Our selling and distribution costs primarily consist of (i) salaries and commission paid to our product consultants and sales promoters; (ii) advertising and promotion expenses incurred for engagement of entertainers (such as actors and singers), KOLs and medical professionals, and for placement of advertisements in our marketing and promotional activities; (iii) delivery expenses incurred for delivery of products to our customers; and (iv) consignment expenses paid to our consignees. For FY2021, FY2022, FY2023 and 6M2024, our selling and distribution costs amounted to approximately HK\$86.8 million, HK\$93.9 million, HK\$106.6 million and HK\$49.1 million, representing approximately 46.0%, 45.1%, 42.4% and 41.7% of our total revenue for each of the corresponding years/period, respectively. The following table sets forth a breakdown of our selling and distribution costs during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Amount HK\$'000	% of total selling and distribution costs %	Amount HK\$'000	% of total selling and distribution costs %	Amount HK\$'000	% of total selling and distribution costs %	Amount HK\$'000	% of total selling and distribution costs %	Amount HK\$'000	% of total selling and distribution costs %
Staff costs	46,382	53.4	55,321	58.9	61,155	57.4	29,324	55.9	29,498	60.1
Advertising and promotion expenses	29,499	34.0	28,074	29.9	34,806	32.7	17,785	33.9	14,542	29.6
Delivery expenses	5,022	5.8	5,135	5.5	5,125	4.8	2,561	4.9	2,377	4.8
Consignment expenses	3,484	4.0	2,877	3.1	2,629	2.5	1,396	2.6	1,086	2.2
Others ⁽¹⁾	2,434	2.8	2,500	2.6	2,883	2.6	1,424	2.7	1,601	3.3
Total	86,821	100.0	93,907	100.0	106,598	100.0	52,490	100.0	49,104	100.0

Note:

(1) Mainly including payment processing charges, e-commerce platform service fees and exhibition expenses.

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The following table sets forth a breakdown of our advertising and promotion expenses by promotion channels during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Amount	% of total advertising and promotion expenses	Amount	% of total advertising and promotion expenses	Amount	% of total advertising and promotion expenses	Amount	% of total advertising and promotion expenses	Amount	% of total advertising and promotion expenses
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Online advertising ⁽¹⁾	15,235	51.7	13,851	49.3	16,045	46.1	8,467	47.6	6,301	43.3
Offline advertising ⁽²⁾	9,799	33.2	10,123	36.1	13,102	37.7	6,334	35.6	5,588	38.4
Engagement of entertainers and KOLs ⁽³⁾	3,807	12.9	3,376	12.0	4,914	14.1	2,705	15.2	2,386	16.4
Others ⁽⁴⁾	658	2.2	724	2.6	745	2.1	279	1.6	267	1.9
Total	29,499	100.0	28,074	100.0	34,806	100.0	17,785	100.0	14,542	100.0

Notes:

- (1) involves advertising on social media.
- (2) involves advertising in newspapers and magazines, creating leaflets and newsletters, and promoting on television and public transport, such as the MTR.
- (3) involves engaging entertainers (such as actors and singers) and KOLs, organising brand-building activities and appointing brand ambassador.
- (4) involves producing banners and foam boards, conducting photoshoots, distributing free samples and others.

Our Group has adopted a multifaceted advertising and promotion strategy, utilising a mix of promotion channels including online advertising, offline advertising and engagement of entertainers (such as actors and singers) and KOLs. We regularly evaluate and adjust our allocation towards different promotional channels, considering various factors such as market trends, consumer feedback and campaign performance. Our advertising and promotion expenses remained stable at HK\$29.5 million and HK\$28.1 million for FY2021 and FY2022, and increased to HK\$34.8 million for FY2023, primarily due to our increase in advertising and promotional efforts aimed at capitalising on the growing health consciousness following the COVID-19 pandemic. Our advertising and promotion expenses decreased from HK\$17.8 million for 6M2023 to HK\$14.5 million for 6M2024 due to a prudent marketing strategy in response to the overall challenging retail environment in Hong Kong for the first half of 2024.

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Administrative and Other Operating Expenses

Our administrative and other operating expenses primarily consist of (i) depreciation of our leased properties, including our self-operated stores and brand experience centres; (ii) salaries and benefits paid to our employees; and (iii) rental and other premise expenses, mainly including management fees and short-term store rentals. During the Track Record Period, our administrative and other operating expenses amounted to approximately HK\$21.0 million, HK\$25.8 million, HK\$31.1 million and HK\$18.6 million for FY2021, FY2022, FY2023 and 6M2024, representing approximately 11.2%, 12.4%, 12.4% and 15.8% of our total revenue for each of the corresponding years/period, respectively. The following table sets forth a breakdown of our administrative and other operating expenses during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Amount <i>HK\$'000</i>	% of total administrative and other operating expenses	Amount <i>HK\$'000</i>	% of total administrative and other operating expenses	Amount <i>HK\$'000</i>	% of total administrative and other operating expenses	Amount <i>HK\$'000</i>	% of total administrative and other operating expenses	Amount <i>HK\$'000</i>	% of total administrative and other operating expenses
							(unaudited)			
Depreciation	8,157	38.8	12,088	46.8	15,094	48.5	6,765	46.8	9,682	52.0
Staff costs	8,951	42.5	8,509	32.9	10,667	34.3	5,283	36.5	5,289	28.4
Rental and other premise expenses	1,568	7.4	2,301	8.9	1,786	5.7	743	5.1	1,292	7.0
Others ⁽¹⁾	2,371	11.3	2,945	11.4	3,569	11.5	1,678	11.6	2,341	12.6
Total	21,047	100.0	25,843	100.0	31,116	100.0	14,469	100.0	18,604	100.0

Note:

- (1) Mainly including IT expenses, postage, printing and stationery expenses, insurance, recruitment fee, telecommunication and other general office expenses.

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Listing expenses

Listing expenses represent expenses in relation to our proposed Listing and Global Offering. During the Track Record Period, we recorded listing expenses of nil, nil, nil and HK\$9.9 million for FY2021, FY2022, FY2023 and 6M2024, respectively.

Finance Costs

Our finance costs mainly represent interest on bank loans and interest on lease liabilities. Our finance costs remained relatively stable and amounted to approximately HK\$0.8 million, HK\$1.0 million, HK\$1.0 million and HK\$0.5 million for FY2021, FY2022, FY2023 and 6M2024, respectively.

Income Tax

During the Track Record Period, our revenue was primarily derived in Hong Kong and was therefore subject to profits tax in Hong Kong. Under the two-tiered profits tax rate regime of Hong Kong profits tax, the first HK\$2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2.0 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2.0 million.

Our income tax expenses amounted to approximately HK\$4.3 million, HK\$4.8 million, HK\$7.8 million and HK\$3.2 million, with the effective tax rate of approximately 15.8%, 14.7%, 16.5% and 30.0% for FY2021, FY2022, FY2023 and 6M2024, respectively.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had fulfilled all of our income tax obligations in all material respects and had no material unresolved income tax issues or disputes with the relevant tax authorities.

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RESULTS OF OPERATIONS

6M2023 Compared with 6M2024

Revenue

Our revenue decreased by approximately 3.2% or HK\$3.9 million from HK\$121.7 million in 6M2023 to HK\$117.8 million in 6M2024, primarily attributable to the decrease in sales from our wholesale business of approximately HK\$13.0 million due to the decrease in orders from Customer A, which was partially offset by the increase in sales from our retail business of HK\$9.8 million due to our continuous effort in expanding our sales network, including opening 12 self-operated stores during the second half of 2023 and 6M2024.

Cost of Sales

Our cost of sales decreased by approximately 7.3% from approximately HK\$32.8 million in 6M2023 to approximately HK\$30.4 million in 6M2024, which was generally in line with the drop in our revenue.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 1.7% from approximately HK\$89.0 million in 6M2023 to approximately HK\$87.4 million in 6M2024, which was mainly generally in line with the drop in our revenue.

Meanwhile, our gross profit margin remained relatively stable at approximately 73.1% and 74.2% in 6M2023 and 6M2024, respectively.

Other Income

Our other income increased from approximately HK\$0.1 million in 6M2023 to approximately HK\$1.3 million in FY2024, which was mainly because of the increase in government grants of approximately HK\$1.1 million relating to subsidies from Hong Kong government for branding, upgrading and domestic sales, with a view to assisting enterprises to develop the Mainland market through e-commerce business.

Selling and Distribution Costs

Our selling and distribution costs decreased by approximately 6.5% from approximately HK\$52.5 million in 6M2023 to approximately HK\$49.1 million in 6M2024, which was mainly due to the decrease in advertising and promotion expenses of approximately HK\$3.3 million because we adopted a prudent marketing strategy in response to the changing economic landscape in Hong Kong for 6M2024.

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Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by approximately 28.6% from approximately HK\$14.5 million in 6M2023 to approximately HK\$18.6 million in 6M2024, which was mainly due to the increase in depreciation of right-of-use assets, which was in line with the increased number of our self-operated stores.

Finance Costs

Our finance costs remained relatively stable at approximately HK\$0.5 million in 6M2023 and approximately HK\$0.5 million in 6M2024.

Income Tax

Our income tax expense remained relatively stable at HK\$3.4 million for 6M2023 and HK\$3.2 million for 6M2024. Meanwhile, our effective tax rate increased from 15.6% for 6M2023 to 30.0% for 6M2024. The effective tax rate for 6M2024 was higher primarily due to the decrease in our profits before income tax as a result of the non-deductible expenses in relation to our Listing.

Profit for the Period

For the foregoing reasons and the non-recurring listing expenses recognised in 6M2024, our profit for the period decreased from HK\$18.3 million for 6M2023 to HK\$7.5 million for 6M2024.

FY2023 Compared with FY2022

Revenue

Our revenue increased by approximately 20.8% or HK\$43.2 million, from approximately HK\$208.0 million in FY2022 to approximately HK\$251.2 million in FY2023, mainly because our revenue generated from wholesale business increased by approximately 25.3% or HK\$23.9 million from approximately HK\$94.1 million in FY2022 to approximately HK\$118.0 million in FY2023 and our revenue generated from retail business increased by approximately 19.1% and HK\$20.1 million from approximately HK\$105.2 million in FY2022 to approximately HK\$125.3 million in FY2023. Such increases were mainly due to (i) the increase in health awareness of the public as well as the improvement of local economy after the easing of COVID-19 restrictions, led by events such as the reopening of borders in 2023, both of which also resulting in an increase in demand of our products; (ii) our increased efforts on marketing and promotional activities, which, in particular, we have put more efforts to promote our popular products such as “Herbs NMN24000+ (草姬NMN24000+)”, “Herbs Cardio Pro (草姬活心丸)”, “Herbs Detox Pro (草姬健肝丸)” and “Herbs Sleeping Pro (草姬速睡丸)”, resulting in an increase in sales of such products; (iii) our dedication to upgrade existing products and to launch newly developed products such as “Herbs NMN24000+ (草姬NMN24000+)” and “Herbs Joints & Muscles Pro EX

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(草姬筋腱通)”; and (iv) our continuous effort in expanding sales network, including opening seven self-operated stores during FY2023.

Cost of Sales

Our cost of sales increased by approximately 12.7% from approximately HK\$58.4 million in FY2022 to approximately HK\$65.8 million in FY2023, which was generally in line with the increase in our revenue reflecting our business expansion.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 24.0% from approximately HK\$149.6 million in FY2022 to approximately HK\$185.4 million in FY2023, which was generally in line with the increase in revenue reflecting our business expansion.

Our gross profit margin increased from approximately 71.9% in FY2022 to approximately 73.8% in FY2023, which was mainly due to the increase in gross profit margin of our health supplements for immune system and post-COVID care, metabolic syndrome care and anti-ageing led by economies of scale, in line with the expanded business scale of the relevant health supplements.

Other Income

Our other income decreased from approximately HK\$4.0 million in FY2022 to approximately HK\$0.5 million in FY2023, which was mainly because the government grants we received from the Employment Support Scheme under the Anti-epidemic Fund from Hong Kong Government of approximately HK\$3.5 million in FY2022 was no longer available in FY2023.

Selling and Distribution Costs

Our selling and distribution costs increased by approximately 13.5% from approximately HK\$93.9 million in FY2022 to approximately HK\$106.6 million in FY2023, which was mainly due to (i) the increase in our advertising and promotion expenses of approximately HK\$6.7 million for our above-mentioned marketing effort; and (ii) the increase in salaries and commission of approximately HK\$5.8 million, which was generally in line with the increase in revenue reflecting our business expansion.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by approximately 20.5% from approximately HK\$25.8 million in FY2022 to approximately HK\$31.1 million in FY2023, which was mainly due to (i) the increase in depreciation of right-of-use assets, which was in line with the increased number of our self-operated stores; and (ii) the increase in salaries, which was generally in line with the increased number of our staff.

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Finance Costs

Our finance costs remained stable at approximately HK\$1.0 million for both FY2022 and FY2023 due to the combined effect of (i) the decrease in interest on bank loans as we settled some of our bank loans in FY2023; and (ii) the increase in interest on lease liabilities following the increased number of self-operated stores.

Income Tax

Our income tax amounted to approximately HK\$4.8 million for FY2022 and approximately HK\$7.8 million for FY2023, in line with the increase in profit before tax. Meanwhile, our effective tax rate increased from approximately 14.7% for FY2022 to approximately 16.5% for FY2023, mainly because the government grants we received in FY2022 was non-taxable.

Profit for the Year

As a result of the foregoing, our profit for the year amounted to approximately HK\$28.0 million for FY2022 and approximately HK\$39.5 million for FY2023, respectively, representing an increase of approximately 41.1%.

FY2022 Compared with FY2021

Revenue

Our revenue increased by approximately 10.3% or HK\$19.4 million from approximately HK\$188.6 million in FY2021 to approximately HK\$208.0 million in FY2022 which was mainly due to that our revenue generated from retail business increased by approximately 24.9% or HK\$21.0 million from approximately HK\$84.2 million in FY2021 to approximately HK\$105.2 million in FY2022. Such increase was mainly due to (i) the increase in health awareness of the public following the outbreak of COVID-19, resulting in an increase in demand of our products; (ii) our increased efforts on marketing and promotional activities, in particular to promote our popular products such as “Herbs The 4th Generation of Cordyceps Mycelia CS-4 (草姬第4代蟲草CS4)” and “Herbs Ganoderma Sporo-Pollen (草姬靈芝孢子)”, resulting in an increase in sales of products; (iii) our dedication to upgrade existing products and to launch newly developed products such as “Herbs Vision Pro Ex (草姬亮目丸(升級版))”; and (iv) our continuous effort in expanding our sales network, including opening four self-operated stores during FY2022.

Cost of Sales

Our cost of sales increased by approximately 10.6% from approximately HK\$52.8 million in FY2021 to approximately HK\$58.4 million in FY2022, which was generally in line with the increase in revenue reflecting our business expansion.

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Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 10.2% from approximately HK\$135.8 million in FY2021 to approximately HK\$149.6 million in FY2022, which was in line with the increase in revenue reflecting our business expansion.

Meanwhile, our gross profit margin remained relatively stable at approximately 72.0% and 71.9% in FY2021 and FY2022.

Other Income

Our other income increased from approximately HK\$0.4 million in FY2021 to approximately HK\$4.0 million in FY2022, which was mainly because of the government grants of approximately HK\$3.5 million we received from the Employment Support Scheme under the Anti-epidemic Fund from Hong Kong Government in FY2022.

Selling and Distribution Costs

Our selling and distribution costs increased by approximately 8.2% from approximately HK\$86.8 million in FY2021 to approximately HK\$93.9 million in FY2022, which was mainly due to the increase in salaries and commissions, which was generally in line with the increase in revenue reflecting our business expansion.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by approximately 22.9% from approximately HK\$21.0 million in FY2021 to approximately HK\$25.8 million in FY2022, which was mainly due to the increase in depreciation of right-of-use assets, which was generally in line with the increased number of our self-operated stores.

Finance Costs

Our finance costs increased slightly from approximately HK\$0.8 million in FY2021 to approximately HK\$1.0 million in FY2022, mainly due to the increase in interest on lease liabilities following the increased number of our self-operated stores, being partially offset by a decrease in interest on bank loans as we settled some of our bank loans in FY2022.

Income Tax

Our income tax amounted to approximately HK\$4.3 million for FY2021 and approximately HK\$4.8 million for FY2022, in line with the increase in profit before tax. Meanwhile, our effective tax rate decreased from approximately 15.8% for FY2021 to approximately 14.7% for FY2022, mainly because we received the non-taxable government grants in FY2022.

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Profit for the Year

As a result of the foregoing, our profit for the year amounted to approximately HK\$23.2 million for FY2021 and approximately HK\$28.0 million for FY2022, respectively, representing an increase of approximately 27.5%.

DISCUSSION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as at the dates indicated:

	At 31 December			As at	As at
	2021	2022	2023	30 June	31 October
	HK\$'000	HK\$'000	HK\$'000	2024	2024
				HK\$'000	HK\$'000
					(unaudited)
Current Assets					
Inventories	27,133	31,625	38,020	34,608	30,798
Trade and other receivables	35,537	39,397	46,371	47,161	50,336
Amounts due from related companies	49	116	–	–	–
Amount due from a Controlling					
Shareholder	24,629	17,647	5,176	–	–
Cash and cash equivalents	4,197	12,934	22,482	26,546	29,914
Total Current Assets	91,545	101,719	112,049	108,315	111,048
Current Liabilities					
Trade and other payables	13,753	14,093	12,741	11,867	10,530
Contract liabilities	1,133	1,644	2,258	1,941	2,757
Bank loans and overdrafts	16,064	10,467	6,473	6,015	5,668
Lease liabilities	8,088	9,647	12,566	12,342	15,010
Current tax payable	7,405	6,820	4,629	6,753	9,547
Amounts due to related companies	1,481	1,320	720	–	–
Amounts due to the Controlling					
Shareholders	872	198	–	19,993	9,993
Amount due to a Director	3,405	635	–	320	533
Total Current Liabilities	52,201	44,824	39,387	59,231	54,038
Net Current Assets	39,344	56,895	72,662	49,084	57,010

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Our net current assets increased from approximately HK\$39.3 million as at 31 December 2021 to approximately HK\$56.9 million as at 31 December 2022, primarily due to (i) the increase in cash and cash equivalents of approximately HK\$8.7 million; (ii) the increase in inventories of approximately HK\$4.5 million; and (iii) the decrease in bank loans and overdrafts of approximately HK\$5.6 million.

Our net current assets increased from approximately HK\$56.9 million as at 31 December 2022 to approximately HK\$72.7 million as at 31 December 2023, primarily due to (i) the increase in cash and cash equivalents of approximately HK\$9.5 million; (ii) the increase in inventories of approximately HK\$6.4 million; and (iii) the decrease in bank loans and overdrafts of approximately HK\$4.0 million, partially offset by an increase in lease liabilities of approximately HK\$2.9 million.

Our net current assets decreased from approximately HK\$72.7 million as at 31 December 2023 to approximately HK\$49.1 million as at 30 June 2024, primarily due to (i) the increase in amounts due to the Controlling Shareholders of HK\$20.0 million which represents the dividend payable to Ms. Gammy Kwok and Mr. Petras Li; and (ii) the decrease in inventories of HK\$3.4 million, partially offset by increase in cash and cash equivalents of HK\$4.1 million.

Our net current assets increased from approximately HK\$49.1 million as at 30 June 2024 to approximately HK\$57.0 million as at 31 October 2024, primarily due to (i) the decrease in amounts due to the Controlling Shareholders of HK\$10.0 million as we settled portion of the dividend payable to our Controlling Shareholders, partially offset by the decrease in inventory of approximately HK\$3.8 million.

Inventories

Our inventories primarily comprised of (i) health supplements and cosmetics and skincare products; and (ii) packaging materials and consumables. The following table sets forth the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
Total	27,133	31,625	38,020	34,608

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Our inventories increased from approximately HK\$27.1 million as at 31 December 2021 to approximately HK\$31.6 million as at 31 December 2022 and further increased to approximately HK\$38.0 million as at 31 December 2023, primarily due to the increase in number of our health supplements and cosmetics and skincare products, which was in line with (i) the increase in number of our self-operated stores; and (ii) our growth in online sales channels.

Our inventories decreased from approximately HK\$38.0 million as at 31 December 2023 to HK\$34.6 million as at 30 June 2024, primarily due to the decrease in amount of our inventories of health supplements and cosmetics and skincare products as we opted to maintain lower stock levels for working capital management despite increase in number of our self-operated stores and the challenging retail market.

The following table sets forth the amount of inventories recognised as an expenses and included in profit or loss as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2024
				<i>HK\$'000</i>
Carrying amount of inventories sold	52,816	58,417	65,743	30,355
Write-down of inventories	20	25	37	30
Total	52,836	58,442	65,780	30,385

The write-down of inventories made during the Track Record Period was mainly relating to packaging materials due to changes in the package of our products. For further details of our inventory write-down policy, please refer to “Material Accounting Policies – Judgements and Estimates – Net Realisable Value of Inventories” in this section.

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The following table sets forth the turnover days of our inventory for the years/period indicated:

	FY2021	FY2022	FY2023	6M2024
Inventory turnover days ⁽¹⁾	158	183	193	218
– health supplements products	159	179	191	214
– cosmetics and skincare products	145	226	212	248

Note:

- (1) Inventory turnover days equals the average of the gross value of the opening and closing inventories balance divided by cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period (i.e. 365 days for a fiscal year or 182.5 days for six months).

Our inventory turnover days increased from 158 days for FY2021 to 183 days for FY2022, and further to 193 days for FY2023, mainly attributable to the increase in inventories of our health supplements and cosmetics and skincare products in preparation for our future sales, which was in line with (i) the increase in number of our self-operated stores; and (ii) our growth in online sales channels. Our inventory turnover days increased from 193 days for FY2023 to 218 days for 6M2024 despite a lower ending balance of inventories as at 30 June 2024 as compared to 31 December 2023, primarily due to a relative decrease in our cost of sales, which is in line with the drop in revenue during 6M2024 despite a higher ending balance of inventories as at 31 December 2023.

The inventory turnover days for our health supplements products increased from 159 days for FY2021 to 179 days for FY2022, and further to 191 days for FY2023 and 214 days for 6M2024, which is in line with the trend of the total turnover days.

The inventory turnover days for our cosmetics and skincare products increased from 145 days for FY2021 to 226 days for FY2022, primarily due to the increase in inventories of cosmetics and skincare products in preparation for our future sales. The inventory turnover days for our cosmetics and skincare products decreased from 226 days for FY2022 to 212 days for FY2023, mainly due to increase in sales of our cosmetics and skincare products during the period. The inventory turnover days for our cosmetics and skincare products increased to 248 days for 6M2024, which aligns with the overall trend of the total turnover days during the corresponding period.

Throughout the Track Record Period, we did not experience material recoverability issues with respect to our inventories. A vast majority of our inventories consist of health supplements, cosmetics and skincare products and packaging materials which generally have relatively long expiry dates and which we believe have a high level of marketability given the historic consumer demand for our products. We also have in place dedicated personnel who continuously monitor aging conditions and marketability of our inventories with a view to identifying obsolete and slow-moving inventories so that we can promptly take appropriate remedial measures

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accordingly. For further details of our inventory management, please refer to “Business – Inventory and Warehousing” to this prospectus. Our management also reviews the recoverability of our inventories as of the end of each reporting period to ensure that adequate provisions are made for irrecoverable amounts. In light of these, we do not expect to experience any material issue in recoverability of inventories in the foreseeable future. As a result, no provision had been made with respect to our inventories as of the Latest Practicable Date.

The following table sets forth an ageing analysis of our inventories as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	5,018	7,009	2,525	7,711
31 to 60 days	3,143	4,523	3,658	7,258
61 to 180 days	11,819	12,301	17,164	14,275
181 days to 1 year	6,876	6,165	12,628	3,848
Over 1 year	277	1,627	2,045	1,516
	<hr/>	<hr/>	<hr/>	<hr/>
Total	27,133	31,625	38,020	34,608
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

We review our inventory records from time to time to identify any slow-moving or obsolete items. As at 31 October 2024, approximately HK\$20.2 million or 58.4% of our inventories as at 30 June 2024 had been used, consumed or sold. Our Directors confirm that, there were no slow moving or obsolete items which would have had a material adverse impact on our business operations, financial condition or results of operations during the Track Record Period.

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Trade and Other Receivables

The following table sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
Trade receivables	26,436	29,893	32,473	29,228
Prepayments, deposits and other receivables	9,101	9,504	13,898	17,933
Total	<u>35,537</u>	<u>39,397</u>	<u>46,371</u>	<u>47,161</u>

Trade Receivables

Our trade receivables are amounts due for products sold in the ordinary course of our business, primarily arising from our wholesale business, which increased from approximately HK\$26.4 million as at 31 December 2021 to approximately HK\$29.9 million as at 31 December 2022 to approximately HK\$32.5 million as at 31 December 2023 and further decreased to approximately HK\$29.2 million as at 30 June 2024, in line with the fluctuation in sales from our wholesale business. We generally grant a credit term of 60 to 90 days from the date of issuing invoice.

For details of our control over trade receivables, please refer to “Financial and Capital Risk Management – Credit Risk” in this section.

The following table sets forth an ageing analysis of our trade receivables as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
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
Total	<u>26,436</u>	<u>29,893</u>	<u>32,473</u>	<u>29,228</u>

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The following table sets forth the turnover days of our trade receivables for the years/period indicated:

	FY2021	FY2022	FY2023	6M2024
Trade receivables turnover days ⁽¹⁾	<u>52</u>	<u>49</u>	<u>45</u>	<u>48</u>

Note:

- (1) Trade receivables turnover days equals the average of the gross value of the opening and closing trade receivables balance divided by revenue for the relevant year/period and multiplied by the number of days in the relevant year/period (i.e. 365 days for a fiscal year or 182.5 days for six months).

Our trade receivables turnover days remained relatively stable at 52 days, 49 days, 45 days and 48 days for FY2021, FY2022, FY2023 and 6M2024, which was generally in line with the credit terms of our wholesale customers.

As at 31 October 2024, approximately HK\$29.1 million, or 99.7% of our trade receivables as at 30 June 2024, had been settled, among which, 100% of the trade receivables of 61 to 90 days had been settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of (i) prepayments made to our suppliers; (ii) deposits paid in relation to our leased properties; (iii) capitalised listing expenses; and (iv) other receivables, mainly including government fundings to be received by us. The following table sets forth the breakdown of our other receivables, prepayment and deposits as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	5,322	5,066	8,055	7,843
Capitalised listing expenses	–	–	–	3,001
Deposits	3,656	4,418	5,837	7,081
Other receivables	<u>123</u>	<u>20</u>	<u>6</u>	<u>8</u>
Total	<u>9,101</u>	<u>9,504</u>	<u>13,898</u>	<u>17,933</u>

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Our prepayments, deposits and other receivables increased from approximately HK\$9.1 million as at 31 December 2021 to approximately HK\$9.5 million as at 31 December 2022, primarily due to the increase in deposits paid for our leased properties, which was in line with the increase in number of our self-operated stores. Our prepayments, deposits and other receivables further increased from approximately HK\$9.5 million as at 31 December 2022 to approximately HK\$13.9 million as at 31 December 2023, primarily due to the increase in both prepayments made to our suppliers and deposits paid for our leased properties, which was in line with our business growth as we placed increased orders with our suppliers and had an increase in number of self-operated stores. Our prepayments, deposits and other receivables further increased from approximately HK\$13.9 million as at 31 December 2023 to approximately HK\$17.9 million as at 30 June 2024, primarily due to the increase in deposits paid for our leased properties as a results of an increase in number of self-operated stores and payment for capitalised listing expenses.

Trade and Other Payables

The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			At at
	2021	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,573	2,934	1,703	2,705
Other payables and accruals	10,180	11,159	11,038	9,162
Total	13,753	14,093	12,741	11,867

Trade Payables

Our trade payables primarily represent costs for raw materials and packaging materials and fees in relation to our production and delivery services paid to our suppliers, which are non-interest-bearing and are generally settled within 60 days. Our trade payables decreased from approximately HK\$3.6 million as at 31 December 2021 to approximately HK\$2.9 million as at 31 December 2022 and decreased to approximately HK\$1.7 million as at 31 December 2023, primarily due to our earlier settlements to suppliers. Our trade payables increased to approximately HK\$2.7 million as at 30 June 2024, primarily due to certain trade payables were not yet due.

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The following table sets forth an ageing analysis of our trade payables as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	HK\$'000	HK\$'000	HK\$'000	2024 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
Total	3,573	2,934	1,703	2,705

The following table sets forth the turnover days of our trade payables for the years/period indicated:

	FY2021	FY2022	FY2023	6M2024
Trade payables turnover days ⁽¹⁾	31	20	13	13

Note:

- (1) Trade payables turnover days equals the average of the gross value of the opening and closing trade payables balance divided by cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period (i.e. 365 days for a fiscal year or 182.5 days for six months).

Our trade payables turnover days decreased from 31 days for FY2021 to 20 days for FY2022 and decreased to 13 days for FY2023 and 13 days for 6M2024, primarily due to our earlier settlement of trade payables to suppliers, despite that the credit terms offered by our suppliers to us did not change during the Track Record Period, in order to maintain better relationship with suppliers when situation allows.

As at 31 October 2024, approximately HK\$2.5 million, or 93.4% of our total trade payables as at 30 June 2024 were subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) accrued employee benefits, mainly including bonus and long service payments; (ii) advertising and promotion expenses payables; and (iii) other payables, mainly including provisions for reinstatement costs. Our other payables and accruals amounted to approximately HK\$10.8 million, HK\$12.2 million, HK\$12.1 million

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and HK\$10.5 million as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively. The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2024</i> <i>HK\$'000</i>
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> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>10,771</u>	<u>12,212</u>	<u>12,119</u>	<u>10,480</u>

Contract Liabilities

Our contract liabilities primarily represent our obligation to transfer performance obligation to customers for which we have received consideration from them under the customer loyalty programme we operate where customers accumulate reward points for purchases made over certain amount which entitle them to discount on future purchases, which amounted to approximately HK\$1.1 million, HK\$1.6 million, HK\$2.3 million and HK\$1.9 million as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively.

Balances with Related Companies

During the Track Record Period, our amounts due from related companies, which was non-trade in nature, amounted to approximately HK\$49,000, HK\$116,000, nil and nil as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively. For details, please refer to Note 22(c) to the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, our amounts due to related companies, which was non-trade in nature, amounted to approximately HK\$1.5 million, HK\$1.3 million, HK\$0.7 million and nil as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively. For details, please refer to Note 22(c) to the Accountants' Report in Appendix I to this prospectus.

Balance with Controlling Shareholders

During the Track Record Period, our amount due from a Controlling Shareholder, which was non-trade in nature, amounted to approximately HK\$24.6 million, HK\$17.6 million, HK\$5.2 million and nil as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively. For details, please refer to Note 22(c) to the Accountants' Report in Appendix I to this prospectus.

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During the Track Record Period, our amounts due to the Controlling Shareholders, which was non-trade in nature, amounted to approximately HK\$0.9 million, HK\$0.2 million, nil and HK\$20.0 million as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively. The amounts due to the Controlling Shareholders as of 30 June 2024 of HK\$20.0 million represents the dividend payable to Ms. Gammy Kwok and Mr. Petras Li. For details, please refer to Note 22(c) to the Accountants' Report in Appendix I to this prospectus.

Our Directors confirm that our balance with Controlling Shareholders has been fully settled as of the Latest Practicable Date.

Amount due to a Director

During the Track Record Period, our amount due to a Director, amounted to approximately HK\$3.4 million, HK\$0.6 million, nil and HK\$0.3 million as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively. Except for the amount of HK\$2.8 million as at 31 December 2021 which was non-trade in nature, the remaining amount due to a Director during the Track Record Period was trade in nature. The amount due to a Director as of 30 June 2024 of HK\$0.3 million represents the endorsement fee payable to Mr. Roger Kwok. Our Directors confirm that our outstanding amount due to Mr. Roger Kwok has not been fully settled as of the Latest Practicable Date and is expected to be fully repaid before the Listing. For details, please refer to Note 22(c) to the Accountants' Report in Appendix I to this prospectus.

Property, Plant and Equipment

Our property, plant and equipment primarily comprised of leased properties, office equipment, motor vehicles, computer equipment and leasehold improvements. Our property, plant and equipment decreased from approximately HK\$22.4 million as at 31 December 2021 to approximately HK\$22.0 million as at 31 December 2022, primarily due to depreciation charge of approximately HK\$12.1 million, which was netted off by approximately HK\$9.5 million addition of property, plant and equipment following the increased number in our self-operated stores and approximately HK\$2.2 million lease modification after we extended the relevant leases. Our property, plant and equipment increased from approximately HK\$22.0 million as at 31 December 2022 to approximately HK\$28.2 million as at 31 December 2023, primarily due to the increased in lease of our self-operated stores. Our property, plant and equipment increased from approximately HK\$28.2 million as at 31 December 2023 to approximately HK\$31.3 million as at 30 June 2024, primarily due to the further increased in lease of our self-operated stores. For details, please refer to Note 11 to Accountants' Report in Appendix I to this prospectus.

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LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from proceeds from our business operations, capital contribution from shareholders and bank loans. After the Listing, we intend to finance our future capital requirements through cash generated from our business operations and the net proceeds from the Listing. We do not anticipate any changes to the availability of financing to fund our operations in the future.

The following table sets forth a summary of our cash flows for the years indicated:

	FY2021 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	FY2023 <i>HK\$'000</i>	6M2023 <i>HK\$'000</i> (unaudited)	6M2024 <i>HK\$'000</i>
Operating activities					
Cash generated from operations	24,903	38,383	47,686	15,883	24,795
Tax paid	–	(5,663)	(10,311)	(6,146)	(1,231)
Net cash generated from operating activities	24,903	32,720	37,375	9,737	23,564
Net cash (used in)/generated from investing activities	(3,438)	2,737	(4,508)	(1,645)	(2,036)
Net cash used in financing activities	(21,431)	(26,022)	(23,319)	(9,725)	(17,464)
Net increase/(decrease) in cash and cash equivalents	34	9,435	9,548	(1,633)	4,064
Cash and cash equivalents at the beginning of the year/period	3,465	3,499	12,934	12,934	22,482
Cash and cash equivalents at the end of the year/period	3,499	12,934	22,482	11,301	26,546

FINANCIAL INFORMATION

Net Cash Generated from Operating Activities

Our cash from operating activities consists primarily of profit before income tax from our product sales, as adjusted by, among others, (i) non-cash and non-operating items such as depreciation and finance costs; and (ii) changes in working capital.

For 6M2024, we had net cash generated from operating activities of approximately HK\$23.6 million, which represents our profit before taxation of approximately HK\$10.7 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of approximately HK\$9.7 million and finance costs of approximately HK\$0.5 million; and (ii) changes in working capital, primarily comprising a decrease in inventories of approximately HK\$3.4 million and an increase in trade and other receivables of approximately HK\$2.2 million.

For FY2023, we had net cash generated from operating activities of approximately HK\$37.4 million, which represents our profit before taxation of approximately HK\$47.3 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of approximately HK\$15.1 million and finance costs of approximately HK\$1.0 million; and (ii) changes in working capital, primarily comprising an increase in inventories of approximately HK\$6.4 million and an increase in trade and other receivables of approximately HK\$7.0 million.

For FY2022, we had net cash generated from operating activities of approximately HK\$32.7 million, which represents our profit before taxation of approximately HK\$32.8 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of approximately HK\$12.1 million and finance costs of approximately HK\$1.0 million; and (ii) changes in working capital, primarily comprising an increase in inventories of approximately HK\$4.5 million and an increase in trade and other receivables of approximately HK\$3.9 million.

For FY2021, we had net cash generated from operating activities of approximately HK\$24.9 million, which represents our profit before taxation of approximately HK\$27.5 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of approximately HK\$8.2 million and finance costs of approximately HK\$0.8 million; and (ii) changes in working capital, primarily comprising an increase in inventories of approximately HK\$8.7 million and an increase in trade and other receivables of approximately HK\$2.8 million.

Net Cash (Used in)/Generated from Investing Activities

Our cash used in investing activities consist primarily of the purchases of property, plant and equipment. Our cash generated from investing activities consist primarily of repayment from a controlling shareholder and bank interest income.

For 6M2024, our net cash used in investing activities was approximately HK\$2.0 million, primarily due to purchases of property, plant and equipment of approximately HK\$3.2 million, as adjusted by repayment from a Controlling Shareholder of approximately HK\$1.0 million.

FINANCIAL INFORMATION

For FY2023, our net cash used in investing activities was approximately HK\$4.5 million, primarily due to purchases of property, plant and equipment of approximately HK\$4.7 million, as adjusted by repayment from related companies of approximately HK\$0.1 million.

For FY2022, our net cash generated from investing activities was approximately HK\$2.7 million, primarily due to repayment from a Controlling Shareholder of approximately HK\$5.0 million, as adjusted by purchases of property, plant and equipment of approximately HK\$2.2 million.

For FY2021, our net cash used in investing activities was approximately HK\$3.4 million, primarily due to purchases of property, plant and equipment of approximately HK\$4.2 million, as adjusted by repayment from a Controlling Shareholder of approximately HK\$0.6 million.

Net Cash Used in Financing Activities

Our cash used in financing activities primarily consists of capital element of lease rentals paid, dividends paid and repayment of bank loans. Our cash generated from financing activities primarily consists of proceeds from new bank loans.

For 6M2024, our net cash used in financing activities was approximately HK\$17.5 million, primarily due to (i) capital element of lease rentals paid of approximately HK\$7.7 million; (ii) payment for capitalised listing expenses of approximately HK\$3.0 million; and (iii) dividends paid of approximately HK\$5.8 million.

For FY2023, our net cash used in financing activities was approximately HK\$23.3 million, primarily due to (i) capital element of lease rentals paid of approximately HK\$11.7 million; (ii) dividends paid of approximately HK\$6.5 million; and (iii) repayment of bank loans of approximately HK\$4.0 million.

For FY2022, our net cash used in financing activities was approximately HK\$26.0 million, primarily due to (i) repayment of bank loans of approximately HK\$14.4 million; (ii) capital element of lease rentals paid of approximately HK\$9.3 million; and (iii) dividends paid of approximately HK\$10.1 million.

For FY2021, our net cash used in financing activities was approximately HK\$21.4 million, primarily due to (i) repayment of bank loans of approximately HK\$15.6 million; (ii) capital element of lease rentals paid of approximately HK\$6.0 million; and (iii) dividends paid of approximately HK\$5.0 million.

FINANCIAL INFORMATION

INDEBTEDNESS

During the Track Record Period, our indebtedness primarily consist of lease liabilities, bank loans and overdrafts, and amounts due to related companies, Controlling Shareholders and a Director. The following table sets forth a breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Lease liabilities	17,752	17,776	22,510	24,240	26,826
Bank loans and overdrafts	16,064	10,467	6,473	6,015	5,668
Amounts due to related companies	1,481	1,320	720	–	–
Amounts due to the Controlling Shareholders	872	198	–	19,993	9,993
Amount due to a Director	3,405	635	–	320	533
Total	39,574	30,396	29,703	50,568	43,020

Our Directors confirmed that there has not been any material change in our indebtedness since 31 October 2024 to the date to the date of this prospectus. As at the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Except as disclosed in this prospectus, as at 31 October 2024, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

FINANCIAL INFORMATION

Lease Liabilities

Our lease liabilities primarily comprised of lease contracts for office premises, warehouses, self-operated stores and brand experience centres. For details, please refer to Note 18 to the Accountants' Report in Appendix I to this prospectus.

Bank Loans and Overdrafts

We had bank loans and overdrafts of approximately HK\$16.1 million, HK\$10.5 million, HK\$6.5 million, HK\$6.0 million and HK\$5.7 million as at 31 December 2021, 2022, 2023, 30 June 2024 and 31 October 2024, being the indebtedness date for the purpose of the indebtedness statement, all of which are repayable on demand or within one year. The following table sets forth an analysis of the carrying amount of our bank loans and overdrafts as at the dates indicated:

	As at 31 December			As at	As at
	2021	2022	2023	30 June	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2024</i>	<i>2024</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current portion of bank loans and overdrafts	4,738	3,132	969	1,009	1,008
Non-current portion of bank loans with repayable on demand clause	11,326	7,335	5,504	5,006	4,660
Total	16,064	10,467	6,473	6,015	5,668

FINANCIAL INFORMATION

As at 31 December 2021, 2022, 2023, 30 June 2024 and 31 October 2024, our bank loans and overdrafts carried effective interest rates ranging from 2.3% to 3.9%, 2.8% to 4.7%, 3.5% to 5.2%, 3.0% to 3.7% and 3.0% to 3.7%, respectively.

As at 31 December 2021, 2022, 2023 and 30 June 2024, our bank loans were secured by, among others, the personal guarantee provided by one of our Controlling Shareholders in the amount of approximately HK\$15.4 million, HK\$10.5 million, HK\$6.5 million and HK\$6.0 million, respectively. Our Directors confirmed that such personal guarantee has been released as at the date of this prospectus. For details, please refer to “Relationship with Controlling Shareholders” in this prospectus.

Our bank loan agreements contain standard terms and conditions that are customary for commercial bank loans. Our Directors confirm that, there had been no material covenant on any of our outstanding bank loans as at the Latest Practicable Date. Our Directors further confirm that we had not experienced any difficulty in obtaining bank loans, default in payment of bank loans or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

GUARANTEES AND CONTINGENT LIABILITIES

Guarantees

During the Track Record Period, our Group provided guarantees to bank in connection with related companies, which amounted to nil, approximately HK\$20.9 million, HK\$20.5 million and nil for FY2021, FY2022, FY2023 and 6M2024, respectively. As at the Latest Practicable Date, such guarantees have been released. For details, please refer to Note 22(d) to the Accountants’ Report in Appendix I to this prospectus.

Contingent Liabilities

We did not have any material contingent liabilities as at 31 December 2021, 2022, 2023 and 30 June 2024, respectively.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates/for the years/periods indicated:

	As at/For the Year ended			As at/
	31 December			For the six
	2021	2022	2023	months
				ended
				30 June
				2024
Gross profit margin ⁽¹⁾	72.0%	71.9%	73.8%	74.2%
Net profit margin ⁽²⁾	12.3%	13.4%	15.7%	6.4%
Return on equity ⁽³⁾	57.9%	46.0%	49.2%	9.4%
Return on total assets ⁽⁴⁾	23.1%	23.5%	29.8%	5.3%
Current ratio ⁽⁵⁾	1.8 times	2.3 times	2.8 times	1.8 times
Gearing ratio ⁽⁶⁾	31.1%	14.9%	7.1%	8.8%

Notes:

- (1) Gross profit margin is calculated using gross profit divided by revenue for the year/period and multiplied by 100%.
- (2) Net profit margin is calculated using net profit divided by revenue for the year/period and multiplied by 100%.
- (3) Return on equity is calculated using net profit divided by the average of the beginning and ending total equity for that year/period and multiplied by 100%.
- (4) Return on total assets is calculated using net profit divided by the average of the beginning and ending total assets for that year/period and multiplied by 100%.
- (5) Current ratio is calculated by using current assets divided by current liabilities as at the same date.
- (6) Gearing ratio is calculated by using total interest-bearing borrowings (excluding lease liabilities) as at the respective dates divided by total equity as at the same dates and multiplied by 100%.

FINANCIAL INFORMATION

WORKING CAPITAL

Taking into account the financial resources available to us, including the internally generated funds, available credit facilities and net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital for the present requirements and for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of expenditures for the purchase of property, plant and equipment, which amounted to approximately HK\$4.2 million, HK\$2.2 million, HK\$4.7 million and HK\$3.2 million for FY2021, FY2022, FY2023 and 6M2024 respectively. We have financed our capital expenditure through cash flow generated from operating activities.

We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for purchase of property, plant and equipment. We expect to fund future capital expenditures through cash generated from operations and the net proceeds from the Global Offering.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 22 to the Accountants' Report in Appendix I to this prospectus was conducted on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

FINANCIAL INFORMATION

DIVIDEND

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the results of our operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions and other factors that it may consider relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the Memorandum and Articles of Association including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy. During the Track Record Period, we declared dividends of approximately HK\$9.5 million for FY2022 and approximately HK\$19.0 million for FY2023, the full amount of which had been paid. Furthermore, in March 2024, we declared special dividend of approximately HK\$30.0 million, the amount of which will be settled with internal resources of our Group and paid before the Listing.

We have adopted a dividend policy of declaring and paying dividends, without a predetermined dividend payout ratio. The recommendation of the payment of dividend is subject to the discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our financial results, liquidity position and cash flow situation, business conditions and strategies, future prospects and prevailing economic environment. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and all applicable laws and regulations.

DISTRIBUTABLE RESERVES

As at 30 June 2024, we did not have any distributable reserves.

LISTING EXPENSES

Listing expenses include professional fees, underwriting commission, and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK\$29.7 million (assuming an Offer Price of HK\$3.95 per Share (being the mid-point of the indicative Offer Price range)), representing approximately 22.5% of the gross proceeds from the Global Offering. These Listing expenses mainly comprise (i) underwriting-related expenses (including but not limited to commissions and fees) of approximately HK\$5.3 million; and (ii) non-underwriting-related expenses of approximately HK\$24.4 million, including (a) fees and expenses of legal advisers and accountants of approximately HK\$12.6 million, and (b) other fees and expenses of approximately HK\$11.8 million. Approximately HK\$11.2 million of the listing expenses is directly attributable to the issue of our Shares to the public and is expected to be recognised directly as a deduction from equity upon the Listing, approximately HK\$9.9 million of listing expenses has been expensed during the Track Record Period and the remaining amount of approximately HK\$8.6 million of the listing expenses is to be expensed prior to the Listing.

FINANCIAL INFORMATION

FINANCIAL AND CAPITAL RISK MANAGEMENT

The main risk arising from our financial instruments are credit risk, liquidity risk and interest rate risk. As our exposure to these risks is kept to minimum, we have not used any derivatives and other instruments for hedging purposes. We do not hold or issue derivative financial instruments for trading purposes. Our Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group's credit risk is primarily attributable to trade and other receivables. Our Director believe that our 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.

We have 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.

Our Group actively manages cash inflows from operations so as to ensure our Group's operating, investing and financing needs are met. Our Group primarily maintains liquidity by monitoring the realisation of receivables.

Liquidity Risk

We have also established policy 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 our liquidity requirements in the short and longer term.

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. Our Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively.

At 31 December 2021, 2022, 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 our Group's profit after tax and retained profits by approximately HK\$134,000, HK\$87,000, HK\$54,000 and HK\$50,000, respectively.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For further details, please refer to “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, after performing all the due diligence work which the Directors consider appropriate, since 30 June 2024 and up to the date of this prospectus, (i) there has been no material adverse change in the operation or financial position or prospects of our Group; and (ii) no event has occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to “Business – Business Strategies” in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$102.0 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK\$3.95 per Share, being the mid-point of the Offer Price. We currently intend to apply these net proceeds for the following intended purposes in the amounts set forth below:

- Approximately HK\$36.4 million, representing 35.7% of the net proceeds, is expected to be used for strategic marketing and promotion activities to further enhance the brand awareness and recognition of products under our own brands, among which:
 - (i) approximately HK\$25.1 million, representing 24.6% of the net proceeds, is expected to be used for implementing offline marketing and promotion activities in respect of our own brands and products, which will primarily include:
 - *Engaging entertainers (such as actors and singers) and KOLs:* we intend to engage at least one to two entertainers and KOLs as product ambassadors for our key products. As at the Latest Practicable Date, we have not secured any new engagement of entertainers and KOLs. We expect the estimated costs, including the annual endorsement fees for the product ambassadors and the design costs for the products relating to the new brand ambassadors, to be approximately HK\$0.8 million for each of FY2025, FY2026 and FY2027 with such engagements to start in FY2025;
 - *Placing commercial advertisements on major television channels:* we expect the estimated costs, including production and design costs and media-buying costs, to be approximately HK\$2.3 million for each of FY2025, FY2026 and FY2027;
 - *Displaying print advertisements on newspapers and magazines:* we expect the estimated costs to be approximately HK\$3.1 million for each of FY2025, FY2026 and FY2027;

FUTURE PLANS AND USE OF PROCEEDS

- *Other marketing activities such as sponsoring events and participating in industry-related exhibitions and trade fairs:* we expect the estimated costs to be approximately HK\$0.8 million for FY2025 and HK\$1.1 million for each of FY2026 and FY2027, with the focus on the participation of such events to be in FY2026 and FY2027; and
 - (ii) approximately HK\$11.3 million, representing 11.1% of the net proceeds, is expected to be used for implementing online marketing and promotion activities in respect of our own brands and products, which will primarily include the placement of online advertisements to showcase our Group's products on social media platforms, which we expect the costs to be approximately HK\$3.8 million for each of FY2025, FY2026 and FY2027. We will create original media contents and/or sponsored videos to promote our Group's brands and products on various social media platforms tailoring to the preferences of audiences on different platforms.
- Approximately HK\$38.6 million, representing 37.8% of the net proceeds, is expected to be used for expanding, improving and optimising our sales network, among which:
 - (i) approximately HK\$25.2 million, representing 24.7% of the net proceeds, is expected to be used for expanding our offline sales channels, which will primarily include opening new self-operated stores and a new flagship store in Hong Kong. The sizes of the new physical stores are expected to range from approximately 200 square feet to approximately 600 square feet, with the flagship store being approximately 1,000 square feet in size. In particular, we intend to expand the geographic coverage of our self-operated stores to other districts in Hong Kong and open more self-operated stores in (i) prime locations with relatively high average household income; (ii) residential areas with over 1,000 domestic household; or (iii) locations with high foot traffic, such as shopping malls or within a 15-minute walking distance from stations of mass transportation system.

FUTURE PLANS AND USE OF PROCEEDS

The expected timeline and costs for our Group's expansion of self-operated stores are as follows:

Specific Plan	Expected Costs			Expected Timeline
	FY2025 <i>(HK\$ million)</i>	FY2026 <i>(HK\$ million)</i>	FY2027 <i>(HK\$ million)</i>	
One flagship store to be located in a prime location with relatively high average household income, intended to be opened in Tsim Sha Tsui	3.1	1.6	1.6	To be opened in FY2025
Two self-operated stores in prime locations with relatively high average household income, intended to be in Hong Kong Island areas	1.6	0.8	0.8	To be opened in FY2025
Approximately 15 self-operated stores in Hong Kong Islands, Kowloon and New Territories areas, preferably in (i) residential areas with over 1,000 domestic household; or (ii) locations with high foot traffic, such as shopping malls or within a 15-minute walking distance from stations of mass transportation system	1.8	6.4	7.4	A minimum of two new stores to be opened in FY2025, with the remaining stores to be opened in FY2026 and FY2027
	6.5	8.8	9.8	
	6.5	8.8	9.8	

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately HK\$8.3 million, representing 8.1% of the net proceeds, is expected to be used for hiring more sales promoters to be stationed at the stores of Customer A to further promote our products. We intend to hire approximately 20 promoters each year to be stationed across the shops of Customer A with an estimated cost of approximately HK\$2.8 million for each of FY2025, FY2026 and FY2027;
 - (iii) approximately HK\$4.2 million, representing 4.1% of the net proceeds, is expected to be used for expanding our online sales channels, which will primarily include, (a) further developing and optimising Zinomall, our self-operated e-commerce platform to increase its visibility and web traffic; and (b) creating and developing a mobile APP to enhance the engagement and loyalty of our registered members; and
 - (iv) approximately HK\$1.0 million, representing 0.9% of the net proceeds, is expected to be used for purchasing health screening devices such as cholesterol meters, cardiovascular measuring instrument and bone density scanners to enhancing health solutions and screening services in our self-operated stores and brand experience centres in order to better meet the needs of end-customers by providing effective product solutions.
- Approximately HK\$4.8 million, representing 4.7% of the net proceeds, is expected to be used for diversifying and enhancing our product portfolio, by developing and introducing new products in the human category such as dampness expulsion (健脾祛濕) and gastric health (腸胃健康) products, as well as in the pets category such as immune system, joint and hair health products, and upgrading our existing products by enhancing their formulas. We intend to use such net proceeds to hire a new research and development manager to assist the product development team, with the expected costs to be approximately HK\$0.7 million for FY2025, and approximately HK\$0.8 million for each of FY2026 and FY2027. We also intend to collaborate with research institutions, universities, or laboratories to research our proposed new product categories, with the expected costs of such collaborations to be approximately HK\$1.2 million for each of FY2025 and FY2026 and approximately HK\$0.2 million for FY2027, with most of such research collaborations to be conducted in FY2025 and FY2026.
- Approximately HK\$12.7 million, representing 12.4% of the net proceeds, is expected to be used for our talent recruitments, which will primarily include (i) recruiting and employing more product consultants to support our self-operated stores and brand experience centres. We intend to hire approximately 10 new product consultants each year, and as a result of the continuous growth of the team of product consultants, the costs are estimated to be approximately HK\$1.9 million for FY2025, HK\$4.2 million for FY2026 and HK\$6.7 million for FY2027 due to the cumulative effect of adding new product consultants while retaining existing staff; and (ii) recruiting IT talent to support our expanding online sales channels.

FUTURE PLANS AND USE OF PROCEEDS

- The remaining balance of approximately HK\$9.5 million, representing 9.3% of the net proceeds, is expected to be used as general working capital.

It is expected that the proceeds allocated to each of the above purposes will be utilised within three years after the Listing.

To the extent that the net proceeds from the Global Offering are insufficient to fund our Group's business strategies, our Directors may delay the pace of the implementation of such business strategies until we have sufficient internal resources. Our Directors may also consider other factors when determining the pace of implementation, such as the long-term funding needs and the need to maintain a healthy level of working capital for our Group.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$4.15 per Offer Share, the net proceeds to be received by our Group from the Global Offering will increase by approximately HK\$6.7 million. Our Group intends to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$3.75 per Offer Share, the net proceeds to be received by our Group from the Global Offering will decrease by approximately HK\$6.7 million. Our Group intends to reduce the net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes or if our Group is unable to effect any part of the future plans as intended, to the extent permitted by applicable laws and regulations, our Group may deposit the net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event or if there is any material change to the above proposed use of proceeds, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

ABCI Securities Company Limited

BOCOM International Securities Limited

China Sunrise Securities (International) Limited

Chiyu International Capital Limited

CMBC Securities Company Limited

Futu Securities International (Hong Kong) Limited

Get Nice Securities Limited

Livermore Holdings Limited

Phillip Securities (Hong Kong) Limited

Ruibang Securities Limited

Solomon JFZ (Asia) Holdings Limited

South China Securities Limited

SPDB International Capital Limited

Yue Xiu Securities Company Limited

Zheshang International Financial Holdings Co., Limited

Zhongtai International Securities Limited

UNDERWRITING

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 3,333,600 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Overall Coordinator (for itself and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated at or prior to 8:00 a.m. on the Listing Date.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Overall Coordinator who has reasonable cause to believe:
 - (i) that any statement contained in any of this prospectus, the formal notice to be published in connection with the Hong Kong Public Offer, any document to be published or issued by or on behalf of our Company or the International Underwriters for the purpose of or in connection with the International Placing and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Sole Sponsor, the Sole Overall Coordinator and the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholders (the “**Warrantors**”) pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or
 - (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (“**Group Company**”); or

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- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or
- (vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents or the Global Offering; or
- (ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Relevant Documents or to the issue of any of the Relevant Documents; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management member of the Group as set out in “Directors and Senior Management” in this prospectus; or
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), at its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

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(xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome, coronavirus or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgement(s), decree(s) or ruling(s) of any governmental authority (“**Laws**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the Cayman Islands, the BVI or any other jurisdictions relevant to any Group Company or the Global Offering (the “**Specific Jurisdictions**”); or

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- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in “Risk Factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or
- (x) any of the Directors and senior management member of our Company as set out in “Directors and Senior Management” in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares pursuant to the terms of the Global Offering; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

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- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any of the other Relevant Documents pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

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By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, it shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any securities in our Company beneficially owned by it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us, the Sole Sponsor and the Sole Overall Coordinator in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it will be disposed of, immediately inform us, the Sole Sponsor and the Sole Overall Coordinator in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

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Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that except pursuant to the Global Offering and any awards to be granted under the Post-IPO Share Award Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of any other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of any other Group Company, as applicable); or

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- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b), (c) or (d) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of any other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries):

- (i) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or

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any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
- (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above,

in each case, whether any of the foregoing transactions referred to in sub-paragraphs (a), (b) or (c) is to be settled by delivery of Shares or any other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

- (ii) at any time during the Second Six-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “Controlling Shareholders” (as defined in the Listing Rules) of our Company;
- (iii) in the event that it/he/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

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Each of the Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

- (i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please refer to “Structure and Conditions of the Global Offering – The International Placing” in this prospectus.

Commission and Expenses

Syndicate members involved in the Global Offering (including all Underwriters) will receive an underwriting commission of 3.0% of the aggregate Offer Price of the Offer Shares (“**Fixed Fees**”). In addition, we may, at our discretion, pay to any syndicate member an additional incentive fee of up to 1.0% of the aggregate Offer Price of the Offer Shares (“**Discretionary Fees**”). Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and the Discretionary Fees is therefore 75:25.

Based on an Offer Price of HK\$3.95 (being the mid-point of the stated range of the Offer Price between HK\$3.75 and HK\$4.15), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, AFRC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$29.7 million in total.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Overall Coordinator, the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and the Capital Market Intermediaries (for themselves and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us or any of the Warrantors of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or

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invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offer and the International Placing (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

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All such activities may occur both during and after the end of the stabilising period described in “Structure and Conditions of the Global Offering” in this Prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offer of initially 3,333,600 Offer Shares (subject to reallocation) in Hong Kong as described below in “The Hong Kong Public Offer” in this section; and
- the International Placing of initially 30,000,000 Offer Shares (subject to reallocation) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or
- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both.

The 33,333,600 Offer Shares in the Global Offering will represent approximately 25.0% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue.

References to applications, application monies or procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 3,333,600 Offer Shares, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in “Conditions of the Global Offering” in this section.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable); and
- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 1,666,400 Hong Kong Offer Shares (representing approximately 50% Hong Kong Offer Shares initially comprised in the Hong Kong Public Offer) will be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation at the discretion of the Sole Overall Coordinator, subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Overall Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Overall Coordinator deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 3,333,600 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 6,667,200 Offer Shares, representing twice of the total number of the Offer Shares initially available under the Hong Kong Public Offer;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 10,000,800 Offer Shares (in the case of (i)), 13,333,600 Offer Shares (in the case of (ii)) and 16,667,200 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;
- (b) where the International Placing Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus and the Underwriting Agreements; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 3,333,600 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 6,667,200 Offer Shares, representing twice of the total number of the Offer Shares initially available under the Hong Kong Public Offer.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$3.75 per Offer Share) according to Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B, and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Overall Coordinator may, at its sole and absolute discretion, determine.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application (subject to application channel), maximum price of HK\$4.15 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% on each Offer Share, amounting to a total of HK\$3,353.48 for one board lot of 800 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation", is less than the maximum price of HK\$4.15 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants who applied through the **White Form eIPO** service, without interest. For further details, please refer to "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 30,000,000 Offer Shares, representing approximately 90.0% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer as described above, the number of Offer Shares offered under the International Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Sole Overall Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Overall Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation and clawback

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in “The Hong Kong Public Offer – Reallocation” in this section and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

PRICING AND ALLOCATION

Our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) expect to determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Tuesday, 17 December 2024 and in any event, no later than 12:00 noon on Tuesday, 17 December 2024.

The Offer Price will not be more than HK\$4.15 per Offer Share and is expected to be not less than HK\$3.75 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you are required to pay, on application (subject to application channel), maximum price of HK\$4.15 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK\$3,353.48 for one board lot of 800 Shares.

Prospective investors should be aware that the Offer Price as finally determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

If the Offer Price, as finally determined in the manner described below, is less than the maximum price of HK\$4.15 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants who applied through the **White Form eIPO** service, without interest. For further details, please refer to “How to Apply for Hong Kong Offer Shares” in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus at any time prior to the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause there to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.herbs.hk (the contents of the website do not form a part of this prospectus) notices of the reduction of the Offer Shares and/or the Offer Price range, the cancellation of the Global Offering and the relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. In the absence of any such notices, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Sole Overall Coordinator (for itself and on behalf of the Underwriters), and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the Offer Price range as stated in this prospectus, or if our Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer and issue a supplemental prospectus or a new prospectus, and complete the requisite associated settlement processes on the FINI platform afresh.

In the event of a reduction in the number of Offer Shares, the Sole Overall Coordinator may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the International Placing and the Offer Shares to be offered in the Hong Kong Public Offer may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Overall Coordinator.

The final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allotment of Offer Shares available under the Hong Kong Public Offer are expected to be made available on Wednesday, 18 December 2024 in a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – B. Publication of Results” in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus, and such approval and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange;
- the Offer Price having been agreed between us and the Sole Overall Coordinator (for itself and on behalf the Underwriters);
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Friday, 10 January 2025, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) by 12:00 noon on Tuesday, 17 December 2024, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived by the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. A notice will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.herbs.hk, on or before the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares.”

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on Wednesday, 18 December 2024, but will only become valid evidence of title at 8:00 a.m. on Thursday, 19 December 2024, provided that (i) the Global Offering has become unconditional in all respects and (ii) right of termination described in “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in “Underwriting” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 19 December 2024, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 19 December 2024. Our Shares will be traded in board lots of 800 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide any printed copies of this prospectus for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.herbs.hk. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (for the **White Form eIPO** service only).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or chief executive officer of our Company, or any of his/ her close associates.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Application Channels

The Hong Kong Public Offer period will begin at 9:00 a.m. on Wednesday, 11 December 2024 and end at 12:00 noon on Monday, 16 December 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	Designated website of the White From eIPO Service Provider at www.eipo.com.hk .	Applicants who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Wednesday, 11 December 2024 to 11:30 a.m. on Monday, 16 December 2024 Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, 16 December 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instructions on your behalf through HKSCC's FINI system in accordance with your instruction	Applicants who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian .

HOW TO APPLY FOR HONG KONG OFFER SHARES

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorised the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through the **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offer.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)⁽²⁾ as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. HKID card; or
 - ii. National identification document; or
 - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)⁽²⁾ as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. Legal entity identifier (“LEI”) registration document; or
 - ii. Certificate of incorporation; or
 - iii. Business registration certificate; or
 - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data (“CID”) of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the **broker** will be required, as above.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. The maximum number of joint applicants on FINI is capped at four ⁽¹⁾ in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 800 Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$4.15 per Share.

⁽¹⁾ Subject to change, if our Company's Articles of Association and applicable company law prescribe a lower cap.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are applying through the **HKSCC EIPO** channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application HK\$
800	3,353.48	12,000	50,302.22	100,000	419,185.28	700,000	2,934,296.93
1,600	6,706.97	16,000	67,069.64	120,000	503,022.34	800,000	3,353,482.20
2,400	10,060.44	20,000	83,837.05	140,000	586,859.39	900,000	3,772,667.48
3,200	13,413.93	24,000	100,604.47	160,000	670,696.45	1,000,000	4,191,852.76
4,000	16,767.41	28,000	117,371.88	180,000	754,533.50	1,100,000	4,611,038.03
4,800	20,120.90	32,000	134,139.29	200,000	838,370.56	1,200,000	5,030,223.30
5,600	23,474.37	36,000	150,906.69	300,000	1,257,555.83	1,300,000	5,449,408.58
6,400	26,827.86	40,000	167,674.11	400,000	1,676,741.10	1,400,000	5,868,593.86
7,200	30,181.34	60,000	251,511.16	500,000	2,095,926.38	1,500,000	6,287,779.13
8,000	33,534.83	80,000	335,348.22	600,000	2,515,111.66	1,666,400 ⁽¹⁾	6,985,303.42

Notes:

- (1) Maximum number of Hong Kong Offer Share you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under “A. Application for Hong Kong Offer Shares – 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Sole Overall Coordinator, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMIs, the Underwriters, any of their or our Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “G. Personal Data – 3. Purposes” and “ G. Personal Data – 4. Transfer of personal data” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in “B. Publication of Results” in this section;
- (x) confirm that you are aware of the situations specified in “C. Circumstances in which you will not be allocated Hong Kong Offer Shares” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **White Form eIPO** Service Provider or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **White Form eIPO** Service Provider and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time
Applying through the White Form eIPO service or HKSCC EIPO channel:	
Website	From the designated results of 24 hours, from 11:00 p.m. allocations website at on Wednesday, 18 www.iporeresults.com.hk (alternatively: December 2024 to 12:00 www.eipo.com.hk/eIPOAllotment). midnight on Tuesday, 24 December 2024 (Hong Kong time).
The full list of (i) wholly or partially successful applicants using the White Form eIPO service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the White Form eIPO service at www.iporeresults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment).	
	The Stock Exchange’s website at www.hkexnews.hk and our website at www.herbs.hk which will provide links to the abovementioned websites of the Hong Kong Share Registrar. No later than 11:00 p.m. on Wednesday, 18 December 2024 (Hong Kong time).
Telephone	+852 2862 8555 – the allocation results telephone enquiry line provided by the Share Registrar between 9:00 a.m. and 6:00 p.m., from Thursday, 19 December 2024 to Tuesday, 24 December 2024 (Hong Kong time)

HOW TO APPLY FOR HONG KONG OFFER SHARES

For those applying through the **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Tuesday, 17 December 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Tuesday, 17 December 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.herbs.hk** no later than 11:00 p.m. on Wednesday, 18 December 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sole Overall Coordinator, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. If:

- you make multiple applications or suspected multiple applications. You may refer to “A. Application for Hong Kong Offer Shares – 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete or are not completed in accordance with the instructions or terms and conditions stated on the designated website of the **White Form eIPO** Service Provider;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sole Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Placing. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

HOW TO APPLY FOR HONG KONG OFFER SHARES

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Thursday, 19 December 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The following sets out the relevant procedures and time:

	White Form eIPO	HKSCC EIPO channel
Despatch/collection of Share certificate^(Note)		
For physical share certificates of equal or over 1,000,000 Offer Shares issued under your own name	<p>Collection in person at the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.</p> <p>Time: 9:00 a.m. to 1:00 p.m. on Thursday, 19 December 2024 (Hong Kong time).</p> <p>If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop.</p> <p>Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.</p> <p><i>Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.</i></p>	<p>Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account. No action by you is required.</p>
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name	<p>Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.</p> <p>Date: Wednesday, 18 December 2024</p>	

HOW TO APPLY FOR HONG KONG OFFER SHARES

	White Form eIPO	HKSCC EIPO channel
Refund mechanism for surplus application monies paid by you		
Date	Thursday, 19 December 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	White Form e-Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk.	

Note: Except in the event of Severe Weather Signals (as defined below) in force in Hong Kong in the morning on Wednesday, 18 December 2024 rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, our Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “E. Severe Weather Arrangements” in this section.

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Monday, 16 December 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions, (collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 16 December 2024.

Instead, they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.herbs.hk of the revised timetable.

If a Severe Weather Signal is hoisted on Wednesday, 18 December 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Thursday, 19 December 2024.

If a Severe Weather Signal is hoisted on Wednesday, 18 December 2024, physical Share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, 18 December 2024 or on Thursday, 19 December 2024).

If a Severe Weather Signal is hoisted on Thursday, 19 December 2024, physical Share certificates of 1,000,000 Offer Shares or more issued under your own name, you may collect the physical Share certificates from the Hong Kong Share Registrar’s office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, 19 December 2024 or on Friday, 20 December 2024).

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your **broker** or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the Hong Kong Share Registrar, at their registered address disclosed in “Corporate information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-56, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HERBS GENERATION GROUP HOLDINGS LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Herbs Generation Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-56, which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 and the statement of financial position of the Company as at 30 June 2024 and 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 (the “**Track Record Period**”), and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 11 December 2024 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and

plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, 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 financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which 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 directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware

of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 20(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

11 December 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

	Note	Year ended 31 December			Six months ended	
		2021	2022	2023	2023	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Revenue	4	188,638	208,028	251,224	121,741	117,811
Cost of sales		(52,836)	(58,442)	(65,780)	(32,767)	(30,385)
Gross profit		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)
Profit from operations		28,331	33,806	48,252	22,132	11,173
Finance costs	6(a)	(812)	(1,020)	(970)	(457)	(479)
Profit before taxation	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)
Profit and total comprehensive income for the year/period		<u>23,181</u>	<u>27,972</u>	<u>39,502</u>	<u>18,295</u>	<u>7,483</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		At 31 December			At 30 June
	Note	2021	2022	2023	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
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>
Current assets					
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>
Current liabilities					
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>
Net current assets		<u>39,344</u>	<u>56,895</u>	<u>72,662</u>	<u>49,084</u>
Total assets less current liabilities		<u>61,870</u>	<u>79,283</u>	<u>101,666</u>	<u>81,336</u>

	<i>Note</i>	At 31 December			At 30 June
		2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Non-current liabilities					
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
		<u>10,255</u>	<u>9,196</u>	<u>11,032</u>	<u>13,219</u>
NET ASSETS		<u>51,615</u>	<u>70,087</u>	<u>90,634</u>	<u>68,117</u>
CAPITAL AND RESERVES					
Share capital	20	1,510	1,510	1,510	–*
Reserves		<u>50,105</u>	<u>68,577</u>	<u>89,124</u>	<u>68,117</u>
TOTAL EQUITY		<u>51,615</u>	<u>70,087</u>	<u>90,634</u>	<u>68,117</u>

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

The accompanying notes form part of the Historical Financial Information.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Hong Kong dollars)

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

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

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Share capital (note 20(c)) HK\$'000	Capital reserve (note 20 (d)) HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021	1,510	–	26,924	28,434
Profit and total comprehensive income for the year	–	–	23,181	23,181
At 31 December 2021 and 1 January 2022	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)
At 31 December 2022 and 1 January 2023	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)
At 31 December 2023 and 1 January 2024	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	–	–
At 30 June 2024	–*	1,510	66,607	68,117
(Unaudited)				
At 1 January 2023	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)
At 30 June 2023	1,510	–	75,622	77,132

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

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Hong Kong dollars)

	Note	Year ended 31 December			Six months ended	
		2021	2022	2023	30 June	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Operating activities						
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)
Net cash generated from operating activities		<u>24,903</u>	<u>32,720</u>	<u>37,375</u>	<u>9,737</u>	<u>23,564</u>
Investing activities						
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
Net cash (used in)/ generated from investing activities		<u>(3,438)</u>	<u>2,737</u>	<u>(4,508)</u>	<u>(1,645)</u>	<u>(2,036)</u>
Financing activities						
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)	<u>3</u>	<u>(674)</u>	<u>(198)</u>	<u>136</u>	<u>–</u>

	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
Net cash used in financing activities		<u>(21,431)</u>	<u>(26,022)</u>	<u>(23,319)</u>	<u>(9,725)</u>	<u>(17,464)</u>
Net increase/(decrease) in cash and cash equivalents		34	9,435	9,548	(1,633)	4,064
Cash and cash equivalents at the beginning of the year/period	14(a)	<u>3,465</u>	<u>3,499</u>	<u>12,934</u>	<u>12,934</u>	<u>22,482</u>
Cash and cash equivalents at the end of the year/period	14(a)	<u><u>3,499</u></u>	<u><u>12,934</u></u>	<u><u>22,482</u></u>	<u><u>11,301</u></u>	<u><u>26,546</u></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 Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

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 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.

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 Historical Financial Information has 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.

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 Historical Financial Information.

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:

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

Notes:

1. 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.
2. 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.

The Historical Financial Information has 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"). 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 this Historical Financial Information, 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 Historical Financial Information also complies 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 Historical 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 Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION**(a) Basis of measurement**

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

(b) Use of estimates and judgements

The preparation of the Historical Financial Information 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 Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Business combination

The Historical Financial Information has 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.

(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 Historical Financial Information 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 Historical Financial Information. 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.

(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.

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.

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.

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.

(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.

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).

(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.

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)).

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.

(q) 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.

(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.

(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.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, 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.

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:

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

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

(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	
	2021	2022	2023	30 June	
	HK\$'000	HK\$'000	HK\$'000	2023	2024
				(unaudited)	
Bank interest income	17	18	78	33	109
Government grants (<i>note</i>)	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
	397	3,970	522	117	1,310

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:

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
(a) Finance costs					
Interest on bank loans (<i>note 14(c)</i>)	513	491	293	165	105
Interest on lease liabilities (<i>note 14(c)</i>)	299	529	677	292	374
	<u>812</u>	<u>1,020</u>	<u>970</u>	<u>457</u>	<u>479</u>
(b) Staff costs					
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.

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
(c) Other items					
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 (<i>note 12</i>)	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	
	2021	2022	2023	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Current tax – Hong Kong Profits Tax					
Provision for the year/period	4,259	5,078	8,120	3,495	3,355
Deferred tax					
Origination and reversal of temporary differences (<i>note 19(b)</i>)	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	
	2021	2022	2023	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before taxation	<u>27,519</u>	<u>32,786</u>	<u>47,282</u>	<u>21,675</u>	<u>10,694</u>
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	<u>(10)</u>	<u>(8)</u>	<u>(6)</u>	<u>–</u>	<u>–</u>
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:

	Year ended 31 December 2021				Total HK\$'000
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions 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
	–	3,138	302	54	3,494

	Year ended 31 December 2022				Total HK\$'000
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions 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
	–	3,327	230	54	3,611

Year ended 31 December 2023					
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	–	3,489	240	54	3,783
Six months ended 30 June 2023 (unaudited)					
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	–	1,876	120	27	2,023
Six months ended 30 June 2024					
	Directors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	–	1,612	38	27	1,677

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:

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
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:

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	Number of	Number of	Number of	Number of	Number of
	individuals	individuals	individuals	individuals	individuals
				(unaudited)	
HK\$Nil–HK\$1,000,000	2	1	1	3	3
HK\$1,000,001–HK\$1,500,000	2	3	2	–	–
	<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 this Historical Financial Information 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

	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</i>
Cost:						
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>
Accumulated depreciation:						
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>
Net book value:						
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>

	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</i>
Cost:						
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>
Accumulated depreciation:						
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>
Net book value:						
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>
	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</i>
Cost:						
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>
Accumulated depreciation:						
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>
Net book value:						
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>

	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</i>
Cost:						
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>
Accumulated depreciation:						
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>
Net book value:						
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>

(b) Right-of-use assets

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

	At 31 December			At 30 June
	2021	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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:

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	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	6,622	9,674	12,194	5,512	7,718
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	(125)	(34)	–	–	–

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.

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:

	Year ended 31 December 2021			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retail stores	4,796	1	(125)	4,672

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

12 INVENTORIES

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

	2021	At 31 December		At 30 June
	<i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
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:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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

	Note	At 31 December			At 30 June
		2021	2022	2023	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	13(a)	26,436	29,893	32,473	29,228
Prepayments, deposits and other receivables					
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.

(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:

	At 31 December			At 30 June
	2021	2022	2023	2024
	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:

	At 31 December			At 30 June
	2021	2022	2023	2024
	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 (<i>note 17</i>)	(698)	–	–	–
	<u>3,499</u>	<u>12,934</u>	<u>22,482</u>	<u>26,546</u>
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>

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

	Note	Year ended 31 December			Six months ended	
		2021	2022	2023	30 June	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
Operating activities						
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)
		<u>24,903</u>	<u>38,383</u>	<u>47,686</u>	<u>15,883</u>	<u>24,795</u>
Cash generated from operations		<u>24,903</u>	<u>38,383</u>	<u>47,686</u>	<u>15,883</u>	<u>24,795</u>

(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.

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

	Bank loans	Amounts due to the controlling shareholders	Lease liabilities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note 17)</i>	<i>(note 22(c))</i>	<i>(note 18)</i>	
At 1 January 2022	15,366	872	17,752	33,990
Changes from financing cash flows:				
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)
Total changes from financing cash flows	(5,390)	(674)	(9,828)	(15,892)
Other changes:				
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 <i>(note 11(b))</i>	–	–	(34)	(34)
Interest expenses <i>(note 6(a))</i>	491	–	529	1,020
Total other changes	491	–	9,852	10,343
At 31 December 2022	10,467	198	17,776	28,441

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

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

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

(d) Total cash outflow for leases

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

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

These amounts are related to lease rental payments.

15 TRADE AND OTHER PAYABLES

	<i>Note</i>	At 31 December			At 30 June
		2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade payables	15(a)	3,573	2,934	1,703	2,705
Other payables and accruals					
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
		10,771	12,212	12,119	10,480
Less: Amounts included in "Other payables and accruals" under non-current liabilities		(591)	(1,053)	(1,081)	(1,318)
		10,180	11,159	11,038	9,162
		13,753	14,093	12,741	11,867

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:

	At 31 December			At 30 June
	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
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
	3,573	2,934	1,703	2,705

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:

	At 31 December			At 30 June
	2021	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000	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:

	At 31 December			At 30 June
	2021	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000	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>

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:

	At 31 December			At 30 June
	2021	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unsecured bank overdrafts (<i>note 14</i>)	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:

	At 31 December			At 30 June
	2021	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000	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	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000	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)	–
	4,259	5,078	4,629	3,354
Balance of Profits Tax provision relating to prior periods	3,146	1,742	–	3,399
	<u>7,405</u>	<u>6,820</u>	<u>4,629</u>	<u>6,753</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	Unused tax losses	Right-of-use assets	Lease liabilities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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>

(ii) Reconciliation to the consolidated statements of financial position

	At 31 December			At 30 June
	2021	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000	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	Accumulated losses	Total
	HK\$'000	HK\$'000	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.

(c) Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 22 March 2024 (date of incorporation) and 30 June 2024	39,000,000	390
Ordinary share, issued and fully paid:		
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.

(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
	Contractual undiscounted cash outflow	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000		
	Within 1 year or on demand 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
	33,093	9,387	9,346	3,423	55,249	53,307
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)	
	44,419	6,455	3,428	–	54,302	

	At 31 December 2022					Carrying amount HK\$'000
	Contractual undiscounted cash outflow				Total HK\$'000	
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years 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
	29,583	8,326	5,311	2,805	46,025	44,389
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)	
	36,918	6,981	1,276	–	45,175	

	At 31 December 2023					Carrying amount HK\$'000
	Contractual undiscounted cash outflow				Total HK\$'000	
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years 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
	27,353	8,572	6,058	1,719	43,702	42,007
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)	
	32,857	7,384	2,827	–	43,068	

	At 30 June 2024				Total HK\$'000	Carrying amount HK\$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years 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
	45,908	10,188	5,779	1,818	63,693	61,909
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)	
	50,914	9,000	3,241	–	63,155	

(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	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
Fixed rate borrowings:								
Lease liabilities	3.1	17,752	3.1	17,776	4.1	22,510	4.1	24,240
Variable rate borrowings:								
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>

(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 Historical Financial Information. 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.

(b) Transactions with related parties

	Year ended 31 December			Six months ended	
	2021	2022	2023	30 June	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Endorsement fee paid to a director – Mr. Roger Kwok	640	640	640	320	320

(c) Balances with related parties

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

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:

	Year ended 31 December			At 30 June
	2021	2022	2023	2024
	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**

	At 30 June 2024
	HK\$'000
Investment in a subsidiary	–*

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

(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 this Historical Financial Information, 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 Historical Financial Information. These developments include the following:

	Effective for accounting periods beginning on or after
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.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2024.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity shareholders of the Company as at 30 June 2024 as if the Global Offering had taken place on 30 June 2024.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 June 2024 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2024 HK\$'000 (Note 1)	Estimated net proceeds from the Global Offering HK\$'000 (Note 2)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company HK\$'000 (Notes 3 and 4)	Unaudited pro forma adjusted net tangible assets per Share HK\$
Based on an Offer Price of HK\$3.75 per share	68,117	105,452	173,569	1.30
Based on an Offer Price of HK\$4.15 per share	68,117	118,251	186,368	1.40

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2024 is based on the consolidated total equity attributable to equity shareholders of the Company of HK\$68,117,000 as at 30 June 2024, as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on the estimated offer price of HK\$3.75 per Share and HK\$4.15 per Share, being the minimum and maximum of the indicative Offer Price respectively, and 33,333,600 shares expected to be issued under the Global Offering, after deduction of the estimated underwriting fees and other listing expenses (excluding the listing expenses of HK\$9,855,000 that have been charged to profit or loss during the Track Record Period). It does not take into account of any awards that may be granted under the Post-IPO Share Award Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandates.
3. The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company by 133,333,600 Shares, being the number of shares in issue immediately following the completion of the Capitalisation Issue and Global Offering, without taking into account of any awards that may be granted under the Post-IPO Share Award Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandates.
4. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2024.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group’s pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF HERBS GENERATION GROUP HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Herbs Generation Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2024 and related notes as set out in Part A of Appendix II to the prospectus dated 11 December 2024 (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the “**Global Offering**”) on the Group’s financial position as at 30 June 2024 as if the Global Offering had taken place at 30 June 2024. As part of this process, information about the Group’s financial position as at 30 June 2024 has been extracted by the Directors from the Group’s historical financial information included in the Accountants’ Report as set out in Appendix I to the Prospectus.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

11 December 2024

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANY LAW OF CAYMAN ISLANDS

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2024 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 3 December 2024 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third of the issued shares of that class and at any adjourned meeting two holders present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

- (aa) increase its share capital by the creation of new shares;
- (bb) consolidate or divide all or any of its capital into shares of larger or smaller amount than its existing shares;
- (cc) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (dd) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;
- (ee) cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its capital by the amount of the shares so cancelled;

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(ff) make provision for the issue and allotment of shares which do not carry any voting rights;

(gg) change the currency of denomination of its share capital; and

(hh) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such a form prescribed by the Hong Kong Stock Exchange and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Hong Kong Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Hong Kong Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept in Hong Kong by recording the particulars required by Section 40 of the Cayman Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Hong Kong Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Hong Kong Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and the shares concerned are free of any lien in favour of the Company.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Hong Kong Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year as the Board may determine. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Hong Kong Stock Exchange and/or any competent regulatory authority.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at a fixed time. A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the forfeited shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re- election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office only until the first annual general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company's members before the expiration of his term of office (including a managing director or other executive director, but without prejudice to any claim for damages under any contract) and members of our Company may by ordinary resolution appoint another person in his stead. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or
- (bb) he dies or is declared to be of unsound mind pursuant to an order made by any competent court or official and the Board resolves that his office be vacated; or

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- (cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated; or
- (dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law; or
- (ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (ff) by notice in writing delivered to our Company at its registered office or at the Head Office (as defined in the Articles) or tendered at a meeting of the Board he resigns his office; or
- (gg) he is removed from office by an ordinary resolution of the Company or otherwise pursuant to the Articles; or
- (hh) he is removed from office by notice in writing served on him signed by not less than three-fourths in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office in the management of the business of our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Listing Rules and the Memorandum and Articles and to any special rights conferred on the holders of any shares or attaching to any class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

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The Board may issue warrants to subscribe for any class of shares or other securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares and other securities in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares or other securities, to make, or make available, any such allotment, offer, option or shares or other securities to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

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(v) Remuneration

The ordinary remuneration of the Directors is to be determined by our Company in a general meeting or by the Board, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive director or a director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons.

The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of our Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such

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employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or employment.

Our Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any sum standing to the credit of any of the Company's reserve accounts which are available for distribution (including its share premium account and capital redemption reserve fund, subject to the Cayman Companies Act) and to appropriate such sums to the holders of shares on the principal register and any branch register of members of the Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time at the close of business on the date of the relevant resolution (or such other date as may be specified therein or determined as provided therein) in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividends, distributions in specie or in kind, capital distributions and capitalisation issues and to apply such sum on their behalf in paying up in full unissued shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director or past Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

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(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is materially, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

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- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal or contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates to the Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or, in the case of a member being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual shareholder and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of our Company or at any meeting of any class of members of our Company (including but not limited to any general meeting or creditors meeting) provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Members must have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except whether a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

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(iii) Annual general meetings and extraordinary general meetings

Other than the year of our Company's adoption of the Articles, in each financial year during the Relevant Period (as defined in the Articles), our Company shall hold a general meeting as its annual general meeting within six months after the end of each financial year in addition to any other meeting in that financial year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings may be convened on the requisition of one or more member(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company and the foregoing members shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by written notice of not less than twenty-one (21) days. All other general meetings must be called by written notice of at least fourteen (14) days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

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Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Hong Kong Stock Exchange. Subject to compliance with Cayman Islands law and the Listing Rules, notice may also be served or delivered by our Company to any member by electronic means to such contact details or websites as may from time to time be supplied by the shareholder concerned or by publishing it on the website of the Company and the Hong Kong Stock Exchange.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors whether by rotation or otherwise in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of, or determining the method of fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to paragraph (gg) below; and
 - (gg) the granting of any mandate or authority to the Board to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business and continues to be present until the conclusion of the meeting, but the absence of a quorum shall not preclude the appointment of a chairman.

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The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of our Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer and such proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The accounting records must be kept at the Head Office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) or other person shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (Revised) of the Cayman Islands.

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A copy of every balance sheet (including every document required by law to be annexed thereto) and profit and loss account which is to be laid before our Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, our Company may send to the shareholders summarised financial statements derived from our Company's annual accounts and the directors' report provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditor shall be fixed by an ordinary resolution passed at a general meeting or in such manner as members may by ordinary resolution determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Hong Kong Stock Exchange.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

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Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder to whom it is sent to, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company in respect of the dividend and/or other moneys represented thereby. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection during business hours by any member of our Company without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix III.

(j) Procedures on liquidation

Unless otherwise provided by the Cayman Companies Act, our Company may at any time and from time to time be wound up voluntarily by a special resolution. If our Company shall be wound up the liquidator shall apply the assets of our Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess after payment to all creditors shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

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- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and members within each class. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no member shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar (for the avoidance of doubt, special resolution used in the summary below shall have the meaning as set out in the Cayman Companies Act):

a. Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

b. Share capital

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

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The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

c. Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding or a subsidiary’s company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

d. Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

e. Dividends and distributions

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to a company, in respect of a treasury share.

f. Protection of minorities and shareholders' suits

The Court ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires or illegal, (b) an act which constitutes a fraud against the minority shareholder and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

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In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

g. Disposal of assets

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

h. Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (Revised) of the Cayman Islands.

i. Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

j. Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

k. Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

l. Loans to directors

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

m. Inspection of corporate records

Members of a company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's Articles.

n. Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (Revised) of the Cayman Islands.

o. Register of Directors and Officers

A company is required to maintain at its registered office a register of directors and officers which is not available on display. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

p. Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Hong Kong Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Hong Kong Stock Exchange, the company is not required to maintain a beneficial ownership register.

q. Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily by its members, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it shall be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the Court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

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As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

r. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present and voting either in person or by proxy at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Cayman Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Cayman Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Cayman Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

s. Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

t. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

u. Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act (Revised) of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display – Documents Available on Display" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated under the laws of the Cayman Islands on 22 March 2024 as an exempted company with limited liability. Upon incorporation, our authorised share capital was HK\$390,000 divided into 39,000,000 Shares, with par value of HK\$0.01 each.

Our registered office address is at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, the Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at Units 2309–10, 23/F, Laford Centre, No. 838 Lai Chi Kok Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 April 2024 with the Registrar of Companies in Hong Kong. Mr. Petras Li has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong and our agent for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

2. Changes in Share Capital of our Company

- (a) As at the date of incorporation of our Company on 22 March 2024, our authorised share capital was HK\$390,000 divided into 39,000,000 Shares of par value HK\$0.01 each. On the date of incorporation, one Share of the Company was allotted and issued to the initial subscriber, an Independent Third Party, at par, which was then transferred to Joy & Faith at par; and the Company also allotted and issued nine Shares credited as fully paid at par to Joy & Love. Upon completion of the above, the Company was owned as to 90% by Joy & Love and 10% by Joy & Faith, respectively; and
- (b) Immediately after the Capitalisation Issue and the Global Offering, the authorised share capital of our Company will be HK\$20,000,000, divided into 2,000,000,000 Shares of HK\$0.01 each of which 133,333,600 Shares will be allotted and issued fully paid or credited as fully paid and 1,866,666,400 Shares will remain unissued.

Our Directors at present have no intention to issue to any party any of the authorised but unissued share capital of our Company, and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in “History, Reorganisation and Corporate Structure”, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

Our Company has no founder shares, management shares or deferred shares.

3. Changes in the Share Capital of our Major Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Appendix I.

Save as disclosed in “History, Reorganisation and Corporate Structure”, there are no changes in the share capital of each of our Company’s subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions of our Shareholders dated on 3 December 2024

On 3 December 2024, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in “Structure and Conditions of the Global Offering – Conditions of the Global Offering” and pursuant to the terms set out therein:

- (a) the Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the Listing;
- (b) the authorised share capital of our Company be increased from HK\$390,000 divided into 39,000,000 ordinary Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 ordinary Shares of HK\$0.01 each;
- (c) the Global Offering was approved and any one Director or the company secretary of our Company from time to time or (if applicable), any of his/her/their duly authorised attorney (the “**Authorised Signatory**”) were authorised to allot, issue and transfer the Shares pursuant to the Global Offering;
- (d) the Listing was approved and any Authorised Signatory would be authorised to implement the Listing;

- (e) a general unconditional mandate would be granted to the Directors to approve, confirm and ratify that the Company allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to (i) a rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; and (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:
- (i) 20% of the total number of Shares in issue immediately following the completion of the Global Offering; and
 - (ii) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below. Such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Relevant Period**”);
- (f) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting;

- (g) the general mandate mentioned in paragraph (d) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase shares referred to in paragraph (e) above; and
- (h) the Post-IPO Share Award Scheme was approved and adopted with effect from the Listing Date and our Directors were authorised to make such changes to the Post-IPO Share Award Scheme as may be required by the Stock Exchange and/or which they deem necessary and/or desirable and to grant awards thereunder (as applicable) and to allot, issue and deal with Shares pursuant thereto, and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Post-IPO Share Award Scheme.

5. Explanatory Statement on Repurchase of our own Securities

The following summarises restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' Approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of Mandate

The exercise in full of the Repurchase Mandate, on the basis of 133,333,600 Shares in issue immediately following completion of the Global Offering, could accordingly result in up to approximately 13,333,360 Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as of the date of the shareholders' approval.

Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

Suspension of Repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of 30 days immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading Restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

An issuer whose primary listing is on the Stock Exchange may not purchase its own shares on the Stock Exchange for a period of 30 days after any sale or transfer of treasury shares on the Stock Exchange without the prior approval of the Stock Exchange.

Status of Repurchased Shares

The shares repurchased by an issuer shall be held as treasury shares or cancelled. The listing of all shares which are held as treasury shares shall be retained. The listing of all repurchased shares (whether through the Stock Exchange or otherwise but not held as treasury shares) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

Close Associates and Core Connected Persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover Implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

Save as disclosed in this prospectus, we have not made any repurchases of our Shares in the previous six months.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this prospectus that is or may be material:

- (a) the Deed of Indemnity;
- (b) a cornerstone investment agreement dated 9 December 2024 entered into among our Company, Water Live Wealth Limited and ABCI Capital Limited, with respect to a subscription of Shares at the Offer Price in the aggregate amount of the HK\$20,000,000;
- (c) a cornerstone investment agreement dated 9 December 2024 entered into among our Company, Vital Message Medical Health Care Centre Limited and ABCI Capital Limited, with respect to a subscription of Shares at the Offer Price in the aggregate amount of the HK\$5,000,000;










- (d) a cornerstone investment agreement dated 9 December 2024 entered into among our Company, Yuen Tsz Ho Ronald and ABCI Capital Limited, with respect to a subscription of Shares at the Offer Price in the aggregate amount of the HK\$3,000,000; and
- (e) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

Trademarks Registered in Hong Kong

As of the Latest Practicable Date, we had registered the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Place of registration	Class(es)	Registration number	Renewal date
1.		Herbs Generation	Hong Kong	5	2002B09980	2028/12/10
2.	HERBS GENERATION	Herbs Generation	Hong Kong	5	300374940	2025/02/22
3.	HERBS GENERATION	Herbs Generation	Hong Kong	35	304985876	2029/07/08
4.		Herbs Generation	Hong Kong	35	304985867	2029/07/08
5.		Herbs Generation	Hong Kong	3, 5 & 30	304438666	2028/02/20
6.	Herbshealth 草姬	Herbs Generation	Hong Kong	5, 30, 35, 44	304974238	2029/06/26
7.		Herbs Generation	Hong Kong	5, 30, 35, 44	304974139	2029/06/26
8.		Herbs Generation	Hong Kong	35	304215555	2027/07/20
9.		Herbs Generation	Hong Kong	3	301124252	2028/05/25
10.	ZINO	Herbs Generation	Hong Kong	3, 5, 29 & 30	302917413	2034/03/06
11.	ZINO	Herbs Generation	Hong Kong	35	304985830	2029/07/08
12.		Herbs Generation	Hong Kong	3, 5, 30 & 35	301446723	2029/10/08

No.	Trademark	Registered owner	Place of registration	Class(es)	Registration number	Renewal date
13.		Herbs Generation	Hong Kong	30	302437010	2032/11/14
14.		Herbs Generation	Hong Kong	5 & 30	303210434	2034/11/20
15.		Herbs Generation	Hong Kong	30	305705550	2031/08/01
16.		Herbs Generation	Hong Kong	5	304248243	2027/08/21
17.		Herbs Generation	Hong Kong	5 & 30	301614483	2030/05/13
18.	Mark A  Mark B  Mark C  Mark D 	Herbs Generation	Hong Kong	5 & 35	306499991	2034/03/14
19.		Herbs Generation	Hong Kong	3, 5, 30, 35, 44	306585850	2034/06/17

Domain Names

As at the Latest Practicable Date, our Group was the registrant of the following domain names:

No.	Domain name	Registrant	Registration date	Expiry date
1	www.herbs.hk	Herbs Generation	2006/06/09	2025/06/09
2	www.zino.hk	Herbs Generation	2006/06/09	2025/06/09
3	www.zinomall.com	Herbs Generation	2015/06/10	2025/06/10

C. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' Service Contracts and Appointment Letters***Executive Directors*

Each of our executive Directors entered into a service contract with our Company on 7 November 2024. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

The executive Directors are not entitled to receive any remuneration in their capacities as executive Directors under their respective service contracts.

Non-executive Director

Our non-executive Director entered into an appointment letter with our Company on 7 November 2024. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the term of appointment by giving not less than one month's written notice.

The non-executive Director is not entitled to receive any remuneration and benefits in his capacity as non-executive Director under his appointment letter.

Independent non-executive Directors

Each of our independent non-executive Directors entered into an appointment letter with our Company on 7 November 2024. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the term of appointment by giving not less than three months' written notice.

The annual director's fees of our independent non-executive Directors payable by us under their respective appointment letters is HK\$120,000.

2. Remuneration of Directors

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group for the six months ended 30 June 2024 was HK\$1.7 million.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind (excluding share-based compensation) receivable by, our Directors by any member of our Group in respect of the year ending 31 December 2024 is approximately HK\$3.8 million.

3. Disclosure of Interests

Immediately following completion of the Global Offering (assuming no Shares are issued under the Post-IPO Share Award Scheme), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Interest in our Company

Name of Director	Nature of Interest	Number of Shares^(Note 1)	Approximate % of interest in Shares of our Company immediately after the Global Offering
Ms. Gammy Kwok	Interest in a controlled corporation ^(Note 2)	90,000,000	67.5%
Mr. Petras Li	Interest in a controlled corporation ^(Note 3)	10,000,000	7.5%

Notes:

- (1) The Letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in such Shares.
- (2) Joy & Love is wholly owned by Ms. Gammy Kwok. By virtue of the SFO, Ms. Gammy Kwok is therefore deemed to be interested in the Shares that Joy & Love is interested in.
- (3) Joy & Faith is wholly owned by Mr. Petras Li. By virtue of the SFO, Mr. Petras Li is therefore deemed to be interested in the Shares that Joy & Faith is interested in.

Interest in Associated Corporations of our Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares interested in the associated corporation ^(Note 1)	Percentage of shareholding in the associated corporation
Ms. Gammy Kwok	Joy & Love	Beneficial owner	1 share (L)	100%
Mr. Petras Li	Joy & Faith	Beneficial owner	1 share (L)	100%

Note:

- (1) The Letter “L” denotes a person’s long position in the share of the associated corporation.

Interests and Short Positions Disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the Global Offering will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group, see the section headed “Substantial Shareholders”.

Interest of the Substantial Shareholders in any Member of our Group

Save as set out above and in the table below, as of the Latest Practicable Date, our Directors are not aware of any persons (not being Directors or chief executive of our Company) who would, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group.

Name of Shareholder	Nature of Interest	Number of Shares ^(Note 1)	Approximate percentage of interest in our Company upon the completion of the Global Offering
Joy & Love	Beneficial owner	90,000,000 (L)	67.5%
Joy & Faith	Beneficial owner	10,000,000 (L)	7.5%

Note:

(1) The letter “L” denotes the person’s long position in the Shares.

D. SHARE SCHEME**1. Post-IPO Share Award Scheme**

The following is a summary of the principal terms of the post-IPO share award scheme conditionally adopted and approved by our Shareholders with effect from the Listing Date (the “**Post-IPO Share Award Scheme**”). The terms of the Post-IPO Share Award Scheme will be governed by Chapter 17 of the Listing Rules. Terms defined and used under this sub-section headed “Post-IPO Share Award Scheme” shall apply to this sub-section only.

The Post-IPO Share Award Scheme will be effective from the Listing Date (the “**Effective Date**”).

(a) Participants

Persons eligible to participate in the Post-IPO Share Award Scheme (the “**Eligible Participants**”) include the directors, chief executive and employees of the Company or any of its subsidiaries, provided that the Board shall have absolute discretion to determine whether or not one falls within such category.

(b) Purposes

The purposes of the Post-IPO Share Award Scheme are to recognise the contribution or future contribution of the Eligible Participants for their contribution to the Group by granting awards (“**Awards**”) to them as incentives or rewards and to attract, retain and motivate high-calibre Eligible Participants in line with the performance goals of the Group. The Post-IPO Share Award Scheme shall strengthen the many long-term relationships that the Eligible Participants may have with the Group.

(c) Maximum number of Shares

The maximum aggregate number of Shares which may be issued pursuant to all Awards is 13,333,360 Shares or a lesser number of Shares determined by the Board. In addition, the maximum number of Shares issuable upon vesting of any Awards granted under the Post-IPO Share Award Scheme and any grants made under any other share schemes of the Company shall not exceed 10% of the total number of Shares in issue as at the Effective Date (excluding, for this purpose, Shares issuable upon vesting of Awards which have been granted but which have lapsed in accordance with the terms of the Post-IPO Share Award Scheme or any other share schemes of the Company).

(d) Maximum Entitlement of each Participant

Where any grant of Awards to a Participant would result in the total number of Shares issued and to be issued in respect of all Awards granted (excluding any Awards lapsed in accordance with the terms of the Post-IPO Share Award Scheme or any other share schemes of the Company) under the Post-IPO Share Award Scheme and any other share schemes of the Company in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of Shares in issue, such grant must be separately approved by the Shareholders in general meeting in accordance with the requirements of the Listing Rules with such Participant and his/her close associate (or associates), if the Participant is a connected person (as defined under the Listing Rules), or such persons as may be required under the Listing Rules from time to time, abstaining from voting. In such event, the Company must send a circular to the Shareholders containing all information required under the Listing Rules.

(e) Performance Target

The Board or the Board committee or person(s) to which the Board has delegated its authority shall have the power from time to time to establish and administer performance targets (if any) in respect of the grant and/or vesting of the Award and such performance targets shall include, among others, financial targets and management targets which shall be determined based on the (i) individual performance, (ii) performance of the Group and/or (iii) performance of business groups, business units, business lines, functional departments, projects and/or geographical area managed by the Eligible Participants who has been granted any Award (the “**Selected Participants**”). For the avoidance of doubt, an Award Share shall not be subject to any performance targets, criteria or conditions if none are set out in the letter issued by the Company to each Selected Participant.

(f) Vesting Schedule

The Board or the committee of the Board or person(s) to which the Board delegated its authority may from time to time while the Post-IPO Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested. The vesting date in respect of any Award shall be not less than 12 months from the grant date, provided that for Employee Participants, the vesting date may be less than 12 months from the grant date (including on the grant date) in the following circumstances where: (a) grants of “make whole” Awards to new jointers to replace share awards or options they forfeited when leaving their previous employers; (b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out-of-control event; (c) grants that are made in batches during a year for administrative and compliance reasons, which include Awards that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Award would have been granted; (d) grants with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of twelve (12) months; (e) grants with a total vesting and holding period of more than twelve (12) months; (f) grants with performance-based vesting conditions in lieu of time-based vesting criteria; (g) the Remuneration Committee is of the view that a shorter vesting period is appropriate and serves the purpose of the Post-IPO Share Award Scheme; or (h) there is an event of change in control of the Company by way of a merger, a privatisation of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority, at their sole discretion, determine that the vesting date of any Awards shall be accelerated to an earlier date, whereby the vesting date may be less than 12 months from the grant date (including on the grant date).

(g) Non-transferability of the Awards

Any awards granted shall be personal to the Eligible Participant to whom it is made. Unless a waiver is granted by the Hong Kong Stock Exchange or otherwise permitted or required under the applicable laws and regulations, any Award shall not be assignable or transferable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Award, or enter into any agreement to do so.

(h) Grant to Connected Persons

Any grant of awards to a connected person (as defined in the Listing Rules) of the Company or any of his or her associates (as defined in the Listing Rules) shall comply with and shall be approved in accordance with the applicable requirements under the Listing Rules.

(i) Lapse of Award

An award will automatically lapse on the earliest of: (i) unless the Board or its delegate(s) determines otherwise at their absolute discretion, the date on which the Selected Participant ceases to be an Eligible Participant; (ii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; (iii) a Selected Participant is found to be an excluded participant who is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual; or (iv) a Selected Participant fails to return duly executed transfer documents prescribed by the Board and/or the trustee (“Trustee”) to be appointed by our Company for the purpose of servicing the Post-IPO Share Award Scheme, which will be an Independent Third Party, for the relevant Award Shares within the stipulated period.

(j) Clawback Mechanism

If a Selected Participant, being an employee whose employment is terminated by the Group by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the Selected Participant having been convicted of any criminal offence involving his/her integrity or honesty, or the Selected Participant having done something which brings the Group into disrepute or causes damages to the Group (including, among others, causing material misstatement of the financial statements of the Company), any outstanding Award Shares and all cash income derived from the Award Shares not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

(k) Administration

The Board has the power to administer the Post-IPO Share Award Scheme, including the power to construe and interpret the rules of the Post-IPO Share Award Scheme, the terms of the Awards granted under the Post-IPO Share Award Scheme, and where applicable, the trust deed to be entered into with the Trustee. The Board may delegate the authority to administer the Post-IPO Share Award Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more Independent Third Party contractors to assist in the administration of the Post-IPO Share Award Scheme as they think fit.

(l) Issue of Shares and/or Transfer of Funds to the Trustee

The Company shall (i) issue and allot Shares to the Trustee, and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price (which the Trustee shall do so as soon as reasonably practicable for the purpose of satisfying the Awards). The Award Shares will be held in trust for the Selected Participants until the end of each vesting period. When a Selected Participant has satisfied all vesting conditions specified by the Board at the time of making the Award and become entitled to the Award Shares, the Trustee shall transfer the relevant Award Shares to that Selected Participant.

(m) Termination

The Company by resolution in the general meeting or the Board may at any time terminate the Post-IPO Share Award Scheme and, in such event, no further Awards may be offered or granted but in all other respects the terms of the Scheme shall remain in full force and effect in respect of Awards which are granted during the term of the Post-IPO Share Award Scheme which remain unvested or which have vested but have not yet been exercised immediately prior to the termination of the Post-IPO Share Award Scheme.

(n) Alteration

The Directors may from time to time in their absolute discretion alter the definition of “Eligible Participant(s)”, among others, which are of a material nature or provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Selected Participants or prospective Selected Participants provided that approval from the Shareholders in general meeting (with the Selected Participants and their associates abstaining from voting) has been obtained. Save for the above, the Board or its delegate(s) may alter the terms of the Post-IPO Share Award Scheme without the approval of the Shareholders in a general meeting. No such alteration shall operate to affect adversely the terms of issue of any Award Shares granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of

such majority of the Selected Participants as would be required of the Shareholders under the constitutional documents for the time being of the Company for a variation of the rights attached to the Shares.

Any change to the authority of the Board to alter the terms of the Post-IPO Share Award Scheme shall not be valid unless approved by the Shareholders in general meeting.

Any change to the terms of Award Shares granted to a Selected Participant must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders in general meeting (as the case may be) if the initial grant of the Award Shares requires such approval.

(o) Adjustment

In the event of any alteration in the capital structure of the Company which arises or may arise immediately following the commencement of the Effective Date from any issue of shares in or other securities of the Company by way of reduction, subdivision or consolidation of the share capital of the Company or any capitalisation issue or rights issue which the Board considers an adjustment as necessary, corresponding changes will be made to the number of outstanding Award Shares that have been granted provided that the adjustments shall be made in such manner as the Board or its delegate(s) determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO Share Award Scheme for the Selected Participants. All fractional shares (if any) arising out of such alteration in the capital structure of the Company in respect of the Award Shares of a Selected Participant shall be deemed as Returned Shares and shall not be transferred to the relevant Selected Participant on the relevant vesting date. The Trustee shall hold Award Shares that are not vested and/or are lapsed or forfeited to be applied in accordance with the provisions of the rules of the Post-IPO Share Award Scheme for the purpose of the Post-IPO Share Award Scheme.

Any adjustments must give a Selected Participants the same proportion of the equity capital, rounded to the nearest whole Share, as that to which that person was previously entitled, but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). The issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or auditors of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

E. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsors will receive US\$720,000 for acting as the Company's sponsor for the Listing.

4. Consent of Experts

This prospectus contains statements made by the following experts:

Name	Qualification
ABCI Capital Limited	Licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor Registered in accordance with the Accounting and Financial Reporting Council Ordinance
Ms. Queenie W.S. Ng	Hong Kong Barrister-at-law
Ogier	Legal adviser to our Company as to Cayman Islands law

Name	Qualification
Commerce & Finance Law Offices	Legal advisers to our Company as to PRC law
Frost & Sullivan Limited	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company to provide indemnities on a joint and several basis in respect of, among other matters, (i) any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of our Group on or before the Listing Date; and (ii) any additional tax demand, late charges or penalties incurred after the Listing Date arising from any unreported tax, outstanding tax payment and any other tax liabilities resulting from any breach of applicable laws or regulations in the relevant jurisdiction by any member of our Group on or before the Listing Date.

9. Disclaimer

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

- (i) there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
- (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the section headed “E. Other Information – 4. Consent of experts” received any such payment or benefit.

Save as disclosed in this prospectus:

- (i) there are no founder, management or deferred shares in our Company or any member of our Group;
- (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this prospectus, or are proposed to be paid, allotted or given to any promoters;
- (iii) none of the Directors or the experts named in the part headed “E. Other Information – 4. Consent of experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and
- (iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

- (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (vi) there are no outstanding debentures of our Company or any member of our Group;
- (vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
- (viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and
- (ix) there are no contracts or arrangements subsisting at the date of this prospectus in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) the written consents referred to in “Statutory and General Information – E. Other Information – 4. Consents of Experts” in Appendix IV to this prospectus; and
- (ii) a copy of each of the material contracts referred to in “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.herbs.hk during a period of 14 days from the date of this prospectus:

- (i) the Memorandum and Articles of Association;
- (ii) the Accountants’ Report from KPMG, the text of which is set out in Appendix I to this prospectus;
- (iii) the audited consolidated financial statements of our Group for the Track Record Period;
- (iv) the report from KPMG in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (v) the legal opinions issued by our PRC Legal Adviser on the PRC laws, in respect of certain general corporate matters in the PRC of our Group;
- (vi) the letter of advice from Ogier, our legal advisers as to Cayman Islands law, summarising certain aspects of the company law of the Cayman Islands, referred to in Appendix III to this prospectus;
- (vii) the service agreements and letters of appointment with each of our Directors referred to in “Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors’ Service Contracts and Appointment Letters” in Appendix IV to this prospectus;
- (viii) the material contracts referred to in “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material contracts” in Appendix IV to this prospectus;

- (ix) the written consents referred to in “Statutory and General Information – E. Other Information – 4. Consent of Experts” in Appendix IV to this prospectus;
- (x) the F&S Report;
- (xi) the rules of the Post-IPO Share Award Scheme; and
- (xii) the Cayman Companies Act.



Herbs Generation Group Holdings Limited
草姬集團控股有限公司