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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)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Herbs Generation Group Holdings Limited (the “**Company**”) presents the consolidated results of the Company and its subsidiaries (together as the “**Group**”) for the year ended 31 December 2024 (“**FY2024**” or the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2023 (“**FY2023**”), as follows:

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 2.3% from approximately HK\$251.2 million for FY2023 to approximately HK\$245.5 million for FY2024.
- Gross profit decreased by approximately 1.8% from approximately HK\$185.4 million for FY2023 to approximately HK\$182.1 million for FY2024; overall gross profit margin increased slightly by 0.4 percentage point from 73.8% for FY2023 to 74.2% for FY2024.
- Profit and total comprehensive income for the year decreased by 67.2% from approximately HK\$39.5 million for FY2023 to approximately HK\$13.0 million for FY2024.
- Adjusted net profit (non-HKFRS measure) for the year, adjusted by excluding the Group’s listing expenses, decreased by 18.6% from approximately HK\$39.5 million for FY2023 to approximately HK\$32.1 million for FY2024.*
- The Board recommended the payment of a final dividend of HK15 cents per ordinary share of the Company for FY2024, which is subject to the approval of the Company’s shareholders at the AGM (as defined below).

* This is non-HKFRS measure. See page 22 of this announcement for more information.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	FY2024 <i>HK\$'000</i>	FY2023 <i>HK\$'000</i>
Revenue	4	245,490	251,224
Cost of sales		<u>(63,434)</u>	<u>(65,780)</u>
Gross profit		182,056	185,444
Other income	5	1,793	522
Selling and distribution costs		(105,651)	(106,598)
Administrative and other operating expenses		(39,202)	(31,116)
Listing expenses		<u>(19,183)</u>	<u>–</u>
Profit from operations		19,813	48,252
Finance costs	6(a)	<u>(1,136)</u>	<u>(970)</u>
Profit before taxation	6	18,677	47,282
Income tax	7(a)	<u>(5,712)</u>	<u>(7,780)</u>
Profit and total comprehensive income for the year		<u>12,965</u>	<u>39,502</u>
Earnings per share			
Basic and diluted	8	<u>HK12.82 cents</u>	<u>HK39.50 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Non-current assets			
Property, plant and equipment		39,450	28,239
Deferred tax assets		1,879	765
Prepayments		3,200	–
		44,529	29,004
Current assets			
Inventories		26,543	38,020
Trade and other receivables	10	51,712	46,371
Amount due from a controlling shareholder		–	5,176
Cash and cash equivalents		119,215	22,482
		197,470	112,049
Current liabilities			
Trade and other payables	11	17,255	12,741
Contract liabilities		2,767	2,258
Bank loans and overdrafts		–	6,473
Lease liabilities		16,820	12,566
Current tax payable		699	4,629
Amount due to a related company		–	720
		37,541	39,387
Net current assets		159,929	72,662
Total assets less current liabilities		204,458	101,666

	<i>Notes</i>	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Non-current liabilities			
Lease liabilities		15,398	9,944
Other payables and accruals		1,877	1,081
Deferred tax liabilities		–	7
		<u>17,275</u>	<u>11,032</u>
NET ASSETS		<u>187,183</u>	<u>90,634</u>
CAPITAL AND RESERVES			
Share capital	12	1,333	1,510
Reserves		<u>185,850</u>	<u>89,124</u>
TOTAL EQUITY		<u>187,183</u>	<u>90,634</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 address of its registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The address of its principal place of business is Units 2309–10, 23/F, Laford Centre, No. 838 Lai Chi Kok Road, Kowloon, Hong Kong.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 December 2024 (the "**Listing Date**" and the "**Listing**", respectively). The Company's immediate holding companies are Joy & Love Limited and Joy & Faith Limited which are incorporated in the British Virgin Islands and the ultimate controlling parties of the Group to be the controlling shareholders of the Company, including Ms. Kwok Chi Yan Gammy ("**Ms. Gammy Kwok**") and Mr. Li Yat Sing Petras ("**Mr. Petras Li**").

The Company is an investment holding company. 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**").

Prior to the incorporation of the Company, the Listing Business was mainly carried out by Herbs Generation International Limited ("**Herbs Generation**") with the support of Broadcast HR Management Limited ("**Broadcast HRM**"). The management has determined that Herbs Generation controlled Broadcast HRM during the years ended 31 December 2023 and 31 December 2024, with Mr. Petras Li holding the equity interests in Broadcast HRM as an in-substance agent of Herbs Generation before the reorganisation (the "**Reorganisation**").

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.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**") AND CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") to these financial statements for the current accounting period:

- Amendments to HKAS 1, Presentation of financial statements – Classification of liabilities as current or non-current and amendments to HKAS 1, Presentation of financial statements – Non-current liabilities with covenants
- Amendments to HKFRS 16, Leases – Lease liability in a sale and leaseback
- Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

None of these developments have had a material effect on these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The annual results set out in this announcement are extracted from the Group's consolidated financial statements for the year ended 31 December 2024 ("FY2024").

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by sales channels		
– Retail business	145,641	125,282
– Wholesale business	94,157	117,961
– Consignment arrangements	5,692	7,981
	<u>245,490</u>	<u>251,224</u>

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

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	<u>90,431</u>	<u>110,651</u>

(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 are mainly located in Hong Kong.

5. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	431	78
Government grants	1,106	291
Others	256	153
	<u>1,793</u>	<u>522</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans	205	293
Interest on lease liabilities	931	677
	<u>1,136</u>	<u>970</u>
(b) Staff costs		
Salaries, wages and other benefits	73,116	69,280
Contributions to defined contribution retirement plan	2,917	2,542
	<u>76,033</u>	<u>71,822</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.

	2024 HK\$'000	2023 HK\$'000
(c) Other items		
Depreciation charge		
– owned property, plant and equipment	4,209	2,900
– right-of-use assets	<u>16,789</u>	<u>12,194</u>
	20,998	15,094
Net foreign exchange (gain)/loss	(28)	141
Cost of inventories	63,434	65,780
Impairment loss on trade receivables	74	–
Auditors' remuneration		
– audit services	1,030	60
– other services (<i>note</i>)	<u>4,770</u>	<u>–</u>
	<u>5,800</u>	<u>60</u>

Note: Other services are also included in the listing expenses disclosed separately elsewhere in this announcement.

7. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	2024 HK\$'000	2023 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	6,681	8,120
Under-provision in respect of prior year	<u>152</u>	<u>–</u>
	6,833	8,120
Deferred tax		
Origination and reversal of temporary differences	<u>(1,121)</u>	<u>(340)</u>
	<u>5,712</u>	<u>7,780</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% (2023: 16.5%) of the estimated assessable profits for the year, 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 this subsidiary was calculated at the same basis in 2023.

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

	2024 HK\$'000	2023 HK\$'000
Profit before taxation	<u>18,677</u>	<u>47,282</u>
Notional tax on profit before taxation	2,917	7,637
Tax effect of non-deductible expenses	2,714	160
Tax effect of non-taxable income	(71)	(13)
Tax effect of unused tax losses not recognised	–	2
Under-provision in prior year	152	–
Statutory tax concession	<u>–</u>	<u>(6)</u>
Income tax expense	<u>5,712</u>	<u>7,780</u>

8. EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of the basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK\$12,965,000 (2023: HK\$39,502,000) and the weighted average of 101,095,899 ordinary shares (2023: 100,000,000 ordinary shares after adjusting for the capitalisation issue in December 2024) in issue or deemed to be in issue during the year.

As described in note 1, the Group underwent and completed the Reorganisation on 13 May 2024, the Company became the holding company of the Group. 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**”). For the purpose of computing basic earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Reorganisation was determined assuming the Reorganisation had occurred since 1 January 2023.

In addition, as described in note 12(iv), the Company issued 99,999,990 ordinary shares by way of capitalisation on the date of the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. Accordingly, the weighted average number of ordinary shares has also been adjusted retrospectively from 1 January 2023 for such capitalisation issue.

Weighted average number of ordinary shares

	2024	2023
Ordinary shares deemed to be in issue at 1 January	10	10
Effect of capitalisation issue	99,999,990	99,999,990
Effect of share issued under initial public offering	<u>1,095,899</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u>101,095,899</u>	<u>100,000,000</u>

(b) Diluted earnings per share

The diluted earnings per shares is the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the years ended 31 December 2024 and 2023.

9. DIVIDEND

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Final dividend proposed after the end of the reporting period of HK15 cents (2023: Nil) per share	<u>20,000</u>	<u>–</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to then shareholders of the subsidiary of the Company

During the years ended 31 December 2024 and 2023, Herbs Generation International Limited, the company now comprising the Group, declared dividends in cash totalling HK\$30,000,000 and HK\$18,955,000, respectively, to their then shareholders.

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	10(a)	26,367	32,473
Loss allowance	10(a)	<u>(74)</u>	<u>–</u>
		<u>26,293</u>	<u>32,473</u>
Prepayments, deposits and other receivables			
Prepayments		21,255	8,055
Deposits		7,269	5,837
Other receivables		<u>95</u>	<u>6</u>
		<u>28,619</u>	<u>13,898</u>
Less: Amounts included in “Prepayments” under non-current assets		<u>(3,200)</u>	<u>–</u>
		<u>25,419</u>	<u>13,898</u>
		<u>51,712</u>	<u>46,371</u>

Except for the amounts included in “Prepayments” under non-current assets are expected to be recovered or recognised as expense after more than one year, all other trade and other receivables are expected to be recovered or recognised as expense within one year.

As at the date of this announcement, HK\$10,910,000 of prepayments, deposits and other receivables as at 31 December 2024 were recognised as expense or refunded due to the change in the respective contract terms.

(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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	9,577	21,106
31 to 60 days	8,154	11,294
61 to 90 days	8,562	53
Over 90 days	74	20
	<u>26,367</u>	<u>32,473</u>

The movements in loss allowance are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
At 1 January	–	–
Impairment loss	74	–
	<u>74</u>	<u>–</u>
At 31 December	<u>74</u>	<u>–</u>

Trade receivables are normally due within 60 to 90 days from date of billing.

11. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	11(a)	<u>3,782</u>	<u>1,703</u>
Other payables and accruals			
Accrued employee benefits		2,929	4,509
Advertising and promotion expenses payables		1,118	4,003
Other payables		<u>11,303</u>	<u>3,607</u>
		15,350	12,119
Less: Amounts included in “Other payables and accruals” under non-current liabilities		<u>(1,877)</u>	<u>(1,081)</u>
		<u>13,473</u>	<u>11,038</u>
		<u>17,255</u>	<u>12,741</u>

Except for the amounts included in “Other payables and accruals” under non-current liabilities are expected to be settled or recognised as income after more than one year, 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:

	2024 HK\$'000	2023 HK\$'000
Within 30 days	2,395	1,076
31 to 90 days	1,305	343
91 to 180 days	2	152
Over 180 days	80	132
	<u>3,782</u>	<u>1,703</u>

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares, authorised:		
At 22 March 2024 (date of incorporation) (note (ii))	39,000,000	390
Increase in authorised share capital (note (iii))	1,961,000,000	19,610
	<u>2,000,000,000</u>	<u>20,000</u>
At 31 December 2024	<u>2,000,000,000</u>	<u>20,000</u>
Ordinary share, issued and fully paid:		
At 22 March 2024 (date of incorporation) (note (ii))	10	—*
Effect of capitalisation issue (note (iv))	99,999,990	1,000
Share issued under initial public offering (note (v))	33,333,600	333
	<u>133,333,600</u>	<u>1,333</u>
At 31 December 2024	<u>133,333,600</u>	<u>1,333</u>

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

Notes:

- (i) As disclosed in note 1, these consolidated financial statements have been prepared to present the state of affairs of the companies now comprising the Group. For the purpose of this announcement, share capital as at 31 December 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 31 December 2024 represents the share capital of the Company.
- (ii) 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.
- (iii) On 3 December 2024, the authorised share capital was increased to 2,000,000,000 ordinary shares with a par value of HK\$0.01 each.

- (iv) Pursuant to the written resolutions of the equity shareholders of the Company passed on 3 December 2024, the directors of the Company were authorised to allot and issue a total of 99,999,990 ordinary shares credited as fully paid at par to the shareholders as appearing on the register of members of the Company, by way of capitalisation of the sum of HK\$1,000,000 standing to the credit of the share premium account of the Company on the date of the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.
- (v) Upon completion of the initial public offering of shares, the Company issued 33,333,600 new ordinary shares at par value of HK\$0.01 each for cash consideration of HK\$3.75 each, and raised gross proceeds of approximately HK\$125,001,000. The respective share capital amount was approximately HK\$333,336 and share premium arising from the issuance was approximately HK\$113,251,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to HK\$11,417,000 were treated as a deduction against the share premium arising from the issuance.

13. SHARE AWARD SCHEME

The Company has adopted a share award scheme (the “**Share Award Scheme**”) on 3 December 2024 (the “**Adoption Date**”) and the Share Award Scheme became effective from 19 December 2024 (the “**Effective Date**”). No share awards have been granted since the Effective Date and therefore no new shares may be issued in respects of awards granted during the Reporting Period to eligible participants pursuant to the Share Award Scheme.

The principal terms of the Share Award Scheme are set out as follows:

(a) **Participants**

Persons eligible to participate in the 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 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 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 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 Share Award Scheme or any other share schemes of the Company).

As at the date of this announcement, the number of Shares available for grant under the Share Award Scheme was 13,333,360 Shares, representing 10% of the issued share capital as at the date of this announcement.

(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 Share Award Scheme or any other share schemes of the Company) under the 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 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 joiners 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 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).

Acceptance of the Awards and Amount Payable on Acceptance of the Awards

A Selected Participant shall be entitled to receive the Awards in accordance with the vesting schedule upon when the Selected Participant has satisfied all vesting conditions specified by the Board at the time of making the Awards.

There is no amount payable on application or acceptance of the Awards.

Basis of Determining the Purchase Price of Awards

The purchase price of Awards (if any), which shall be determined by the Board, the committee of the Board, or person(s) to which the Board has delegated its authority from time to time based on considerations such as the prevailing closing price of the Shares, the purpose of the Award and the characteristics and profile of the Selected Participant.

(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 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 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 Share Award Scheme, including the power to construe and interpret the rules of the Share Award Scheme, the terms of the Awards granted under the 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 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 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 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 Share Award Scheme which remain unvested or which have vested but have not yet been exercised immediately prior to the termination of the 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 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 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 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 Share Award Scheme for the purpose of the 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.

(p) Duration

The Share Award Scheme will remain in force for a period of 10 years from the Effective Date. The remaining life of the Share Award Scheme is approximately 10 years.

BUSINESS REVIEW

Established for over 20 years, the Group is a provider of a variety of health supplements and cosmetics and skincare products in Hong Kong. The Group focuses 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, the Group has been actively building our own brands by selling a wide variety of products. As at 31 December 2024, the Group 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)”. The Group sold products under our own brands and certain third-party brands through (i) retail business, (ii) wholesale business, and (iii) consignment arrangements.

For the Reporting Period, the Group encountered a challenging market landscape, resulting in a 2.3% decline in revenue, and a 67.2% decrease in profits compared to FY2023. This downturn in profits was largely attributable to (i) one-off and non-recurring listing expenses of approximately HK\$19.2 million; (ii) the increase in depreciation expenses largely due to the addition of self-operated retail shops of the Group during the Reporting Period, and (iii) the decrease in the Group’s total revenue and gross profit during the Reporting Period which was largely attributed to the decrease of sales from the wholesale business in the Reporting Period. In response to the challenging market landscape, the Group strategically expanded its retail footprint by opening 10 new shops in FY2024, boosting its retail business. This effort yielded a 16% increase in retail sales value compared to FY2023. However, a broader 7.3% contraction in Hong Kong’s total retail sales limited the Group’s ability to fully offset the wholesale segment’s shortfall.

During the Reporting Period, the Group also actively developed new products and new brands to enrich the variety of the Group’s products, including the new product “Herbs Water Reduction Pro (草姬祛濕丸)” and new brand “Herbs Pet (恩寵)”.

FINANCIAL REVIEW

Revenue

The principal activities of the Group are sales of health supplements and cosmetics and skincare products. The Group recorded a decrease in revenue by approximately HK\$5.7 million or 2.3% from approximately HK\$251.2 million for FY2023 to approximately HK\$245.5 million for FY2024.

The following table sets forth the breakdown of our revenue by sales channel for FY2024 and FY2023:

	FY2024		FY2023	
	HK\$'000	%	HK\$'000	%
Revenue				
– Retail business	145,641	59.3	125,282	49.8
– Wholesale business	94,157	38.4	117,961	47.0
– Consignment arrangements	5,692	2.3	7,981	3.2
Total	245,490	100.0	251,224	100.0

Retail business:

The Group sold its products directly to end-customers, primarily through its self-operated retail shops, brand experience centres, its own e-commerce platform Zinomall, and its self-operated account and store on third-party online platforms including HKTVmall and Tmall.hk. Revenue generated from retail business increased by approximately HK\$20.4 million or 16.3% from approximately HK\$125.3 million for FY2023 to approximately HK\$145.6 million for FY2024. The increase in revenue from the retail business is primarily driven by the expansion of number of self-operated retail shops, which grew from 16 to 23 shops in 2023 to 33 shops in 2024.

Wholesale business:

The Group sold its 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. Revenue generated from wholesale business decreased by approximately HK\$23.8 million or 20.2% from approximately HK\$118.0 million for FY2023 to approximately HK\$94.2 million for FY2024. The revenue from the wholesale business declined primarily due to reduced demand from the Group's largest customer, who was adversely affected by the downturn in Hong Kong's total retail sales for 2024.

Consignment arrangements:

The Group sold its products at the retail shops of its consignees to end-customers visiting their retail shops. Revenue generated from consignment arrangements decreased by approximately HK\$2.3 million or 28.7% from approximately HK\$8.0 million for FY2023 to approximately HK\$5.7 million for FY2024. Similar to the wholesale business, the Group's largest consignee, one of the leading retailers in Hong Kong, experienced adverse effects from the downturn in Hong Kong's total retail sales for that year, leading to a reduction in the Group's sales from consignment arrangements in 2024.

Cost of Sales and Gross Profit

The Group's cost of sales primarily comprised materials costs, packaging costs and delivery costs. Material costs constitute the majority of the Group's cost of sales and includes the costs for (i) semi-finished products; and (ii) raw materials used in the manufacturing of the Group's products. The Group's cost of sales decreased by approximately HK\$2.3 million or 3.6% from approximately HK\$65.8 million for FY2023 to approximately HK\$63.4 million for FY2024. The decrease in the cost of sales is commensurate with the decrease in sales.

The Group's gross profit represents our revenue less costs of sales. The Group's gross profit decreased by approximately HK\$3.3 million or 1.8% from approximately HK\$185.4 million for FY2023 to approximately HK\$182.1 million for FY2024, which is commensurate with the decrease in sales. The Group's overall gross profit margin increased slightly by 0.4 percentage point from 73.8% for FY2023 to 74.2% for FY2024.

Other income

The Group's other income primarily consist of (i) government grants, which mainly included fund on branding, upgrading and domestic sales; and (ii) bank interest income generated from bank deposits. The increase in other income of approximately HK\$1.3 million for FY2024 was primarily attributable to the receipt of a government grant of approximately HK\$0.9 million, allocated for initiatives related to branding, upgrading, and domestic sales, as well as an increase in bank interest income generated from unused proceeds from the Listing during the year.

Selling and distribution costs

The Group's 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 its marketing and promotional activities; (iii) delivery expenses incurred for delivery of products to its customers; and (iv) consignment expenses paid to its consignees.

The decrease in selling and distribution costs of approximately HK\$0.9 million or 0.9% for FY2024 was primarily due to a reduction in advertising and promotion expenses, which stemmed from a cautious marketing strategy implemented in response to the challenging retail environment in Hong Kong throughout FY2024, which was partially offset by an increase in staff costs resulting from the hiring of additional sales personnel driven by the expansion of number of retail shops.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily consist of (i) depreciation of its leased properties, including its self-operated retail shops and brand experience centres; (ii) salaries and benefits paid to its employees; and (iii) rental and other premise expenses, mainly including management fees and short-term store rentals.

The increase in administrative expenses of approximately HK\$8.1 million or 26.0% for FY2024 was mainly attributable to the rise in depreciation of leased properties, stemming from the opening of 10 more self-operated retail shops in 2024.

Listing expenses

Listing expenses include professional fees, underwriting commission, and other fees incurred in connection with the Listing.

Finance costs

The Group's finance costs mainly represent interest on bank loans and interest on lease liabilities. The increase in finance costs of approximately HK\$166,000 or 17.1% from approximately HK\$970,000 for FY2023 to approximately HK\$1,136,000 for FY2024 was mainly due to higher interest expenses on lease liabilities, as the Group leased additional self-operated retail shops during FY2024.

Income tax expense

Income tax expense primarily consist of corporate income tax and movements in deferred income tax assets/liabilities. The reduction in income tax expense corresponds to the lower taxable profit from the Group's operating companies in Hong Kong.

Profit and total comprehensive income for the year

As a result of the foregoing, the Group recorded profit for the year amounted to approximately HK\$13.0 million for FY2024, which decreased by approximately HK\$26.5 million or 67.2% from approximately HK\$39.5 million for FY2023. This was mainly attributable to (i) one-off and non-recurring listing expenses of approximately HK\$19.2 million (ii) the increase in depreciation expenses largely due to the addition of self-operated retail shops of the Group during the Reporting Period, and (iii) the decrease in the Group's total revenue and gross profit during the Reporting Period which was largely attributed to the decrease of sales from the wholesale business in the Reporting Period. To reflect the actual operating profit of the Group, the adjusted net profit, a non-HKFRS measure, excluding these listing expenses for FY2024, was approximately HK\$32.1 million, representing a decrease of approximately HK\$7.4 million or 18.6% compared to approximately HK\$39.5 million for FY2023. Such decrease was mainly due to the rise in depreciation of approximately HK\$6.0 million of leased properties, stemming from the opening of 10 more self-operated retail shops in FY2024. Please refer to paragraph headed "Non-HKFRS adjusted net profit" for details.

Non-HKFRS adjusted net profit

To supplement the Group's consolidated financial statements which are presented in accordance with the HKFRS, the Company also used non-HKFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of items that it does not consider indicative of the performance of its business. The Company believes that this additional financial measure provides useful guidance as it reflects its net profit position relating to its normal business operations by eliminating the potential impact of its listing expenses. The term "adjusted net profit" is not defined under HKFRS. Other companies in the industry in which the Group operates may calculate such non-HKFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for FY2024, and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under HKFRS.

The table below sets out the calculation of the Group's non-HKFRS adjusted net profit for the years indicated:

	2024	2023
	HK\$'000	HK\$'000
Profit for the year	12,965	39,502
<i>Adjustment for:</i>		
Listing expenses	19,183	–
Adjusted net profit (non-HKFRS measure) for the year	<u>32,148</u>	<u>39,502</u>

The Group's adjusted net profit, adjusted by excluding the Group's listing expenses, was approximately HK\$32.1 million for FY2024, representing an decrease of approximately 18.6% as compared to approximately HK\$39.5 million for FY2023.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2024, the Company's issued share capital was approximately HK\$1.3 million and the number of its issued ordinary shares was 133,333,600 of HK\$0.01 each.

Cash flows

As at 31 December 2024 and 2023, the Group had cash and cash equivalents of approximately HK\$119.2 million and HK\$22.5 million, respectively, which were mainly denominated in Hong Kong dollars. The Group's primary uses of cash were mainly for financing daily operations and working capital requirements, including payment for procurement of health supplements and cosmetics and skincare products.

Bank borrowings and gearing ratio

The gearing ratio was nil as at 31 December 2024 as there was no outstanding bank borrowings as at 31 December 2024 (2023: bank borrowings of approximately HK\$6.5 million and gearing ratio of approximately 7.1%). 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%.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. bank borrowings, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

The net debt to equity ratio was not applicable as at 31 December 2024 and 2023 as the Group had net cash position as at both dates.

Treasury management

The Group maintains sufficient cash and cash equivalents to support its regular business operations. Management closely monitors trade receivables and overdue balances (if any) and ensures that the Group engages only with creditworthy counterparties. Additionally, the Group's liquidity position is carefully monitored to ensure its assets, liabilities, and commitments are structured to meet funding requirements, thereby effectively managing liquidity risk.

Capital expenditures

During FY2024, our capital expenditures, primarily directed towards the acquisition of property, plant, and equipment, totaled approximately HK\$5.5 million, compared to approximately HK\$4.7 million in FY2023. These expenditures were fully financed through internally generated cash flow from our operating activities.

Looking forward, the Group anticipates a rise in capital expenditures in line with the continued growth of our business. These future investments will predominantly support the acquisition of property, plant, and equipment. The Group intend to fund such expenditures using a combination of cash flow from ongoing operations and the net proceeds from our global offering.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2024 and 2023.

Off-balance sheet commitments and arrangements

The Group did not have any outstanding off-balance sheet arrangements for FY2024 and FY2023.

EMPLOYEE INFORMATION

As at 31 December 2024, the Group had 247 employees, including part-time staff. The Group remunerates employees based on their performance and experience, the Group's results as well as prevailing market condition. In addition to salary and commission payment to staff, other staff benefits include discretionary bonus and internal training.

SIGNIFICANT INVESTMENT

During FY2024, the Group did not have any plan for significant investment.

USE OF PROCEEDS

On 11 December 2024, the Company offered 33,333,600 shares for subscription in the global offering. The offer price per share was determined at HK\$3.75 and the shares were successfully listed on the Main Board of the Stock Exchange on 19 December 2024. The net proceeds (after deduction of underwriting fees and commissions and other listing expenses) from the Listing were approximately HK\$94.4 million. The estimated net proceeds under the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 11 December 2024 (the "**Prospectus**") was HK\$102.0 million. The difference of approximately HK\$7.6 million has been adjusted in the same proportion to the use of proceeds as disclosed in the Prospectus.

The below table sets out the planned application of the net proceeds:

Intended application of the net proceeds	Approximate percentage of total net proceeds	Adjusted planned allocation <i>HK\$ million</i>	Utilised amount during the Reporting Period <i>HK\$ million</i>	Unutilised amount as at 31 December 2024 <i>HK\$ million</i>	Expected timetable for full utilisation <i>(Note)</i>
Strategic marketing and promotion activities to further enhance the brand awareness and recognition of products under our own brands	35.7%	33.7	–	33.7	December 2027
Expanding, improving and optimising our sales network	37.8%	35.7	–	35.7	December 2027
Diversifying and enhancing our product portfolio	4.7%	4.4	–	4.4	December 2027
Talent recruitments	12.4%	11.7	–	11.7	December 2027
General working capital	9.4%	8.9	–	8.9	December 2025
Total	100.0%	94.4	–	94.4	

Note: The expected timeline for the usage of the remaining proceeds is made based on the best estimate of our Group's future market conditions, which is subject to the current and future development of the market conditions.

As at 31 December 2024, the unutilised net proceeds have been placed in interest-bearing accounts with licensed banks in Hong Kong.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES JOINT VENTURES

During FY2024, the Group did not have any plan for material acquisitions and disposals of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 31 December 2024, the Group has not pledged any assets.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK15 cents per ordinary share for FY2024, totalling HK\$20,000,040. Such payment of dividend will be subject to the approval of the shareholders at the forthcoming annual general meeting (“AGM”). If the resolution for the proposed final dividend is passed at the AGM, the final dividend will be payable on or around Wednesday, 11 June 2025.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the qualification as Shareholders of the Company to attend and vote at the AGM to be held on Friday, 23 May 2025, the register of members will be closed from Tuesday, 20 May 2025 to Friday, 23 May 2025, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 19 May 2025.

For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Thursday, 29 May 2025 to Friday, 30 May 2025, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 28 May 2025.

FUTURE OUTLOOK AND PROSPECT

The health supplement market in Hong Kong continues to grow steadily, fueled by heightened health awareness since the COVID-19 pandemic. Consumers are increasingly drawn to natural products, with a growing focus on mental well-being and overall wellness. There is also rising demand for personalised nutrition, as people seek products tailored to their individual needs. While this market expansion offers significant opportunities, the Group must also consider the broader economic landscape.

Looking ahead, the macroeconomic outlook remains uncertain, with the Hong Kong SAR Government projecting modest GDP growth of 2.5% for 2024 and similar expectations for 2025. High interest rates and a strong currency may continue to suppress consumer spending and tourism, presenting challenges for businesses in the region. Nevertheless, the Group is cautiously optimistic about our prospects. Our company is well-positioned to capitalise on the growing health supplement market, leveraging our strong wholesale and retail operations to meet emerging demands for natural and personalised health options.

To ensure sustainable growth, the Group is boosting its online presence and marketing efforts to reach a wider customer base. In 2025, the Group will prioritise further retail network expansion, enhance its e-commerce platform, and diversify its B2B partnerships to reduce dependency on any single client. Additionally, the Group will invest in product innovation to stay ahead of evolving health trends. These strategic steps will strengthen the Group's competitive edge and adaptability in a dynamic market.

In addition to its ongoing efforts to strengthen its presence in Hong Kong, the Group is also exploring opportunities to expand its business into the PRC in 2025. These regions present significant growth potential due to their large and dynamic markets. The Group's expansion strategy will be customised to address the unique dynamics of each target market, ensuring that the Group can effectively navigate the regulatory, cultural, and competitive landscapes. By entering these areas, the Group aims to diversify revenue streams, reduce reliance on the Hong Kong market, and capitalize on the growing consumer demand in these regions. The Group will take a close look at these new markets and make sure any move the Group makes fits with its long-term plans. The Group want to be smart about where the Group grows next, so the Group will think carefully about what makes sense for the business. The Group believes that this measured approach will enable us to seize new opportunities while managing risks effectively.

While the Group recognises potential challenges, such as shifting regulations and intensifying competition, the Group is confident in its ability to navigate these hurdles and deliver lasting value to our customers and stakeholders. With a robust balance sheet bolstered by our listing, the Group is well-prepared to seize opportunities and thrive amid economic uncertainty. The future of Hong Kong’s health supplement market holds strong potential, and the Group is ready to lead the way through innovation, strategic expansion, and an unwavering commitment to quality.

CORPORATE GOVERNANCE PRACTICES

The Company is highly committed to achieving a high standard of corporate governance and striving to maintain the management practices in a transparent and responsible way. The Board reviews and improves the Group’s corporate governance practices and business ethics on an ongoing basis. Throughout the period from the date of listing of the shares on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**“) on 19 December 2024 (the “**Listing Date**“) to 31 December 2024, the Company complied with all the code provisions, where applicable, as set out in the Corporate Governance Code (the “**CG Code**“) in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rule**“) on the Stock Exchange except for the deviation mentioned in the sections of “CHAIRLADY AND CHIEF EXECUTIVE OFFICER” and “THE BOARD – BOARD MEETINGS AND ATTENDANCE”.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

For FY2024, under code provision C.2.1 of the CG Code, the roles of the Chairlady and CEO of the Company should be separated and should not be performed by the same individual. However, the roles of the Chairlady and CEO of the Group are not being separated pursuant to the requirement under the code provision C.2.1 of the CG Code. Ms. Gammy Kwok is the Chairlady and also the CEO and is responsible for overseeing the operations of the Group during such period. In view of the fact that Ms. Gammy Kwok is the founder of the Group and has been operating and managing the Group since 2000, the Board believes that it is in the best interests of the Group to have Ms. Gammy Kwok taking up both roles for effective management and business development.

The Board also believes that vesting the roles of both Chairlady and CEO in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although Ms. Gammy Kwok performs both roles of Chairlady and CEO, the division of responsibilities between the two roles is clearly established. While the Chairlady is responsible for supervising the functions and performance of the Board, the CEO is responsible for the management of the Group’s business. The Board considers that the balance of power and authority for the present arrangement will not be impaired given the appropriate delegation of the power of the Board to the senior management for the day-to-day management of the Group, and the effective functions of the independent non-executive directors representing at least one-third of the Board such that no one individual has unfettered power of decisions. This structure will also enable the Company to make and implement decisions promptly and effectively.

The Board will continue to review and consider splitting the roles of Chairlady and CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

BOARD MEETINGS AND ATTENDANCE

Under code provision C.2.7 of the CG Code, the chairman of the Board should at least annually hold meetings with the independent non-executive directors without the presence of other Directors; under code provision C.5.1 of the CG Code, that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Due to the fact that the Company was listed on 19 December 2024, neither Board meetings nor Board Committees meetings were held throughout the period from the Listing Date to 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The shares of the Company were listed on the Listing Date. During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

SECURITIES TRANSACTION OF DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

All the directors confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code during the period from the Listing Date to 31 December 2024.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events after the Reporting Period and up to the date of this announcement.

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules, the Audit Committee comprises of three independent non-executive directors, including Mr. Lam (chairman of the Audit Committee), Professor Chan, and Dr. Tsang. Mr. Lam (chairman of the Audit Committee) possesses the appropriate professional qualifications or accounting or related financial management expertise as required.

The Group's consolidated financial statements for the Reporting Period have been reviewed and approved by the Audit Committee. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by KPMG on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.herbs.hk and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the Reporting Period will be despatched to shareholders of the Company who wish to receive a printed copy of the corporate communication and will also be published on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
Herbs Generation Group Holdings Limited
Kwok Chi Yan Gammy
Chairlady of the Board and Executive Director

Hong Kong, 31 March 2025

As at the date of this announcement, the Board comprises (i) Ms. Kwok Chi Yan Gammy, Mr. Li Yat Sing Petras and Ms. Young Yuen Pik as executive Directors; (ii) Mr. Kwok Chun On as non-executive Director; and (iii) Professor Chan Chi Fai Andrew, SBS, JP, Mr. Lam Yiu Por and Dr. Tsang Hing Lim Kenneth as independent non-executive Directors.