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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Kwok Chi Yan Gammy
(Chairlady and Chief Executive Officer)
 Mr. Li Yat Sing Petras
 Ms. Young Yuen Pik

NON-EXECUTIVE DIRECTOR

Mr. Kwok Chun On

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Chan Chi Fai Andrew, *SBS, JP*
 Mr. Lam Yiu Por
 Dr. Tsang Hing Lim Kenneth

AUDIT COMMITTEE

Mr. Lam Yiu Por *(Chairman)*
 Professor Chan Chi Fai Andrew, *SBS, JP*
 Dr. Tsang Hing Lim Kenneth

REMUNERATION COMMITTEE

Professor Chan Chi Fai Andrew, *SBS, JP (Chairman)*
 Ms. Kwok Chi Yan Gammy
 Mr. Lam Yiu Por
 Dr. Tsang Hing Lim Kenneth

NOMINATION COMMITTEE

Ms. Kwok Chi Yan Gammy *(Chairlady)*
 Mr. Lam Yiu Por
 Professor Chan Chi Fai Andrew, *SBS, JP*
 Dr. Tsang Hing Lim Kenneth

COMPANY SECRETARY

Ms. Chan Oi Ling, *HKICPA*

AUTHORISED REPRESENTATIVES

Mr. Li Yat Sing Petras
 Ms. Chan Oi Ling

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
 Hang Seng Bank Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPLIANCE ADVISER

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CORPORATE INFORMATION

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Ogier Global (Cayman) Limited

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HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

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Hong Kong

COMPANY WEBSITE

www.herbs.hk

STOCK CODE

2593

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Herbs Generation Group Holdings Limited (the "**Company**", and collectively with its subsidiaries, the "**Group**"), I am delighted to present the annual report for the year ended 31 December 2024 (the "**Reporting Period**" or "**FY2024**").

The successful listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 December 2024 (the "**Listing**") represents a landmark achievement for the Group. This milestone has not only provided us with vital capital to support our growth ambitions but also elevated our corporate stature, strengthened our governance framework, and opened new avenues for expansion.

As a newly listed entity, we are committed to maintaining exemplary corporate governance standards. Our Board and management uphold principles of transparency, accountability, and ethical conduct. Beyond compliance, we embrace our role in fostering sustainability.

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 the year ended 31 December 2023 ("**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, we strategically expanded our retail footprint by opening 10 new shops in FY2024, boosting our retail sales. 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 our ability to fully offset the wholesale segment's shortfall.

Looking ahead, the macroeconomic outlook remains uncertain, with the Hong Kong SAR Government projecting modest gross domestic product ("**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, we are cautiously optimistic about our prospects. In 2025, we will prioritise further retail network expansion, enhance our e-commerce platform, and diversify our wholesale business to reduce dependency on any single customer. Additionally, we will invest in product innovation to meet evolving health trends.

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

CHAIRMAN'S STATEMENT

With a robust balance sheet bolstered by our listing, we are well-positioned to seize opportunities and deliver sustainable value.

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all of our employees who contributed to the success of the Group in a dedicated and professional manner despite challenges, and shareholders of the Company (the "**Shareholders**"), business partners and professional parties for their invaluable support to the Group throughout the Reporting Period.

Kwok Chi Yan Gammy

Chairlady

Hong Kong, 31 March 2025

FINANCIAL HIGHLIGHTS

The financial data below are extracted from the Group's audited financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

RESULTS

	For the year ended 31 December	
	2024 HK\$'000	2023 HK\$'000
Revenue	245,490	251,224
Gross profit	182,056	185,444
Profit from operations	19,813	48,252
Profit and total comprehensive income for the year	12,965	39,502
Adjusted net profit (non-HKFRS measure) for the year	32,148	39,502
Earnings per share	HK12.82 cents	HK39.50 cents

FINANCIAL POSITION

	As at 31 December	
	2024 HK\$'000	2023 HK\$'000
Non-current assets	44,529	29,004
Current assets	197,470	112,049
Non-current liabilities	17,275	11,032
Current liabilities	37,541	39,387
Net assets	187,183	90,634

MANAGEMENT DISCUSSION AND ANALYSIS

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 its own brands through a multi-channel sales model. Since the founding of the Group in 1999, the Group has been actively building its 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 its 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 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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 constitutes 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 its 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 its 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. 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 2024. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	2024 HK\$'000	2023 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditures

During FY2024, the Group's 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 anticipate a rise in capital expenditures in line with the continued growth of its 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 the global offering.

Exposure to fluctuations in exchange rates and related hedges

While the Group's revenue is mainly denominated in HKD, most of the Group's operating expenses are primarily denominated in HKD, RMB and USD, and the Group is exposed to foreign currency risks primarily as a result of operating expenses that are denominated in foreign currencies other than HKD.

The Group has set up a policy to manage its foreign currency risk by closely monitoring the movement of the foreign currency rates and employing financial instruments for hedging should the need arise. The Group does not adopt a formal hedge accounting policy.

As at 31 December 2024 and 2023, the Group did not hold any outstanding forward foreign exchange contract.

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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, there were no other plans for material investments or capital assets.

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.

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 its prospects. The Group is well-positioned to capitalise on the growing health supplement market, leveraging its 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 wholesale business to reduce dependency on any single customer. 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 capitalise 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 make fits with its long-term plans. The Group wants 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 the Group to seize new opportunities while managing risks effectively.

MANAGEMENT DISCUSSION AND ANALYSIS

While the Group recognise 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 its customers and stakeholders. With a robust balance sheet bolstered by the 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.

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 HK\$ million	Utilised amount during the Reporting Period HK\$ million	Unutilised amount as at 31 December 2024 HK\$ million	Expected timetable for full utilisation (Note)
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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Kwok Chi Yan Gammy (郭致因) (“Ms. Gammy Kwok”), aged 63, is the chairlady of the Board (the “**Chairlady**”), an executive Director and the chief executive officer (the “**CEO**”). Ms. Gammy Kwok is also the founder of the Group. She is primarily responsible for the overall strategic planning, business development and operation, and marketing of the Group. She has also been serving as a director of the subsidiaries of the Company, Herbs Generation International Limited (“**Herbs Generation**”) and ZINO International Limited (“**ZINO International**”).

Ms. Gammy Kwok has more than 30 years of wellness related experience. Prior to founding the 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 is the spouse of Mr. Li Yat Sing Petras (executive Director and chief operating officer (the “**COO**”) of the Group) and the elder sister of Mr. Kwok Chun On (non-executive Director of the Group).

Mr. Li Yat Sing Petras (李日勝) (“Mr. Petras Li”), aged 65, is the executive Director and the COO. Mr. Petras Li is primarily responsible for overall day-to-day management, business and supply chain operations, and product development of the 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 the Group in July 2003 and he has also been serving as a director of the subsidiaries of the Company, Broadcast HR Management Limited (“**Broadcast HRM**”), Herbs Generation and ZINO International.

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 is the spouse of Ms. Gammy Kwok (Chairlady, executive Director and the CEO of the Group) and the brother-in-law of Mr. Kwok Chun On (non-executive Director of the Group).

Ms. Young Yuen Pik (楊婉璧) (“Ms. Scarlett Young”), aged 60, is the executive Director and is primarily responsible for overall financial planning and management and human resources matters of the Group. She joined the Group in October 2015 and she also serves as the operations director of Herbs Generation.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Kwok Chun On (郭晉安) (“Mr. Roger Kwok”), aged 60, is the non-executive Director and is primarily responsible for overall strategic advice on the marketing of the Group. He first became the Group's brand ambassador in 2002 and was appointed as a non-executive Director on 7 May 2024.

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 is the younger brother of Ms. Gammy Kwok (Chairlady, executive Director and the CEO of the Group) and the brother-in-law of Mr. Petras Li (executive Director and the COO of the Group).

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 the Company on 7 May 2024 taking effect on 19 December 2024. He is primarily responsible for supervising and providing independent judgement to the 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)).

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Yiu Por (林曉波) (“Mr. Lam”), aged 48, was appointed an independent non-executive Director of the Company on 7 May 2024 taking effect on 19 December 2024. He is primarily responsible for supervising and providing independent judgement to the 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, Xiamen Yan Palace Bird’s Nest Industry Co., Ltd (a company listed on the Stock Exchange (stock code: 01497)) since November 2023 and BrainAurora Medical Technology Limited (a company listed on the Stock Exchange (stock code: 06681)) since January 2025. 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)).

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Tsang Hing Lim Kenneth (曾慶廉) (“Dr. Tsang”), aged 55, was appointed an independent non-executive Director of the Company on 7 May 2024 taking effect on 19 December 2024. He is primarily responsible for supervising and providing independent judgement to the 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 Subspecialty Board of the Hong Kong College of Community Medicine.

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. Details of their qualifications and expertise are set out in “Executive Directors” above in this section.

Mr. Tsang Hing Suen (曾慶煊) (“Mr. Tsang”), aged 40, joined the Group in January 2024 and is the chief financial officer. He is primarily responsible for overseeing capital operations and finance of the Group.

Mr. Tsang has over 17 years of experience in the field of accounting and audit. Prior to joining the Group, he has worked for various organisations and held various senior positions including managerial grade positions in the assurance department of an international accounting firm, a securities firm licensed under the Securities and Futures Ordinance and a conglomerate company. 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.

CHANGES OF DIRECTORS’ INFORMATION

Save as the below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the Prospectus:

In March 2025, the Remuneration Committee held a meeting to consider, among others, the annual base salaries of Ms. Gammy Kwok, Mr. Petras Li, Ms. Scarlett Young and Mr. Roger Kwok. The Remuneration Committee recommended and approved that their annual fixed base salaries should be HK\$1,200,000, HK\$960,000, HK\$1,356,000 and HK\$300,000 respectively.

CORPORATE GOVERNANCE REPORT

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 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**") except for the deviation mentioned in the sections of "CHAIRLADY AND CHIEF EXECUTIVE OFFICER" and "THE BOARD – BOARD MEETINGS AND ATTENDANCE".

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.

THE BOARD

Responsibilities

The Board is responsible for the Group's corporate policy formulation, business strategic planning, business development, risk management, material acquisitions and disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management, such as the preparation of annual and interim accounts for the Board's final approval before its publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. The Board has also delegated to the relevant senior management the authority and responsibility for the day-to-day management and operation of the Group with clear directions as to their powers in particular with respect to the circumstances under which they should report back to the Board before making certain key decisions on behalf of the Company. The Board reviews the existing arrangements periodically to ensure that they remain appropriate to the Company's needs.

The Board also has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board is also responsible for performing corporate governance duties of the Group and will assign relevant functions to other Board committees, namely the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the audit committee (the "**Audit Committee**") collectively, the "**Board Committees**") as and when appropriate.

Every Director is entitled to have access to Board papers and related materials, and the advice and services provided by the company secretary (the "**Company Secretary**") of the Company, and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. The Directors will be continuously provided by the updates on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

CORPORATE GOVERNANCE REPORT

Composition

The Board currently comprises seven members, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors. Details of the composition of the Board and biographies of the Directors are set out on page 2 in this annual report in the section of “Corporate Information” and on pages 14 to 17 in this annual report in the section of “Biographical Details of Directors and Senior Management”, respectively. An updated list of the Directors with their respective roles and functions is available on the Stock Exchange’s website and the Company’s website at www.herbs.hk. Independent non-executive Directors are identified in all corporate communications that disclose the names of the Directors.

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years commencing from the date of appointment subject to termination as provided therein.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date subject to termination as provided therein.

The Board is composed of individuals possessing a diverse array of skills, extensive experience, and specialised expertise, either within the same industry or directly pertinent to the management of the Group’s business operations. This composition fosters a balanced and robust set of competencies and insights, significantly enhancing the Company’s governance structure. The Company has implemented formal mechanisms to enable independent non-executive Directors to openly and candidly share their perspectives while offering impartial professional evaluations concerning the Group’s development, operational performance, and risk management strategies. These mechanisms include structured, dedicated meeting sessions with the Chairlady, as well as opportunities for interaction with senior management and fellow Board members in settings beyond the formal boardroom. The Board will review the implementation and effectiveness of the abovementioned mechanisms on an annual basis to ensure that independent views and input are available to the Board.

CORPORATE GOVERNANCE REPORT

Board meetings and attendance

The attendance of individual members of the Board at various meetings during the period from the Listing Date to 31 December 2024, as well as the number of such meetings held, are set out below:

Name of Director	Number of meetings attended/held				AGM
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	
Executive Directors					
Ms. Gammy Kwok ¹	0/0 ⁴	N/A	0/0 ⁶	0/0 ⁷	0/0 ⁸
Mr. Petras Li	0/0 ⁴	N/A	N/A	N/A	0/0 ⁸
Ms. Scarlett Young	0/0 ⁴	N/A	N/A	N/A	0/0 ⁸
Non-executive Directors					
Mr. Roger Kwok	0/0 ⁴	N/A	N/A	N/A	0/0 ⁸
Independent Non-executive Directors					
Professor Chan ²	0/0 ⁴	0/0 ⁵	0/0 ⁶	0/0 ⁷	0/0 ⁸
Mr. Lam ³	0/0 ⁴	0/0 ⁵	0/0 ⁶	0/0 ⁷	0/0 ⁸
Dr. Tsang	0/0 ⁴	0/0 ⁵	0/0 ⁶	0/0 ⁷	0/0 ⁸

1. Chairlady of the Board and CEO of the Company; Chairlady of Nomination Committee.
2. Chairman of the Remuneration Committee.
3. Chairman of the Audit Committee.
4. No Board meeting has been held from the Listing Date to 31 December 2024.
5. No Audit Committee meeting has been held from the Listing Date to 31 December 2024.
6. No Nomination Committee meeting has been held from the Listing Date to 31 December 2024.
7. No Remuneration Committee meeting has been held from the Listing Date to 31 December 2024.
8. No AGM has been held from the Listing Date to 31 December 2024.
9. During the period from the Listing Date to the date of this annual report, one Board meeting, two Audit Committee meetings, one Nomination Committee meeting and one Remuneration Committee meeting were held, and all of the relevant chairman/chairlady and members attended the meetings, except Dr. Tsang was absent in one of the Audit Committee meetings.

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.

The Board or committee members circulate the relevant information provided by the senior management, which sets out the matters that require to be decided by the Board and the report concerning the Group's operation and financial performance prior to each Board meeting. Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Draft agenda of each Board meeting is sent to the Directors in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting, and the chairman of the Board approves the final agenda before each Board meeting. Notice of regular Board meetings is served to all the Directors at least 14 days before the meetings. For other Board meetings and Board Committees meetings, reasonable notice is generally given.

CORPORATE GOVERNANCE REPORT

In respect of regular Board meetings or Board Committees meetings and so far as practicable in all other cases, meeting papers are distributed to Directors or committee members at least three days before the respective meetings to allow them to have sufficient time to review the relevant documents and prepare for the meetings. Senior management shall be responsible for preparing the documents of the Board and Board Committees and submitting reports upon request from time to time. The Board and each Director also have separate and independent access to the senior management where necessary.

Whenever a substantial shareholder or a Director has a conflict of interests which is considered by the Board as material, the matter will be dealt with by a physical Board meeting rather than a written resolution.

Relevant senior management would attend regular Board meetings and where necessary, other Board meetings and Board Committees meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to take and keep minutes of all Board meetings and Board Committees meetings. Draft minutes are circulated to the directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

Relationship

The family relationship among certain executive Directors/non-executive Director is as follows:

Name of directors	Relationship with		
	Ms. Gammy Kwok	Mr. Petras Li	Mr. Roger Kwok
Ms. Gammy Kwok	–	Wife	Elder sister
Mr. Petras Li	Husband	–	Brother-in-law
Mr. Roger Kwok	Younger brother	Brother-in-law	–

Save as disclosed aforesaid, there was no financial, business, family or other material relationship among the Directors.

Independent non-executive Directors

The Board consisted of three independent non-executive Directors, accounting for three-seventh of the total number of the Board members. Independent non-executive Directors include Professor Chan, Mr. Lam and Dr. Tsang. The Company complied with Rules 3.10(1) and (2), and Rule 3.10A of the Listing Rules during the period from the Listing Date to 31 December 2024.

Pursuant to the requirements of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors confirming his independence from the Company, and considers all of the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Appointment, re-election and removal of Directors

In accordance with the amended and restated articles of association of the Company (the “**Articles**”), all the Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the first AGM after appointment.

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing the Board’s composition, structure and size, developing and formulating the relevant procedures for nomination and appointment of the directors, monitoring the appointment and succession planning of the Directors and assessing the independence of independent non-executive Directors.

Directors’ induction and development

During the period from the Listing Date to 31 December 2024, all the Directors participated in seminars and read materials and updates according to their own preferences to develop and refresh their knowledge, skills and understanding of the Group and its business or as continuing professional trainings to update their skills and knowledge on the latest development or changes in the relevant regulations, the Listing Rules and corporate governance practices, for corporate governance and compliance purposes.

The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code on Directors’ training. During FY2024, all Directors have participated in continuous professional development by participating in seminars and reading materials to develop and refresh their knowledge and skills.

Name of Director	Type of continuous professional development	
	Attending trainings	Reading materials and updates
Executive Directors		
Ms. Gammy Kwok	✓	✓
Mr. Petras Li	✓	✓
Ms. Scarlett Young	✓	✓
Non-executive Director		
Mr. Roger Kwok	✓	✓
Independent Non-executive Directors		
Professor Chan	✓	✓
Mr. Lam	✓	✓
Dr. Tsang	✓	✓

CORPORATE GOVERNANCE REPORT

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 DIVERSITY POLICY

The Board has adopted a policy of the Board diversity ("**Board Diversity Policy**") and discussed all measurable objectives set for implementing the same.

With the objective of enhancing the effectiveness of the Board and corporate governance, the Company recognises and embraces the benefits of the Board diversity to enhance the quality of its performance and endeavours to ensure the Board has appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications and experience, skills, knowledge, industry and regional experience and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board will strive to maintain gender diversity when recruiting and selecting the workforce across the Group's operation. As at 31 December 2024, the Board members include two female member which achieved gender diversity in respect of the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that are or may be required, and recommend any such revisions to the Board for consideration and approval.

At present, the Nomination Committee considered that the diversity of the Board is sufficient.

CORPORATE GOVERNANCE REPORT

Workforce diversity

As at 31 December 2024, the ratio of male and female in the workforce by gender of the Group (including senior management) is 12.6% and 87.4% respectively as set out in "Environmental, Social and Governance Report" of this annual report. The Board is satisfied that the Company has achieved gender diversity in its workforce and will thrive to maintain the current balance which is considered at acceptable level.

BOARD COMMITTEES

The Board has established Board Committees to oversee specific aspects of the Company's affairs and help it in the execution of its responsibilities. Specific written terms of reference of these committees clearly outline each committee's authority and duty.

Each committee is required to report back on its decisions or recommendations to the Board on a timely basis, unless there are any legal or regulatory restrictions imposed on it.

Audit Committee

The Audit Committee is mainly responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (b) monitoring the integrity of the Company's financial statements; (c) reviewing the Company's financial controls, risk management and internal control systems; and (d) reporting to the Board on the matters in the CG Code. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website and the Company's website at www.herbs.hk. The terms of reference of the Audit Committee was adopted on 7 November 2024.

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.

As the Company was only listed on the Stock Exchange on 19 December 2024, the Audit Committee did not hold any meetings during FY2024.

Nomination Committee

The Nomination Committee is mainly responsible for (a) reviewing the structure, size and composition (including but not limited to diversity of skills, knowledge and experience and length of service) of the Board at least once a year and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals who are suitably qualified to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairlady of the Board and the chief executive of the Company; and (d) developing a policy concerning diversity of Board members, and disclose the policy or a summary of the policy in the corporate governance report. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website and the Company's website at www.herbs.hk. The terms of reference of the Nomination Committee was adopted on 7 November 2024.

CORPORATE GOVERNANCE REPORT

The Nomination Committee comprises of four members including Ms. Gammy Kwok (executive Director and chairlady of the Nomination Committee), Mr. Lam, Professor Chan and Dr. Tsang, both being independent non-executive Directors.

As the Company was only listed on the Stock Exchange on 19 December 2024, the Nomination Committee did not hold any meetings during FY2024.

Director nomination policy

The Board has adopted a nomination policy with regard to nomination of Directors. The nomination policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee will recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following selection criteria and nomination procedures:

- (a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Company's Board Diversity Policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;
- (b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by the Nomination Committee or the Board, including his/her ability to devote sufficient time to the Board matters; and
- (c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment. The Nomination Governance Committee will review the nomination policy, from time to time and as appropriate, to ensure its effectiveness.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee comprises one executive Director and three independent non-executive Directors, namely Ms. Gammy Kwok, Professor Chan, Mr. Lam and Dr. Tsang. Professor Chan is the chairman of the committee.

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time; (iii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

As the Company was only listed on the Stock Exchange on 19 December 2024, the Remuneration Committee did not hold any meetings during FY2024.

CORPORATE GOVERNANCE REPORT

The emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee, having regard to the individual performance and comparable market statistics.

The remuneration of the members of senior management by band for FY2024 is set out below:

Remuneration bands	Number of person(s)
Below HK\$1,000,000	4

CORPORATE GOVERNANCE FUNCTION

The Board, with the assistance of the Board Committees, is responsible for performing the corporate governance functions, and it accordingly reviews and monitors the training and continuing professional development of Directors and the senior management, and ensures its policies and practices in compliance with relevant laws and regulatory requirements. For FY2024, the Board reviewed the Company's policies and practices on corporate governance. The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

AUDITOR'S REMUNERATION

The table below sets out details of fees paid/payable for FY2024 on audit and non-audit services provided by KPMG, the auditors of the Company:

	HK\$'000
Audit services	1,030
IPO-related services (note 1)	4,650
Non-audit services (note 2)	120
	5,800

Notes:

- (1) IPO-related services include audit of financial reporting and audit of internal control.
- (2) Non-audit services include environmental, social and governance reporting advisory services.

There were no disagreements between the Board and the Audit Committee regarding the re-appointment of the auditor, KPMG, for FY2024.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparation of consolidated financial statements which give a true and fair view of the Group's state of affairs as at 31 December 2024 and of the Group's results and cash flows for FY2024. In preparing the consolidated financial statements of the Group for FY2024, the Directors selected suitable accounting policies and applied them consistently, and made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

There are no material uncertainties relating to any events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

For FY2024, the management has provided the Board with monthly updates so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

The reporting responsibilities of the Company's independent auditor on the consolidated financial statements of the Group for FY2024 are set out in the section headed "Independent Auditor's Report" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The systems of risk management and internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established an internal audit function to carry out the analysis and independent appraisal of the adequacy and effective of the Company's risk management and internal control systems, and to resolve material internal control defects, if any. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal audit team of any risks or internal control measures.

The following key principles outline the Company's approach to risk management:

- The Audit Committee will oversee the Company's financial reporting system, risk management and internal control procedures, including (i) reviewing the Company's financial controls and, unless expressly addressed by the Board itself, reviewing the Company's risk management and internal control systems; (ii) discussing the risk management and internal control system with the senior management and to ensure that the senior management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and (iii) ensuring the appropriate application of the risk management framework across the Group.
- The relevant departments in the Company are responsible for implementing the risk management policy and carrying out our day-to-day risk management practice. Each department is responsible for identifying and evaluating risks associated with its working scope. In order to standardise risk management across the Group and set a common level of transparency and risk management performance, the relevant departments will (i) identify the source of the risks and potential impact, (ii) monitor the development of such risks, and (iii) prepare risk management reports periodically.

CORPORATE GOVERNANCE REPORT

- The Company will provide anti-corruption and antibribery compliance training periodically to the senior management and employees to enhance their knowledge and compliance with applicable laws and regulations.

The risk management and internal control systems of the Company are reviewed on an annual basis. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Group considers that the Directors and members of the Company's senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

The Board is responsible for establishing and ensuring effective internal controls to safeguard the Shareholder's investment at all times. The Company's internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with its strategic objectives on an ongoing basis. The Company has adopted various measures and procedures regarding each aspect of its business operation. The Company provides training about these measures and procedures to new employees. The Company also constantly monitors the implementation of those measures and procedures. The Company maintains strict anti-corruption policies on personnel with external communication functions.

The Company will also ensure that its commercialisation team complies with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities. The Directors, with help from the Company's legal advisors, will also periodically review its compliance status with all relevant laws and regulations.

The Audit Committee will (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

During FY2024, the Company has regularly reviewed and enhanced its risk management and internal control systems. The Group believe that the Directors and members of the senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The Board has conducted a review of the effectiveness of the risk management and internal control systems and considers these systems in respect of FY2024 effective and adequate. No significant area of concern was identified as part of the review. During FY2024, the Board has conducted a review on resources, staff qualifications and experience, budget of the issuer's accounting, internal audit and financial reporting functions and consider them adequate.

The Company has established internal audit function and risk management and internal control systems with relevant policies and procedures that the Group believe are appropriate for our business operations.

The Company has established procedures for identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including the issue of an inside information disclosure policy, the annual review and update (if necessary) of such inside information disclosure policy, preclearance on dealing in Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees have been implemented by the Company to guard against possible mishandling of inside information within the Group.

CORPORATE GOVERNANCE REPORT

Whistleblowing policy

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee of the Company shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

COMPANY SECRETARY

The Company Secretary of the Company is Ms. Chan Oi Ling (陳藹玲). The Company Secretary is a full-time employee of the Company and reports to the Chairlady and the chief executive. The appointment and removal of the Company Secretary are subject to the approval of the Board.

For FY2024, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules.

INVESTOR RELATIONS

The Company reviewed the implementation and effectiveness of the Shareholders' communication policy conducted during FY2024. The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies, the Company endeavors to maintain an ongoing dialogue with the Shareholders and in particular, through AGM and extraordinary general meeting ("**EGM**"). In respect of each matter to be considered at the AGM and EGM, including the re-election of Directors, a separate resolution will be proposed by the Chairlady. The Chairlady and the chairmen of the Board Committees will be available at the AGM and EGM to meet with the Shareholders and answer their enquiries. The Company will also invite representatives of the auditor to attend the annual general meeting of the Company to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company maintains the website of www.herbs.hk; where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information of the Group including annual report, announcements and other corporate communications which will be sent to the Shareholders and/or published are updated on the Stock Exchange's website and the Company's website in a timely fashion.

The AGM of the Company for FY2024 (the "**2024 AGM**") is scheduled to be held on Friday, 23 May 2025. The notice of the 2024 AGM, setting out details of each proposed resolutions and other relevant information, will be sent to Shareholders at least 21 clear days before the date of the 2024 AGM.

During the period from the Listing Date to 31 December 2024, there were no changes in the Company's constitutional documents.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

All dividend distribution of the Company is adequately provided and complied with the requirements of the memorandum and articles of association (“**M&A**”) and applicable laws and regulations. The declaration and payment of dividends should be limited by legal restriction and by loan or other agreement that the Company and its subsidiaries have entered into or may enter into in the future.

In general, final dividend distribution will be recommended by the Board and approved by the Shareholders.

The procedures of dividend distribution are as follows:

- (a) The Company may distribute dividend by way of cash or by other means that the Board considers appropriate;
- (b) The Board may recommend a distribution of dividends in the future after taking into account the result of operations, financial condition, operating requirements, capital requirements, Shareholders’ interests and any other condition that the Board may deem relevant;
- (c) The Company should not assure to distribute any amount of dividend in any year;
- (d) Any proposed distribution of dividends is subject to the discretion of the Board and the approval of the Shareholders, if necessary; and
- (e) The Company Secretary prepares relevant documents and announcements (including notice and minutes) for Directors’ meeting and Shareholders’ meeting. All documents are finally filed in the statutory records at the financial department.

SHAREHOLDERS’ RIGHTS

Procedures for convening general meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. EGM shall also be convened on the requisition of one or more Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM 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 (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 the Company.

CORPORATE GOVERNANCE REPORT

Procedures for putting forward proposals at Shareholders' meeting

There are no provisions in the Articles of Association or the Companies Law of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures are set out in the above paragraph headed "Procedures for Convening General Meetings by Shareholders".

Pursuant to Article 113 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgement of the notices required under the Articles of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures by which enquiries may be put to the Board

The Group values feedback from Shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are welcomed to send their enquiries to the Board by post to the principal place of business set out in the section headed "Corporation Information" in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is dedicated to enhancing the health and well-being of its customers through quality health supplements and cosmetics and skincare products while operating responsibly and sustainably. This Environmental, Social, and Governance (“**ESG**”) Report (the “**ESG Report**”) outlines our key strategies, initiatives and performance in ESG matters for the financial year ended 31 December 2024. This ESG Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) set out in Appendix C2 to the Listing Rules.

SCOPE AND BOUNDARY

The reporting period of this ESG Report is from 1 January 2024 to 31 December 2024.

The scope of this ESG Report covers the Group’s principal business, including its self-operated retail shops, brand experience centres, corporate offices, warehouses and e-commerce channels in Hong Kong.

REPORTING PRINCIPLES

In preparing this Report, the Group has applied the four Reporting Principles outlined by the ESG Reporting Guide:

Materiality:

The Group focuses on ESG issues with the greatest relevance to its long-term business success and stakeholder expectations. Through regular stakeholder engagement and risk assessments, the Group identifies the matters that shape its sustainability strategy and resource allocation.

Quantitative:

The Group gathers measurable data for key ESG performance indicators, enabling clear year-on-year comparisons and the tracking of progress against targets. This approach aids stakeholders in understanding the Group’s impact and holds the Group accountable for continuous improvement.

Balance:

The Group strives to offer a balanced view of its ESG performance by disclosing both achievements and challenges. This transparent approach builds credibility and trust, reflecting the Group’s commitment to ongoing learning and adaptation.

Consistency:

The Group applies consistent methodologies, boundaries, and reporting frameworks across reporting periods to ensure comparability of ESG disclosures. Any changes in data collection or scope are clearly communicated to maintain transparency and reliability over time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE STRUCTURE

The Group has been taking and will continue to take effective measures to embrace ESG practices into every aspect of the Group's business operations. To achieve this, the Group has established a clear ESG governance framework that assigns ESG responsibilities at each level of the Group, thereby enhancing the Group's ESG management and execution capabilities on an ongoing basis.

The Board sets the 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:

The Board will engage internal and external stakeholders (including, but not limited to, government and regulatory authorities, Shareholders and investors, employees, customers, suppliers and business partners, community and public) to identify material ESG issues and risks inherent in the Group's business operations. The Group believes that open dialogue with stakeholders plays a crucial role in maintaining the Group's business sustainability.

Review:

The Board will review the metrics and progress made against ESG-related goals annually to guide the Group to achieve better ESG performance. The Board will consider establishing targets, potentially aligned with those adopted by the Group's peers, to enhance the Group's strategic focus and accountability in ESG matters.

STAKEHOLDER ENGAGEMENT

The Group is committed to fostering open, transparent, and ongoing communication with stakeholders. As part of the Group's sustainable development strategy, actively listening and responding to stakeholder views is essential for identifying ESG priorities.

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Building and maintaining trust is the cornerstone of the Group's stakeholder relationships. The Group has established various communication channels to facilitate interaction and ensure a timely flow of information. Insights gathered from stakeholders allow the Group to evaluate and refine sustainability strategies and action plans.

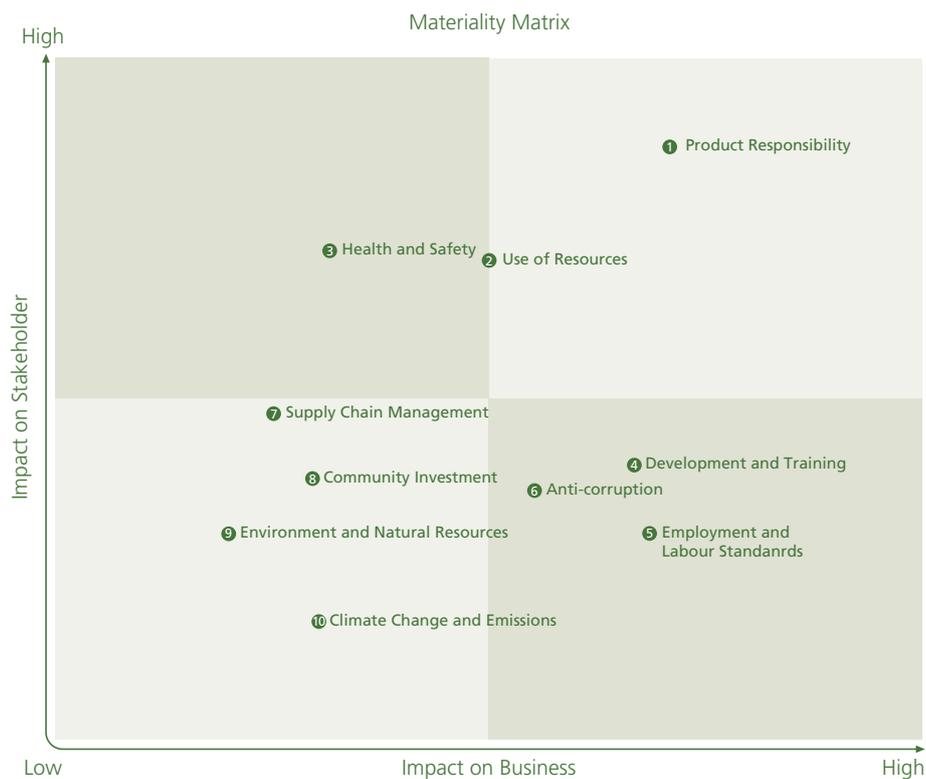
Stakeholders	Areas of ESG Concern	Means of Engagement
Government & Regulatory Authorities	<ul style="list-style-type: none"> Compliance with relevant laws and regulations Product safety and quality standards Occupational health and safety Environmental protection and emissions control 	<ul style="list-style-type: none"> Regular correspondence and reporting On-site inspections and audits Participation in government consultations/briefings Timely submission of compliance documents
Shareholders & Investors	<ul style="list-style-type: none"> Financial performance and returns Corporate governance and business ethics Risk management and long-term sustainability Transparent and timely disclosure of ESG information 	<ul style="list-style-type: none"> Annual General Meetings Financial reports, circulars and announcements ESG or sustainability disclosures Company website
Employees	<ul style="list-style-type: none"> Remuneration, benefits and career development Occupational health and safety Equal opportunities and diversity Employee well-being and work-life balance 	<ul style="list-style-type: none"> Orientation sessions and ongoing training and workshops Regular performance reviews and feedback Employee engagement surveys Team-building activities
Customers	<ul style="list-style-type: none"> Product safety and quality Customer service and feedback Data privacy and security 	<ul style="list-style-type: none"> Customer hotlines and service centers Product feedback surveys and complaint mechanisms Company website and social media platforms
Suppliers & Business Partners	<ul style="list-style-type: none"> Responsible sourcing and supply chain management Quality control and compliance Fair and ethical business practices Collaboration on sustainability initiatives 	<ul style="list-style-type: none"> Supplier assessments, audits and performance reviews Regular meetings and contract negotiations On-site investigation
Community & Public	<ul style="list-style-type: none"> Community development and well-being Public health and wellness education Environmental conservation Philanthropy and volunteering 	<ul style="list-style-type: none"> Community outreach programs Volunteer activities Partnership with non-profit organisations ("NGOs") on health and wellness seminars

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROCESS TO IDENTIFY, ASSESS AND MANAGE ESG-RELATED RISKS

To identify material ESG issues and risks inherent in the Group's 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 Group has conducted a materiality assessment to determine the ESG topics most pertinent to its business operations.

The following Materiality Matrix illustrates the relative importance of each aspect in terms of stakeholder interest and the Group's strategic impact:



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CONTACT INFORMATION

The Group welcomes feedback and inquiries regarding the ESG practices and performance. The Group values your opinions, as they help the Group continuously improve its sustainability efforts.

If you have any questions or suggestions, please feel free to reach to the Group through any of the following channels:

Address: Units 2309–10, 23/F, Laford Centre, No.838 Lai Chi Kok Road, Kowloon, Hong Kong

Tel: (852) 2530 5191

Fax: (852) 2530 2202

Email: ir@herbs.hk

PRODUCT RESPONSIBILITY

Product responsibility is crucial in the Group's industry as the Group's health supplements and cosmetics and skincare products directly impact end users. To provide safe, reliable and consistent products, the Group has implemented standardised quality control procedures for ensuring its products are of high quality, safe and suitable for consumption or use and fully comply with relevant laws and regulations.

Product quality and safety

The Group strives to provide safe, reliable and consistent products with a strong emphasis on quality and assurance. Standardised quality control measures are in place for supplier selection and product evaluation, ensuring compliance with applicable laws and industry standards.

Quality assurance process

Supplier onboarding:

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.

Quality testing:

For any newly launched products, the Group will closely examine the certificates of analysis provided by the relevant suppliers, and for its products (including any newly launched products), the Group obtains 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.

Raw material assessment:

The Group will inquire about the sources and origins of the raw materials to be used by its suppliers in manufacturing its products to evaluate the quality and effectiveness of the raw materials. The Group also conducts site visits to its 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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The Group maintains a robust framework to safeguard its intellectual property, ensure product quality, and protect consumer data. To observe and protect the intellectual property rights, the Group implements stringent internal controls, regular audits, and comprehensive employee training, actively monitoring for potential infringements and working closely with legal experts. The quality assurance process features rigorous testing protocols and clearly defined recall procedures to guarantee that all products meet the highest safety and quality standards, enabling prompt and transparent action should any issues arise. In parallel, the Group upholds consumer trust by enforcing comprehensive data protection and privacy policies, which are implemented through advanced IT security measures, regular compliance audits, and continuous training, ensuring strict adherence to local and international regulations.

During the Reporting Period, there were no product recalls triggered by safety or health concerns, nor were there any substantial customer complaints that materially impacted the business.

Advertising and labelling

The Group conducts advertising to promote products from time to time, including advertisements on major television channels, newspapers and online media. The Group presents truthful product information, with special attention to listing ingredients comprehensively. Before advertising or labelling materials reach the market, they undergo a rigorous review process. Furthermore, the Group has adopted compliance guidelines to provide specific guidance to the staff on advertisements and product labelling in ensuring compliance with relevant laws and regulations, including the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) and the Unsolicited Electronic Messages Ordinance (Chapter 593 of the Laws of Hong Kong).

User privacy and data security

In the ordinary course of business, the Group collects, stores and uses certain personal information of employees, suppliers, end-customers and other individuals from time to time, such as (i) when customers registered as members, the Group 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, the Group may collect their account names, phone numbers, transaction information and other information; and (iii) during the selection of suppliers' process, the Group collects suppliers' basic information, such as their corporate information.

The Group strictly follows the relevant laws and regulations in collecting the personal information, and the Group continuously improves the practices in personal information protection by internal inspections, supervision, review and other measures to ensure maximum protection of personal information.

To ensure proper and sufficient protection for user privacy and data security, the Group has implemented internal data security and protection protocols which provide for data management responsibilities, data protection and confidentiality procedures. The Group has policies and internal control measures for data protection based on evolving regulatory requirements and industry standards. The Group implemented several detailed measures with respect to cybersecurity and personal data protection. For example, the Group notifies end-customers and obtains consents from them about how it collects 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPLY CHAIN MANAGEMENT

The Group incorporates several factors such as product quality, quality control management and product environment during its supplier selection process. The Group considers proximity to its facilities when sourcing raw materials from suppliers and encourage suppliers to minimise unnecessary packaging materials used for logistics to reduce its carbon footprint in upstream logistics.

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 the Group's procurement practices, the Group considers whether suppliers conduct animal testing when selecting and evaluating potential business partners.

To ensure product quality and assess suppliers' adherence to the Group's requirements, the Group conducts annual supplier evaluations. These evaluations focus on quality control while also reviewing suppliers' ethical practices and other relevant policies.

The breakdown of suppliers by geographical regions is as follow:

Number of suppliers by geographical regions	Year 2024
Esat Asia	24
Europe	3
North America	2
South America	1
Africa	1
Oceania	1

ENVIRONMENT

The Group proactively monitors changes in laws and compliance risks on environmental issues. The Group promptly adjusts to changes in regulations and policies to ensure its compliance with environmental issues. Considering the impact of the Group's business on the climate and the environment, the Group takes appropriate measures in its business operations to minimise the impact of its operations on the environment. The Group also promotes environmental awareness and encourage environmentally-friendly measures to improve resource efficiency.

Use of resource

As a provider of health supplements and cosmetics and skincare products, the Group's primary resource consumption involves electricity in the Group's self-operated retail shops and warehouses, as well as packaging materials for the Group's products. With plans to expand the Group's sales network, the Group anticipates increased energy demand and packaging usage, which could lead to higher operating costs and a greater environmental impact. To mitigate the Group's environmental impact, the Group implements various environmental-friendly measures in the Group's business operations to reduce the Group's energy consumption and packaging use.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group takes the following environmental-friendly measures in its business operations:

Resource management

- (i) strive to continuously improve the Group's 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 and water efficiency and emissions management

- (i) reduce energy consumption so as to reduce carbon footprint;
- (ii) encourage the adoption of energy-efficient equipment;
- (iii) turn off the unnecessary electrical equipment and lights;
- (iv) install energy-saving LED lighting; and
- (v) install smart sensor taps or automatic shut-off systems.

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.

The Group upholds responsible waste management practices to minimise environmental impact. Due to the nature of the Group's business, which focuses on trading, distribution and office-based activities, rather than manufacturing, the Group does not generate hazardous waste. Instead, the Group's main streams comprise non-hazardous office and packaging materials.

Waste	Unit	Year 2024
Non-hazardous waste	tonne	10.6
Non-hazardous waste intensity by unit of products sold	kg per unit of products sold	0.006

While the Group has not set specific quantitative reduction targets for non-hazardous waste, it is committed to continuously reviewing its waste management performance. In the event that the business model evolves and leads to increased waste generation, the Group will establish reduction targets.

Water resources

The Group recorded minimal water usage during the Reporting Period, primarily in restrooms. The Group did not face any supply disruptions or water-related issues. Due to the low overall consumption, no formal water reduction targets have been set at this time. However, should future operational changes lead to a substantial increase in water usage, the Group will reassess the necessity of establishing specific reduction targets.

Environmental metrics and targets

The energy consumption includes the electricity used at the self-operated retail shops, brand experience centres, corporate offices and warehouses. The Group accounts for both direct emissions and energy indirect emissions. As the Group did not own or lease any motor vehicles for majority of the Reporting Period or operate any cold storage systems or other equipment that directly emit greenhouse gases, the direct emissions (Scope 1) are considered negligible. Meanwhile, the energy indirect emissions (Scope 2) are mainly from electricity purchases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The table below sets out the Group's electricity consumption and the greenhouse gas emissions for the Reporting Period:

	Unit	Year 2024
Electricity consumption	kWh	349,770
Electricity consumption intensity	kWh per sq. ft.	7.7
Scope 2 indirect emissions ⁽¹⁾	tonnes of CO ₂ equivalent	144
Intensity of Scope 2 indirect emissions	kg of CO ₂ equivalent per sq. ft.	3.2

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, the Group's Scope 2 emissions are calculated based on the emission factors provided by utility providers in Hong Kong.

As the Group anticipates an increase in the number of retail shops and employees due to the expansion of its business operations, it recognises the potential for higher overall energy consumption. To mitigate this, the Group has reviewed its historical electricity consumption and has set a target to reduce 5% of Scope 2 emissions intensity by 2030 with 2023 as the baseline year. Going forward, the Group will continue to monitor ESG-related metrics, review its progress against existing targets, and consider setting new targets as its 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 the Group's strategic focus and accountability in ESG matters.

The Group's packaging materials usage has increased due to the expansion of business. In response, the Group has 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, the Group also encourages customers to purchase products without outer boxes and avoid using plastic bags. Furthermore, the procurement department maintains inventory management to prevent over-purchasing and ensures timely use of materials before expiration. To minimise product wastage, the Group also utilises products nearing its expiration date by incorporating them into promotional offerings.

The table below sets out the packaging materials used for the Reporting Period:

Type of packaging materials used ⁽¹⁾	Unit	Year 2024
Cardboard	'000 pieces	47
Product box	'000 pieces	1,274
Product label	'000 pieces	2,019
Shrink-wrapping	'000 pieces	772
Plastic bag	'000 pieces	26
Total packaging materials usage	'000 pieces	4,138
Packaging materials usage intensity by unit of products sold	pieces per unit of products sold	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 the Group's 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 retail shops. The total usage is calculated by multiplying the number of products sold by the amount of packaging materials used per product.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate change

The major climate change-related risk the Group faces is the occasional shortage of the supply of products due to extreme climate events. However, such risk is not significant to the Group as it procures 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 the Group's operation and harm the safety of the staff. To mitigate the risk, the Group has formulated and implemented the emergency work arrangement under extreme weather so as to protect the safety of its staff. The Group is 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 the Group's operation and supply chain and lead to increased operating expenses. To mitigate such risk, the Group will continue to improve its resource management and reduce greenhouse gas emissions. The Group will also closely monitor the potential risks and opportunities brought by climate change.

SOCIAL RESPONSIBILITIES

The Group is committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of its business operations. Corporate social responsibility is integral to the Group's core growth philosophy in the health and wellbeing sector, playing a crucial role in its ability to deliver sustainable value to its shareholders. The Group actively contributes through initiatives like health awareness talks, volunteering activities, and donations of essential health supplies, which underscore its commitment to the communities it serves.

Employment and labour standards

The Group considers attracting, recruiting, and retaining quality staff to be important aspects of the Group's business. To create a positive work environment, ensure compliance, and maintain a skilled workforce, the Group has 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.

The Group strictly comply with all applicable laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). There were no instances of material non-compliance that had a significant impact on the Group.

The Group maintains a rigorous recruitment process that includes thorough background checks to ensure compliance with all statutory standards. In the unlikely event that any instance of child or forced labour is identified, the Company promptly addresses the situation in line with applicable laws. Furthermore, the recruitment process is regularly reviewed to identify and rectify any potential loopholes, thereby continuously enhancing the practices to prevent such incidents in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee caring

The human resources department is responsible for implementing and supervising employee caring systems. The Group has an employee handbook that outlines 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. The Group has adopted the following policies and practices in the business operation:

Recruitment and dismissal & training and development

The Group has established procedures and guidelines for recruitment, handling terminations, and dismissals. To further support the Group's employees, the Group provides onboarding training as well as regular training sessions covering topics such as product knowledge, communication skills, team building activities, and on-the-job training.

Remuneration, compensation and benefits

The Group determines employee compensation based on factors such as job responsibilities, skills, and market rates. The Group has established an employee performance appraisal management system to evaluate employees' performance. To attract and retain talent, the Group provides remuneration and welfare packages to employees, including non-monetary benefits such as medical plans, employee insurance, special bonus, staff discount, birthday gift, festival gatherings, recreational workshops, birthday leaves, marriage leaves, maternity leaves, and compassionate leaves.

Diversity of workforce

The Group promotes diversity and inclusion in the workplace to foster an inclusive culture. The Group provides 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. The Group strictly prohibits discrimination, harassment, and retaliation in all aspects of employment. Additionally, the Group provides an appropriate channel and feedback mechanism for employees to raise internal grievances or complaints.

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Set forth below is an analysis of our employees by gender and age group:

	As of 31 December 2024 Number of Employees
Gender	
Male	31
Female	216
Total	247
Employment Type	
Full-time	220
Part-time	27
Total	247
Age Group	
Below 30	19
30 to 50	148
Above 50	80
Total	247
Geographical Region	
Hong Kong	247
Total	247

	Year 2024 Turnover Rate
Gender	
Male	29%
Female	54%
Age Group	
Below 30	74%
30 to 50	52%
Above 50	43%
Geographical Region	
Hong Kong	51%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	Year 2024 Percentage of Employee Trained (%)	Year 2024 Average Training Hours Completed per Employee
Employees Trained by Gender		
Male	45%	24.5
Female	57%	37.1
Employees Trained by Employee Category		
Senior management	100%	7.3
Middle management	52%	18.8
General staff	55%	40.2

Health and safety

The Group strives to provide its employees with a safe and healthy working environment whilst complying with all applicable laws and regulations. The Group has also implemented occupational health and safety guidelines in which the Group's employees are required to strictly comply. The Group's 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.

The management is responsible for monitoring the implementation of the occupational health and safety policy.

In the past three years including the Reporting Period, there were no work related fatalities. During the Reporting Period, there were no work-related injuries and lost day resulted.

Anti-corruption

The Group upholds a strict zero-tolerance stance toward corruption, bribery, extortion and fraud, adhering to all relevant laws (including the Prevention of Bribery Ordinance) and embedding these principles into its governance framework. It is the Group's policy that prohibiting employees are to receive or offer any advantages such as gifts, loans, expenses, remuneration, positions, employment, contracts, services or privileges from or to any business partners. Upon joining the Group, every employee has to confirm or declare any potential conflicts of interest. If a conflict later arises, the employee is required to promptly disclose it to the management.

To bolster transparency and accountability, the Group provides a whistleblowing mechanism for confidential reporting of suspected misconduct, safeguarding whistleblowers against retaliation. By continuously reviewing and enhancing the internal controls, the Group fosters a culture of integrity that underpins stakeholder trust and sustainable business operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any concluded legal cases regarding corrupt practices. In addition, the Group actively shared the most up-to-date anti-corruption information from regulatory authorities such as the Stock Exchange and Securities and Futures Commission with the directors and staff, ensuring that all employees are fully informed of and compliant with the ethical standards and legal obligations.

Community engagement

The Group recognises the importance of giving back to the community and fostering a culture of well-being and social responsibility. To promote health awareness and knowledge, the Group collaborates with healthcare professionals in hosting wellness workshops and health talks. These initiatives focus on topics such as nutrition, preventive care and holistic wellness. In addition, the Group donates health supplements and essential products to the community. Through these efforts, the Group aims to cultivate a strong foundation of health literacy and encourage proactive well-being practices.

As part of ongoing commitment, the Group has engaged a reputable NGO as its service provider to expand outreach and effectively support underserved communities. By leveraging the NGO's specialised skills and community networks, the Group is able to extend its outreach and ensures that underserved populations receive the resources and support their need.

The Group received awards over the past few years in recognition of its strong commitment to corporate social responsibility and community engagement, reflecting its ongoing efforts to foster positive change in society. Some of the significant awards and recognitions the Group has received are set forth below:

Award/Recognition	Awarding institution/authority
Hong Kong Top Brands (香港名牌)	Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong
Heart to Heart Company (有心企業)	Hong Kong Federation of Youth Group
Caring Company (商界展關懷)	Hong Kong Council of Social Service (HKCSS)
ESG Pledge Scheme (「ESG 約章」行動)	The Chinese Manufacturers' Association of Hong Kong
ESG Brand Corporate Award Diamond Prize (ESG 品牌企業大獎「鑽石獎」)	The Federation of Hong Kong Brands
Manpower Developer (人才企業)	The Employees Retraining Board
Happiness at Work Promotional Scheme (開心工作間)	Promoting Happiness Index Foundation
Chief Happiness Officer Appreciation Award (首席快樂官欣賞大獎)	CHOA

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX: ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Environmental metrics and targets
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	Environmental metrics and targets
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental metrics and targets
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
A. Environmental		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Use of resource
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental metrics and targets
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental metrics and targets Energy and water efficiency and emissions management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental metrics and targets
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Employment and labour standards
KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	Employee caring – Diversity of workforce
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee caring – Diversity of workforce
Aspect B2: Health and Safety		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and safety
KPI B2.2	Lost days due to work injury.	Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B. Social		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Employee caring – Recruitment and dismissal & training and development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee caring – Diversity of workforce
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employee caring – Diversity of workforce
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and labour standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and labour standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and labour standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply chain management
KPI B5.1	Number of suppliers by geographical region.	Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply chain management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects,	Description	Section
B. Social		
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply chain management
Aspect B6: Product Responsibility		
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	Product responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product quality and safely
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product quality and safely
KPI B6.4	Description of quality assurance process and recall procedures.	Product quality and safely
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product quality and safely

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B. Social		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community engagement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community engagement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community engagement

DIRECTORS' REPORT

The Board is pleased to submit this annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in Note 23 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for the Reporting Period are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 71 in this annual report. The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 7 to 13 in this annual report.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Reporting Period are set out in Note 20 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" on page 74 in this annual report.

DISTRIBUTABLE RESERVES

The Directors consider that the Company's reserves available for distribution to Shareholders comprise the share premium and the retained earnings which amounted to HK\$133.2 million. Under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its M&A or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2024, the Company had distributable reserves amounting to HK\$133.2 million. Under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account and the retained earnings are distributable to the Shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Directors' Report

DIVIDEND POLICY

The Company has adopted a dividend policy that provides guidance to the Board in declaring and recommending a payment of dividends and to strike a balance between the interests of the Shareholders and prudent capital management.

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.

The Board will review the dividend policy as appropriate from time to time.

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 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.

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.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group during the Reporting Period are set out in Note 11 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the Laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 18 to 31 in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, as far as the Board and the management are concerned, there was no material breach or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operations on the Group.

Directors' Report

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of the Group's environmental policies and performance are set out in different sections headed "Environmental, Social and Governance Report" in this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Employees

The Group has maintained good relationship with its employees. The Group aims to foster an amicable and motivating environment to enhance the employees' incentives and loyalty to the Group. In general, the Group recruits employees with appropriate skills and expertise to meet the current and future needs of the business development of the Group. The Group provides regular trainings to all the employees to improve their skills and enhance their technical knowhow as well as their knowledge on product quality standards and work safety.

Customers

Due to the nature of our business, 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 retail shops of our consignees where our products are sold under consignment arrangements; and (ii) wholesale customers (including both chain and non-chain retailers) whom the Group wholesale our products to for onward sales to end-customers from the general public.

The aggregate revenue from the five largest customers of the Group and the largest customer of the Group accounted for 37.8% and 36.8%, respectively, of the Group's total revenue during FY2024.

Suppliers

The Group engages independent third party manufacturers to produce semi-finished products under our own brands on an Original Equipment Manufacturer (OEM) basis whilst the Group source third-party brand products from brand owners or trading companies from time to time. The Group also purchases 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 engages independent third party suppliers for services such as powder mixing, encapsulation, bottling, labelling, ink jetting and logistics services.

The aggregate purchases from the five largest suppliers of the Group and the largest supplier of the Group accounted for 50.4% and 20.2%, respectively, of the Group's total purchases during FY2024.

Saved for the cornerstone investor of the Company, Mr. Yuen Tsz Ho Ronald (袁子豪), who is owning approximately 0.6% of the total issued shares and is a director of one of the top five suppliers of the Group, none of the Directors or any of their close associates or any shareholders (whom to the knowledge of the Directors, own more than 5% of the total issued shares) had any beneficial interest in the Group's five largest distributors and suppliers for the year under review.

DONATIONS

During FY2024, the Group's charitable and other donations amounted to HK\$4,000 (2023 : HK\$4,000).

Directors' Report

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 23 May 2025 and the notice of AGM will be published and despatched in the manner as required by the Listing Rules.

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.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this annual report are:

Executive Directors

Ms. Kwok Chi Yan Gammy (*Chairlady and Chief Executive Officer*)

Mr. Li Yat Sing Petras

Ms. Young Yuen Pik

Non-Executive Director

Mr. Kwok Chun On

Independent Non-Executive Directors

Professor Chan Chi Fai Andrew, *SBS, JP*

Mr. Lam Yiu Por

Dr. Tsang Hing Lim Kenneth

In accordance with section 108 of the Articles, Ms. Kwok Chi Yan Gammy, Mr. Li Yat Sing Petras and Ms. Young Yuen Pik, will retire from office by rotation at the forthcoming AGM. Being eligible, each of them will offer herself/himself for re-election as an executive Director (as the case may be) at the forthcoming AGM.

The Company received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of its independent non-executive Directors to be independent in accordance with the guidelines as set out under the Listing Rules.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company, for a term of three years.

Neither the Directors have a service contract with the Company with a term specifying that if the Company terminates the contract within one year, the Company has to make compensation in addition to statutory compensation.

COMPETING INTERESTS

None of the Directors is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Each of the controlling Shareholders has made an annual declaration to the Company that he/she has complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company. The independent non-executive Directors have reviewed the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the independent non-executive Directors can ascertain, there is no breach of any of such undertakings.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements is set out on page 124 in this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed in "CONTINUING CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS", no director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

Directors' Report

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling Shareholders' of the Company had a material interest, either directly or indirectly, subsisted or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

Save as otherwise disclosed or service contracts of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, save for the share award scheme, detailed of which is set out below in "SHARE AWARD SCHEME", neither the Company nor any of its subsidiaries has entered into or there subsisted any equity-linked agreement, or any agreement requiring the Company or any of its subsidiaries to enter into the agreement that will or may result in the issuance of shares by the Company

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 17 in this annual report.

EMPLOYEES AND EMOLUMENT POLICY OF THE GROUP

As at 31 December 2024, the Group had 247 employees. Total staff costs, including the salaries, commissions, other allowances and pension cost but excluding the emoluments of the Directors, during the Reporting Period amounted to approximately HK\$76.0 million. Remuneration packages including salaries, mandatory provident fund, discretionary bonuses are granted to employees according to individual performance. To attract and retain valuable employees, the Group has issued an internal guideline to assess the performance of the employees, and regular training programmes are provided to the employees to develop and enhance their knowledge and skills.

EMOLUMENT POLICY FOR DIRECTORS

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The Remuneration Committee recommends Directors' remuneration to the Board by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in Notes 8 and 9 to the consolidated financial statements.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2024, 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	Approximate % of interest in Shares of the Company
Kwok Chi Yan Gammy ("Ms. Gammy Kwok")	Interest in a controlled corporation (Note 2)	90,000,000 (L) (Note 1)	67.50%
	Interest of Spouse (Note 4)	10,000,000 (L) (Note 1)	7.50%
Li Yat Sing Petras ("Mr. Petras Li")	Interest in a controlled corporation (Note 3)	10,000,000 (L) (Note 1)	7.50%
	Interest of Spouse (Note 4)	90,000,000 (L) (Note 1)	67.50%

Notes:

- The Letter "L" denotes a person's long position (as defined under Part XV of the SFO) in such Shares.
- Joy & Love Limited ("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.
- Joy & Faith Limited ("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.
- 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.

Directors' Report

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)	100.00%
Mr. Petras Li	Joy & Faith	Beneficial owner	1 share (L)	100.00%

Note:

- The Letter "L" denotes a person's long position in the share of the associated corporation.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, which had notified to the Company and the Stock Exchange under the SFO or pursuant to Section 352 of the SFO, entered in the register referred to therein or which were, pursuant to the Model Code, notified to the Company and the Stock Exchange.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2024, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, 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 the Company or any other member of the Group:

Name of shareholder	Nature of interest	Number of shares (Note 1)	Approximate percentage of interest in the Company
Joy & Love	Beneficial owner	90,000,000 (L)	67.50%
Joy & Faith	Beneficial owner	10,000,000 (L)	7.50%

Note:

- The Letter "L" denotes a person's long position in the share.

Directors' Report

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 Effective Date, 31 December 2024 and the date of this annual report, 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 annual report.

(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.

Directors' Report

(e) Performance Target

The Board or the Board Committees 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 Board Committees 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 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 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 Board Committees 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 Board Committees, 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.

Directors' Report

(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 the 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.

Directors' Report

(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.

Directors' Report

(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.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period and up to the date of this annual report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

CONTINUING CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group for FY2024 are set out in note 22 to the consolidated financial statements, and none of them constitutes a connected transaction or a continuing connected transaction as required to be disclosed under the Listing Rules.

For FY2024, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) for FY2024.

Directors' Report

SUBSIDIARIES

Details of the principal subsidiaries of the Group are set out in Note 23 to the consolidated financial statements.

USE OF PROCEEDS

The details of the use of proceeds for the Reporting Period is set out in the section headed "Management Discussion and Analysis – Use of Proceeds" on page 13 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules during the Reporting Period and up to the date of this annual report.

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes during the Reporting Period. There were no forfeited contributions (by employers on behalf of employees who leave the retirement scheme prior to vesting fully in such contributions) be used to reduce the existing level of contributions during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, the Group had no material events after the Reporting Period and up to the date of this annual report.

AUDITORS

The consolidated financial statements for FY2024 have been audited by KPMG, who will retire at the 2024 AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the 2024 AGM.

By the order of the Board

Ms. Kwok Chi Yan Gammy

Chairlady, executive Director and the CEO

Hong Kong, 31 March 2025

INDEPENDENT AUDITOR'S REPORT



**Independent auditor's report to the shareholders of
Herbs Generation Group Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Herbs Generation Group Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 71 to 123, which comprise the consolidated statement of financial position as at 31 December 2024, 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 year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTER (Continued)

Revenue recognition from wholesale business

Refer to note 4 to the consolidated financial statements and the accounting policies note 2(q)(i).

The Key Audit Matter

Revenue generated from wholesale business principally comprises sales of health supplements and cosmetics and skincare products to distributors.

The Group entered into framework distribution agreements with distributors and sources its products in accordance with the terms of separate purchase orders.

Products are delivered to the location designated by the distributors upon which the control of the products is considered to have been transferred to the distributors and the point at which revenue is recognised.

We identified recognition of revenue generated from wholesale business as a key audit matter due to the inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectation under the wholesale business.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue generated from wholesale business included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over revenue recognition under wholesale business;
- inspecting agreements with distributors, on a sample basis, to understand the terms of the sales transactions including the terms of delivery, discount arrangements and sales return arrangements to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards;
- inspecting, on a sample basis, goods delivery notes and the terms of sale as set out in the distribution agreements ("**underlying documentation**") for revenue transactions recorded during the financial year to assess whether the revenue had been recognised in accordance with the Group's revenue recognition policies;
- identifying significant credit notes issued and sales returns from the sales ledger after the financial year end and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in accordance with the requirements of the prevailing accounting standards;
- inspecting goods delivery notes, on a sample basis, to assess whether revenue transactions recorded just before and after the financial year end have been recognised in the appropriate financial period on the basis of the terms of sale as set out in the distribution agreements; and
- inspecting sales journals during the financial year that met certain risk-based criteria and comparing details of these journals with the relevant underlying documentation.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matter communicated with the Audit Committee, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Ling Tak Maggie.

KPMG

Certified Public Accountants

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

31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	4	245,490	251,224
Cost of sales		(63,434)	(65,780)
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		(19,183)	–
Profit from operations		19,813	48,252
Finance costs	6(a)	(1,136)	(970)
Profit before taxation	6	18,677	47,282
Income tax	7(a)	(5,712)	(7,780)
Profit and total comprehensive income for the year		12,965	39,502
Earnings per share			
Basic and diluted		HK12.82 cents	HK39.50 cents

The notes on pages 76 to 123 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 20(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Notes	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Non-current assets			
Property, plant and equipment	11	39,450	28,239
Deferred tax assets	19(b)	1,879	765
Prepayments	13	3,200	–
		44,529	29,004
Current assets			
Inventories	12	26,543	38,020
Trade and other receivables	13	51,712	46,371
Amount due from a controlling shareholder	22(c)	–	5,176
Cash and cash equivalents	14(a)	119,215	22,482
		197,470	112,049
Current liabilities			
Trade and other payables	15	17,255	12,741
Contract liabilities	16	2,767	2,258
Bank loans and overdrafts	17	–	6,473
Lease liabilities	18	16,820	12,566
Current tax payable	19(a)	699	4,629
Amount due to a related company	22(c)	–	720
		37,541	39,387
Net current assets		159,929	72,662
Total assets less current liabilities		204,458	101,666

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Notes	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Non-current liabilities			
Lease liabilities	18	15,398	9,944
Other payables and accruals	15	1,877	1,081
Deferred tax liabilities	19(b)	–	7
		17,275	11,032
NET ASSETS			
		187,183	90,634
CAPITAL AND RESERVES			
	20		
Share capital		1,333	1,510
Reserves		185,850	89,124
TOTAL EQUITY			
		187,183	90,634

Approved and authorised for issue by the board of directors on 31 March 2025.

Kwok Chi Yan, Gammy
Director

Li Yat Sing, Petras
Director

The notes on pages 76 to 123 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Share capital (note 20(c)) HK\$'000	Share premium (note 20(d)) HK\$'000	Capital reserve (note 20(e)) HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 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	–	–	–	12,965	12,965
Dividends declared in respect of the current period (note 20(b))	–	–	–	(30,000)	(30,000)
Issuance of new shares (note 20(c)(ii))	–*	–	–	–	–*
Arising from the Reorganisation (note 20(e))	(1,510)	–	1,510	–	–
Capitalisation issue (note 20(c)(iv))	1,000	(1,000)	–	–	–
Share issued under initial public offering, net of share issuance expenses (note 20(c)(v))	333	113,251	–	–	113,584
At 31 December 2024	<u>1,333</u>	<u>112,251</u>	<u>1,510</u>	<u>72,089</u>	<u>187,183</u>

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

The notes on pages 76 to 123 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Hong Kong dollars)

	Notes	2024 HK\$'000	2023 HK\$'000
Operating activities			
Cash generated from operations	14(b)	48,191	47,686
Tax paid		(10,763)	(10,311)
Net cash generated from operating activities		37,428	37,375
Investing activities			
Bank interest income received		341	78
Payment for purchase of property, plant and equipment		(5,466)	(4,702)
Repayment from related companies		–	116
Net cash used in investing activities		(5,125)	(4,508)
Financing activities			
Repayment of bank loans	14(c)	(6,473)	(3,994)
Interests paid	14(c)	(205)	(293)
Capital element of lease rentals paid	14(c)	(16,693)	(11,673)
Interest element of lease rentals paid	14(c)	(959)	(677)
Dividends paid		(24,824)	(6,484)
Proceeds from shares issued under initial public offering		125,001	–
Payment for listing expenses		(11,417)	–
Decrease in amounts due to the controlling shareholders	14(c)	–	(198)
Net cash generated from/(used in) financing activities		64,430	(23,319)
Net increase in cash and cash equivalents		96,733	9,548
Cash and cash equivalents at the beginning of the year	14(a)	22,482	12,934
Cash and cash equivalents at the end of the year	14(a)	119,215	22,482

Major non-cash transactions

- (i) 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.
- (ii) During the year ended 31 December 2024, dividend of approximately HK\$5,176,000 payable to a controlling shareholder was used to set off against the current account with the controlling shareholder.

The notes on pages 76 to 123 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Prior to the incorporation of the Company, the Listing Business was mainly carried out by Herbs Generation International Limited ("Herbs Generation") with the support of Broadcast HR Management Limited ("Broadcast HRM"). The management has determined that Herbs Generation controlled Broadcast HRM during the years ended 31 December 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.

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

The consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group (or where the Company and its subsidiaries were incorporated/established at a date later than 1 January 2023, for the period from date of incorporation/establishment to 31 December 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 during the years ended 31 December 2024 and 2023. The consolidated statement of financial position of the Group as at 31 December 2024 and 2023 of this report have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

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

(b) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Use of estimates and judgements

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

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

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

(d) Subsidiaries

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Property, plant and equipment

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Leased assets (Continued)

As a lessee (Continued)

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.

In the consolidated statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when the debtor 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

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

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

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

Write-off policy

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

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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 statement. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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 and any adjustments to the tax payable or receivable in respect of previous years. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Revenue and other income (Continued)

(i) Revenue from contracts with customers (Continued)

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 statement 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(t) Related parties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(u) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(i) Net realisable value of inventories

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

(ii) Impairment of non-current assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 HK\$'000	2023 HK\$'000
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
	245,490	251,224

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 HK\$'000	2023 HK\$'000
Customer A	90,431	110,651

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

Geographic information

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

5 OTHER INCOME

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

6 PROFIT BEFORE TAXATION

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

	2024 HK\$'000	2023 HK\$'000
(a) Finance costs		
Interest on bank loans (note 14(c))	205	293
Interest on lease liabilities (note 14(c))	931	677
	1,136	970
(b) Staff costs		
Salaries, wages and other benefits	73,116	69,280
Contributions to defined contribution retirement plan	2,917	2,542
	76,033	71,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROFIT BEFORE TAXATION (Continued)

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	16,789	12,194
	20,998	15,094
Net foreign exchange (gain)/loss	(28)	141
Cost of inventories (note 12)	63,434	65,780
Impairment loss on trade receivables	74	–
Auditors’ remuneration		
– audit services	1,030	60
– other services (note)	4,770	–
	5,800	60

Note: Other services are also included in the listing expenses disclosed separately elsewhere in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	152	–
	6,833	8,120
Deferred tax		
Origination and reversal of temporary differences (note 19(b))	(1,121)	(340)
	5,712	7,780

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	18,677	47,282
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	–	(6)
Income tax expense	5,712	7,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2024				
	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive and non-executive directors					
Ms. Gammy Kwok (note (i))	–	960	–	18	978
Mr. Petras Li (note (i))	–	720	–	18	738
Ms. Young Yuen Pik ("Ms. Young") (note (i))	–	934	38	18	990
Mr. Kwok Chun On ("Mr. Roger Kwok") (note (ii))	–	640	–	–	640
	–	3,254	38	54	3,346
Independent non-executive directors					
Professor Chan Chi Fai Andrew	4	–	–	–	4
Mr. Lam Yiu Por	4	–	–	–	4
Dr. Tsang Hing Lim	4	–	–	–	4
	12	–	–	–	12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS (Continued)

	Year ended 31 December 2023					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))	–	1,170	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

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 years ended 31 December 2024 and 2023 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.

During the years ended 31 December 2024 and 2023, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Group during the years ended 31 December 2024 and 2023, two of these are directors, whose emoluments are disclosed in note 8.

The aggregate of the emoluments in respect of the remaining three individuals during the years ended 31 December 2024 and 2023 are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries and other emoluments	3,353	3,370
Discretionary bonuses	28	40
Retirement scheme contributions	54	54
	3,435	3,464

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

	2024 Number of individuals	2023 Number of individuals
HK\$Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	2	2

During the years ended 31 December 2024 and 2023, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 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 20(c)(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	1,095,899	–
Weighted average number of ordinary shares at 31 December	101,095,899	100,000,000

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Properties leased for own use HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Cost:					
At 1 January 2024	52,908	10,549	3,445	4,125	71,027
Additions	13,839	4,778	126	562	19,305
Adjustment from lease modification	12,904	-	-	-	12,904
At 31 December 2024	<u>79,651</u>	<u>15,327</u>	<u>3,571</u>	<u>4,687</u>	<u>103,236</u>
Accumulated depreciation:					
At 1 January 2024	31,155	6,616	2,708	2,309	42,788
Charge for the year	16,789	3,246	276	687	20,998
At 31 December 2024	<u>47,944</u>	<u>9,862</u>	<u>2,984</u>	<u>2,996</u>	<u>63,786</u>
Net book value:					
At 31 December 2024	<u>31,707</u>	<u>5,465</u>	<u>587</u>	<u>1,691</u>	<u>39,450</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

	Properties leased for own use HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
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>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>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>28,239</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2024 HK\$'000	2023 HK\$'000
Properties leased for own use, carried at depreciated cost	31,707	21,753

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

	2024 HK\$'000	2023 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	16,789	12,194
Interest on lease liabilities (note 6(a))	931	677
Expenses relating to short-term leases	66	–

Additions to right-of-use assets were approximately HK\$13,839,000 (2023: HK\$14,788,000) during the year ended 31 December 2024, 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.

Properties leased for own use

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVENTORIES

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

	2024 HK\$'000	2023 HK\$'000
Health supplements and cosmetics and skincare products	22,992	32,214
Packaging materials and consumables	3,677	5,806
	26,669	38,020
Provision against obsolete inventories	(126)	–
	26,543	38,020

The movements in provision against obsolete inventories are as follows:

	2024 HK\$'000	2023 HK\$'000
At 1 January	–	–
Provision for write-down of inventories	180	37
Written off	(54)	(37)
	126	–
At 31 December	126	–

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

	2024 HK\$'000	2023 HK\$'000
Carrying amount of inventories sold	63,254	65,743
Write-down of inventories	180	37
	63,434	65,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES

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

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 report, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

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

	2024 HK\$'000	2023 HK\$'000
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
	26,367	32,473

The movements in loss allowance are as follows:

	2024 HK\$'000	2023 HK\$'000
At 1 January	–	–
Impairment loss (note 6)	74	–
	74	–

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024 HK\$'000	2023 HK\$'000
Cash and cash equivalents in the consolidated cash flow statement and consolidated statement of financial position	119,215	22,482

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

	Notes	2024 HK\$'000	2023 HK\$'000
Operating activities			
Profit before taxation		18,677	47,282
Adjustments for:			
Bank interest income	5	(431)	(78)
Depreciation	6(c)	20,998	15,094
Finance costs	6(a)	1,136	970
Changes in working capital:			
Decrease/(increase) in inventories		11,477	(6,395)
Increase in trade and other receivables		(8,451)	(6,974)
Increase/(decrease) in trade and other payables		4,996	(1,592)
Decrease in amount due to a related company		(720)	(600)
Decrease in amount due to a director		–	(635)
Increase in contract liabilities		509	614
Cash generated from operations		48,191	47,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans HK\$'000 (note 17)	Lease liabilities HK\$'000 (note 18)	Total HK\$'000
At 1 January 2024	6,473	22,510	28,983
Changes from financing cash flows:			
Repayment of bank loans	(6,473)	–	(6,473)
Interests paid	(205)	–	(205)
Capital element of lease rentals paid	–	(16,693)	(16,693)
Interest element of lease rentals paid	–	(959)	(959)
Total changes from financing cash flows	(6,678)	(17,652)	(24,330)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	13,525	13,525
Lease modification	–	12,904	12,904
Interest expenses (note 6(a))	205	931	1,136
Total other changes	205	27,360	27,565
At 31 December 2024	–	32,218	32,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

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

	Bank loans HK\$'000 (note 17)	Amounts due to the controlling shareholders HK\$'000	Lease liabilities HK\$'000 (note 18)	Total HK\$'000
At 1 January 2023	10,467	98	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 (note 6(a))	293	–	677	970
Total other changes	293	–	17,084	17,377
At 31 December 2023	6,473	–	22,510	28,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(d) Total cash outflow for leases

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

	2024 HK\$'000	2023 HK\$'000
Within operating cash flows	66	–
Within financing cash flows	17,652	12,350
	17,718	12,350

These amounts are related to lease rental payments.

15 TRADE AND OTHER PAYABLES

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND OTHER PAYABLES (Continued)

(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
	3,782	1,703

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:

	2024 HK\$'000	2023 HK\$'000
At the beginning of the year	2,258	1,644
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,258)	(1,644)
Increase in contract liabilities as a result of granting award credits to customers during the year	2,767	2,258
At the end of the year	2,767	2,258

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 BANK LOANS AND OVERDRAFTS

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

	2024 HK\$'000	2023 HK\$'000
Current portion of bank loans and overdrafts	–	969
Non-current portion of bank loans with repayable on demand clause	–	5,504
	–	6,473

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 2023 were classified as current liabilities in the consolidated statement of financial position. All bank loans and overdrafts are repayable on demand or within one year.

Bank loans and overdrafts were analysed as follows:

	2024 HK\$'000	2023 HK\$'000
Secured bank loans	–	6,473

As at 31 December 2023, secured banking facilities of HK\$27,000,000 were granted to the Group and were utilised to the extent of approximately HK\$6,473,000 by the Group.

As at 31 December 2023, the Controlling Shareholders provided personal guarantees for bank loans of approximately HK\$6,473,000.

All the bank loans were repaid and personal guarantee were released during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 LEASE LIABILITIES

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

	2024 HK\$'000	2023 HK\$'000
Within 1 year	16,820	12,566
After 1 year but within 2 years	11,685	7,150
After 2 years but within 5 years	3,713	2,794
	15,398	9,944
	32,218	22,510

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2024 HK\$'000	2023 HK\$'000
Provision for Hong Kong Profits		
Tax for the year	6,681	8,120
Provisional Profits Tax paid	(6,134)	(3,491)
	547	4,629
Balance of Profits Tax provision relating to prior periods	152	–
	699	4,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(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 statement of financial position and the movements during the year are as follows:

	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Lease liabilities HK\$'000	Others HK\$'000	Total HK\$'000
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 and 1 January 2024	(489)	3,590	(3,714)	(145)	(758)
(Credited)/charged to profit or loss	(544)	1,574	(1,604)	(547)	(1,121)
At 31 December 2024	(1,033)	5,164	(5,318)	(692)	(1,879)

(ii) Reconciliation to the consolidated statement of financial position

	2024 HK\$'000	2023 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	(1,879)	(765)
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	7
	(1,879)	(758)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 22 March 2024 (date of incorporation)	–	–	–	–
Profit and total comprehensive income for the period	–	–	20,920	20,920
Issuance of new shares (note 20(c)(ii))	–*	–	–	–*
Capitalisation issue (note 20(c)(iv))	1,000	(1,000)	–	–
Share issued under initial public offering, net of share issuance expenses (note 20(c)(v))	333	113,251	–	113,584
At 31 December 2024	1,333	112,251	20,920	134,504

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

(b) Dividend

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CAPITAL, RESERVES AND DIVIDEND (Continued)

(c) 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
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
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 report, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CAPITAL, RESERVES AND DIVIDEND (Continued)

(d) Share premium

The share premium represents the difference between the nominal value of the shares of between the nominal value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders 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.

(e) 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.

(f) Share award scheme

The Company has adopted a share award scheme (the "Share Award Scheme") on 3 December 2024 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 year end 31 December 2024 to eligible participants pursuant to the Share Award Scheme.

(g) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2024 and 2023.

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 2024 and 2023, 89% and 87% of the total trade receivables was due from the Group's largest customer and 90% and 87% 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. Based on the provision matrix derived from the Group's historical credit loss experience and assessment of both the current and forecast general economic conditions at 31 December 2024, loss allowance for trade receivables of HK\$74,000 (2023: Nil) was recognised at the end of the reporting period.

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

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

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

As the directors did 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 2024				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	Total HK\$'000	
Trade and other payables	17,061	–	–	17,061	17,061
Lease liabilities	17,783	12,053	3,768	33,604	32,218
	34,844	12,053	3,768	50,665	49,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	At 31 December 2023					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	More than 5 years HK\$'000		
Trade and other payables	12,304	–	–	–	–	12,304	12,304
Amount due to a related company	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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(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:

	2024		2023	
	Effective interest rate %	Amount HK\$'000	Effective interest rate %	Amount HK\$'000
Fixed rate borrowings:				
Lease liabilities	4.1	32,218	4.1	22,510
Variable rate borrowings:				
Bank loans and overdrafts	N/A	—	3.5–5.2	6,473
		32,218		28,983

(ii) Sensitivity analysis

At 31 December 2023, it was 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\$54,000 respectively.

The sensitivity analysis above indicated 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 exposed the Group to cash flow interest rate risk at that date. The analysis did not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group did not hold any fixed rate instruments which are measured at fair value in the consolidated financial statements.

At 31 December 2024, the Group has no significant exposure to interest risk with no variable rate borrowings existed.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 year:

Name of party	Relationship with the Group
Ms. Gammy Kwok	Director and controlling shareholder of the Group
Mr. Roger Kwok	Director of the Group
Ms. Young	Director of the Group
Bomi Art & Creation Limited	A company controlled by Ms. Gammy Kwok
New ImMAX Co Limited	A company controlled by Ms. Gammy Kwok

The Group entered into the following material transactions with its related parties during the year.

(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

	2024 HK\$'000	2023 HK\$'000
Endorsement fee paid to a director – Mr. Roger Kwok	640	640
Sales of goods to a director – Ms. Young	53	–
Sales of goods to a controlling shareholder – Ms. Gammy Kwok	187	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	2024 HK\$'000	2023 HK\$'000
Amount due from a controlling shareholder (note (i))		
– Ms. Gammy Kwok	–	5,176
Amount due to a related company (note (ii))		
– New ImMAX Co Limited	–	720

Notes:

- (i) The amount due from a controlling shareholder was non-trade in nature, unsecured, interest-free and recoverable on demand.
- (ii) The amount due to a related company was non-trade in nature, unsecured, interest-free and repayable on demand.

(d) Guarantee given to related party

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

	2024 HK\$'000	2023 HK\$'000
Guarantees given to a related company		
– Bomi Art & Creation Limited	–	20,500

As at 31 December 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\$20,481,000.

During the year ended 31 December 2024, all above guarantees were released.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 INVESTMENT IN A SUBSIDIARY AND AMOUNTS DUE FROM SUBSIDIARIES IN THE COMPANY'S STATEMENT OF FINANCIAL POSITION

(a) Investment in a subsidiary

	2024 HK\$'000
Investment in a subsidiary	—*

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

The following list contains the particulars of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Particulars of issued shares	Proportion of ownership interest		Principal activities
			held by the Company	held by a subsidiary	
Herbs Health Group Limited	British Virgin Islands ("BVI")	1 share	100%	–	Investment holding
Herbs Generation International Limited	Hong Kong	1,000,000 shares	–	100%	Development and sales of health supplements and cosmetics and skincare products
Broadcast HR Management Limited	Hong Kong	10,000 shares	–	100%	Provision of marketing services
ZINO INTERNATIONAL LIMITED	Hong Kong	500,000 shares	–	100%	Inactive

(b) Amounts due from subsidiaries

The amounts due from subsidiaries represented the advances to subsidiaries, which are non-trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2024 HK\$'000
Non-current assets		
Investment in a subsidiary	23(a)	—*
Current assets		
Other receivables		90
Amounts due from subsidiaries	23(b)	61,758
Cash and cash equivalents		78,404
		140,252
Current liabilities		
Other payables		5,748
		5,748
Net current assets		134,504
NET ASSETS		134,504
CAPITAL AND RESERVES		
Share capital	20(a)	1,333
Reserves		133,171
TOTAL EQUITY		134,504

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

25 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2024, the directors consider the immediate parents of the Group to be Joy & Love Limited and Joy & Faith Limited which are incorporated in the BVI and the ultimate controlling parties of the Group to be the controlling shareholders of the Company, including Ms. Gammy Kwok and Mr. Petras Li. None of the parties produces financial statements available for public use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of new or amended standards and interpretations, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in the consolidated financial statements. 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
Annual improvements to HKFRS Accounting Standards – <i>Volume 11</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

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 consolidated financial statements, except for HKFRS 18, where the structure of the Group's consolidated statement of profit or loss and other comprehensive income is expected to change.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out below:

RESULTS

	For the year ended 31 December			2024 HK\$'000
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	
Revenue	188,638	208,028	251,224	245,490
Gross profit	135,802	149,586	185,444	182,056
Profit before taxation	27,519	32,786	47,282	18,677
Income tax	(4,338)	(4,814)	(7,780)	(5,712)
Profit and total comprehensive income for the year	<u>23,181</u>	<u>27,972</u>	<u>39,502</u>	<u>12,965</u>

ASSETS AND LIABILITIES

	As at 31 December			2024 HK\$'000
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	
Non-current assets	22,526	22,388	29,004	44,529
Current assets	91,545	101,719	112,049	197,470
Current liabilities	52,201	44,824	39,387	37,541
Non-current liabilities	10,255	9,196	11,032	17,275
Net Assets	<u>51,615</u>	<u>70,087</u>	<u>90,634</u>	<u>187,183</u>
Total equity attributable to the owners of the Company	<u>51,615</u>	<u>70,087</u>	<u>90,634</u>	<u>187,183</u>