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Herbs Generation Group Holdings Limited

草姬集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2593)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

The board (the “**Board**”) of directors (the “**Directors**”) of Herbs Generation Group Holdings Limited (the “**Company**”) is pleased to present the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2025 (the “**Reporting Period**” or “**1H2025**”), together with the relevant comparative figures, prepared in accordance with HKFRS Accounting Standards as follows:

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 0.4% from approximately HK\$117.8 million for the six months ended 30 June 2024 (“**1H2024**”) to approximately HK\$117.3 million for 1H2025.
- Gross profit decreased by approximately 5.5% from approximately HK\$87.4 million for 1H2024 to approximately HK\$82.6 million for 1H2025; overall gross profit margin decreased by 3.7 percentage point from 74.2% for 1H2024 to 70.5% for 1H2025.
- The Group recorded a net loss for the period of approximately HK\$7.5 million for 1H2025, as compared to a net profit of approximately HK\$7.5 million for 1H2024.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: HK\$30 million).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2025	2024
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	117,292	117,811
Cost of sales		<u>(34,649)</u>	<u>(30,385)</u>
Gross profit		82,643	87,426
Other income	4	2,062	1,310
Selling and distribution costs		(66,458)	(49,104)
Administrative and other operating expenses		(26,750)	(18,604)
Listing expenses		<u>—</u>	<u>(9,855)</u>
(Loss)/profit from operations		(8,503)	11,173
Finance costs	5	<u>(583)</u>	<u>(479)</u>
(Loss)/profit before taxation	5	(9,086)	10,694
Income tax credit/(expense)	6	<u>1,551</u>	<u>(3,211)</u>
(Loss)/profit and total comprehensive income for the period		<u>(7,535)</u>	<u>7,483</u>
(Loss)/earnings per share	7		
Basic and diluted		<u>HK(5.65) cents</u>	<u>HK7.48 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	8	30,982	39,450
Deferred tax assets		3,430	1,879
Prepayments	10	<u>–</u>	<u>3,200</u>
		34,412	44,529
Current assets			
Inventories	9	37,947	26,543
Trade and other receivables	10	45,551	51,712
Tax recoverable		1,397	–
Cash and cash equivalents	11	89,755	119,215
		174,650	197,470
Current liabilities			
Trade and other payables	12	18,718	17,255
Contract liabilities		1,647	2,767
Lease liabilities		17,155	16,820
Current tax payable		–	699
Amount due to a director		320	–
		37,840	37,541
Net current assets		136,810	159,929
Total assets less current liabilities		171,222	204,458

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		9,575	15,398
Other payables and accruals	<i>12</i>	1,999	1,877
		11,574	17,275
NET ASSETS		159,648	187,183
CAPITAL AND RESERVES			
Share capital	<i>13(b)</i>	1,333	1,333
Reserves		158,315	185,850
TOTAL EQUITY		159,648	187,183

NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in note 2.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2024 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

These interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to these interim financial statements for the current accounting period. The amendments do not have a material impact on this interim report as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 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:

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by sales channels		
– Retail business	71,484	69,035
– Wholesale business	43,831	45,555
– Consignment arrangements	1,977	3,221
	117,292	117,811

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:

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Customer A	43,508	43,768

(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.

4 OTHER INCOME

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Bank interest income	1,120	109
Government grants	818	1,080
Others	124	121
	<u>2,062</u>	<u>1,310</u>

5 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loans	–	105
Interest on lease liabilities	583	374
	<u>583</u>	<u>479</u>
(b) Staff costs		
Salaries, wages and other benefits	41,926	33,386
Contributions to defined contribution retirement plan	1,580	1,401
	<u>43,506</u>	<u>34,787</u>

(c) **Other items**

Depreciation charge		
– owned property, plant and equipment	2,020	1,964
– right-of-use assets	8,751	7,718
	<u>10,771</u>	<u>9,682</u>
Net foreign exchange loss/(gain)	171	(31)
Impairment losses on property, plant and equipment (note 8)	1,036	–
Write-down of inventories	92	30
Reversal of impairment loss on trade receivables	(40)	–
Auditors' remuneration	1,120	500
Listing expenses	–	9,855
	<u>11,349</u>	<u>10,362</u>

6 TAXATION IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	–	3,355
Deferred tax		
Origination and reversal of temporary differences	(1,551)	(144)
	<u>(1,551)</u>	<u>3,211</u>

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

The provision for Hong Kong Profits Tax is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2024.

7 (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the period attributable to ordinary equity shareholders of the Company of HK\$7,535,000 (2024: profit of HK\$7,483,000) and the weighted average of 133,333,600 (2024: 100,000,000) ordinary shares in issue or deemed to be in issue during the period.

The weighted average number of ordinary shares in issue during the six months ended 30 June 2024 was calculated based on the assumption that 100,000,000 shares were in issue throughout the entire period, taking into consideration of the effect of the reorganisation and the capitalisation issue.

The diluted (loss)/earnings per shares is the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares in existence during the periods ended 30 June 2025 and 2024.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2025, the Group entered into a number of lease agreements for use of retail stores and office, and therefore recognised the additions to right-of-use assets of HK\$3,585,000 (six months ended 30 June 2024: HK\$9,633,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of other property, plant and machinery with a cost of HK\$245,000 (six months ended 30 June 2024: HK\$3,157,000).

(c) Impairment losses

During the six months ended 30 June 2025, management identified retail stores which were under-performed and estimated the recoverable amounts of property, plant and equipment and right-of-use assets of these retail stores.

Based on management's assessment, impairment losses of HK\$1,036,000 (six months ended 30 June 2024: Nil) were recognised in "administrative and other operating expenses" on the property, plant and equipment and right-of-use assets of certain retail stores.

The estimates of recoverable amount were based on the value in use of these property, plant and equipment and right-of-use assets, determined using a pre-tax discount rate of 13.8% (six months ended 30 June 2024: Nil).

9 INVENTORIES

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Health supplements and cosmetics and skincare products	33,883	22,992
Packaging materials and consumables	4,123	3,677
	<u>38,006</u>	<u>26,669</u>
Provision against obsolete inventories	(59)	(126)
	<u>37,947</u>	<u>26,543</u>

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Trade receivables, net of loss allowance	25,242	26,293
Prepayments, deposits and other receivables		
Prepayments	12,662	21,255
Deposits	7,292	7,269
Other receivables	355	95
	20,309	28,619
Less: Amounts included in “Prepayments” under non-current assets	–	(3,200)
	20,309	25,419
	45,551	51,712

Except for the amounts included in “Prepayments, deposits and other receivables” 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.

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 and net of loss allowance, is as follows:

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Within 30 days	3,875	9,577
31 to 60 days	13,744	8,154
61 to 90 days	7,618	8,562
Over 90 days	5	–
	25,242	26,293

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

11 CASH AND CASH EQUIVALENTS

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Cash and bank balances	89,755	119,215

12 TRADE AND OTHER PAYABLES

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
	<i>Note</i>	
Trade payables	12(a) 4,677	3,782
Other payables and accruals		
Accrued employee benefits	2,465	2,929
Advertising and promotion expenses payables	6,455	1,118
Other payables	7,120	11,303
	16,040	15,350
Less: Amounts included in “Other payables and accruals” under non-current liabilities	(1,999)	(1,877)
	14,041	13,473
	18,718	17,255

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.

Trade payables

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

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Within 30 days	3,724	2,395
31 to 90 days	786	1,305
91 to 180 days	167	2
Over 180 days	–	80
	<u>4,677</u>	<u>3,782</u>

13 CAPITAL, RESERVES AND DIVIDEND

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	2025 HK\$'000	2024 HK\$'000
Interim dividend declared during the interim period	<u>–</u>	<u>30,000</u>

During the six months ended 30 June 2024, Herbs Generation International Limited, the company now comprising the Group, declared dividends in cash totalling HK\$30,000,000 to their then shareholders.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June 2025 HK\$'000	2024 HK\$'000
Final dividend in respect of previous financial year, approved and paid during the following period	<u>20,000</u>	<u>–</u>

(b) 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, 1 January 2025 and 30 June 2025	2,000,000,000	20,000
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, 1 January 2025 and 30 June 2025	133,333,600	1,333

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

Notes:

- (i) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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 30 June 2025, the Group carried a total of nine own brands, namely (i) “Herbs (草姬)”; (ii) “ZINO”; (iii) “Classic (正統)”; (iv) “Umeya (梅屋)”; (v) “Energie (男補)”; (vi) “Men’s INFiNiTY (男極)”; (vii) “Regal Green (綠康營)”; (viii) “Herbs Pet (恩寵)”; and (ix) “MedHerbs”. The Group sold products under its own brands and certain third-party brands through (i) retail business, (ii) wholesale business, and (iii) consignment arrangements.

The Hong Kong retail market encountered significant challenges during 1H2025. For the first half of 2025, it was provisionally estimated that the value of total retail sales decreased by 3.3% compared with the same period in 2024. In response to these adverse economic conditions, the Group intensified its advertising and promotional efforts to sustain sales levels. Consequently, during the Reporting Period, the Group recorded a slight decrease in revenue of 0.4%, a 5.5% decline in gross profit, and a net loss of approximately HK\$7.5 million as compared to a net profit of approximately HK\$7.5 million for 1H2024. This downturn in profits was mainly due to (i) the decrease in the Group’s gross profit during the Reporting Period which was largely attributed to more promotional sales offered during the Reporting Period; (ii) the increase in advertising and promotion expenses (including but not limited to online advertising, offline advertising and engagement of entertainers and KOLs) during the Reporting Period; and (iii) the increase in staff costs due to the increase of salaries, wages and other benefits and increase of number of staff during the Reporting Period.

To address the challenging market landscape, the Group proactively developed new products and brands to diversify its offerings. Notable introductions include the product “Herbs Tiger Pro Lung Health (草姬虎乳芝咳喘消)” and the new brand “MedHerbs”. Looking ahead, the Group plans to continue innovating by developing additional products and brands in the second half of 2025 and hope to mitigate the losses experienced in the first half of the year.

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\$0.5 million or 0.4% from approximately HK\$117.8 million for 1H2024 to approximately HK\$117.3 million for 1H2025.

The following table sets forth the breakdown of the revenue by sales channel for 1H2025 and 1H2024:

	Six months ended 30 June			
	2025		2024	
	(Unaudited)		(Audited)	
	HK\$'000	%	HK\$'000	%
Revenue				
– Retail business	71,484	60.9	69,035	58.6
– Wholesale business	43,831	37.4	45,555	38.7
– Consignment arrangements	1,977	1.7	3,221	2.7
Total	<u>117,292</u>	<u>100.0</u>	<u>117,811</u>	<u>100.0</u>

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\$2.5 million or 3.5% from approximately HK\$69.0 million for 1H2024 to approximately HK\$71.5 million for 1H2025. The increase in revenue from the retail business is primarily driven by the expansion of number of self-operated retail shops, which grew from 23 to 29 shops during 1H2024 to 33 shops in 1H2025.

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\$1.8 million or 3.8% from approximately HK\$45.6 million for 1H2024 to approximately HK\$43.8 million for 1H2025. The revenue from the wholesale business declined due to reduced demand from the Group's wholesale customer, who were adversely affected by the downturn in Hong Kong's total retail sales for 1H2025.

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\$1.2 million or 38.6% from approximately HK\$3.2 million for 1H2024 to approximately HK\$2.0 million for 1H2025. 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 1H2025, largely attributed to more promotional sales suffered during the Reporting Period.

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 increased by approximately HK\$4.2 million or 14.0% from approximately HK\$30.4 million for 1H2024 to approximately HK\$34.6 million for 1H2025.

The Group's gross profit represents its revenue less costs of sales. The Group's gross profit decreased by approximately HK\$4.8 million or 5.5% from approximately HK\$87.4 million for 1H2024 to approximately HK\$82.6 million for 1H2025. The Group's overall gross profit margin decreased by 3.7 percentage point from 74.2% for 1H2024 to 70.5% for 1H2025, largely attributed to more promotional sales offered during the Reporting Period.

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\$0.8 million for 1H2025 was primarily attributable to the increase in bank interest income generated from unused proceeds from the 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**").

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 increase in selling and distribution costs of approximately HK\$17.4 million or 35.3% for 1H2025 was primarily due to increase in advertising and promotion expenses as the Group increased efforts in promoting and advertising the Group's branding and products including but not limited to new products and new brand developed during 1H2025, and the increase in staff costs resulting from the hiring of additional sales personnel driven by the expansion of number of retail shops. The Group had entered into advertising and promotion commitment agreement with advertising platforms with unutilised amount of approximately HK\$12.4 million at 30 June 2025.

Administrative and other operating expenses

The Group's administrative and other operating expenses mainly 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.

The increase in administrative expenses of approximately HK\$8.1 million or 43.8% for 1H2025 was mainly attributable to (i) the increase in staff costs during 1H2025 when comparing to 1H2024; (ii) the rise in depreciation of leased properties, stemming from the increase of average number of self-operated retail shops from 26 in 1H2024 to 33 in 1H2025; and (iii) the increase of listing related expenses after the Listing such as compliance adviser fee and financial printing charges.

Listing expenses

Listing expenses in 1H2024 include professional fees, underwriting commission, and other fees incurred in connection with the Listing. No such listing expenses incurred in 1H2025.

Finance costs

The Group's finance costs mainly represent interest on lease liabilities. The increase in finance costs of approximately HK\$104,000 or 21.7% from approximately HK\$479,000 for 1H2024 to approximately HK\$583,000 for 1H2025 was mainly due to higher interest expenses on lease liabilities from the increase of average number of self-operated retail shops in 1H2025.

Income tax credit/(expense)

Income tax credit/(expense) primarily consist of corporate income tax and movements in deferred income tax assets/liabilities. Income tax credit in 1H2025 mainly comprise the recognition of deferred tax credit as a result of the loss for the period in 1H2025, while for 1H2024, the income tax expense mainly comprised the current tax expense charged for the period.

(Loss)/profit and total comprehensive income for the period

As a result of the foregoing, the Group recorded a net loss for the period amounted to approximately HK\$7.5 million for 1H2025, as compared to a net profit of approximately HK\$7.5 million for 1H2024. Such change was mainly due to (i) the decrease in the Group's gross profit during the Reporting Period which was largely attributed to more promotional sales offered during the Reporting Period; (ii) the increase in advertising and promotion expenses (including but not limited to online advertising, offline advertising and engagement of entertainers and KOLs) during the Reporting Period; and (iii) the increase in staff costs due to the increase of salaries, wages and other benefits and increase of number of staff during the Reporting Period.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2025, 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 30 June 2025, the Group had cash and cash equivalents of approximately HK\$89.8 million, 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

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%. The gearing ratio was not applicable as at 30 June 2025 and 31 December 2024 as the Group did not have any borrowings (excluding lease liabilities) as at both dates.

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 30 June 2025 and 31 December 2024 as the Group had net cash position as at both dates.

Treasury management

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

Capital expenditures

During 1H2025, the Group's capital expenditures, primarily directed towards the acquisition of property, plant, and equipment of approximately HK\$0.2 million, compared to approximately HK\$3.2 million in 1H2024. 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 30 June 2025 and 31 December 2024, the Group did not hold any outstanding forward foreign exchange contract.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2025 and 31 December 2024.

Off-balance sheet commitments and arrangements

Except for the advertising and promotion commitment mentioned in the section of "FINANCIAL REVIEW – Selling and distribution costs", the Group did not have any outstanding off-balance sheet arrangements for 1H2025 and 1H2024.

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEE INFORMATION

As at 30 June 2025, the Group had 238 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 1H2025, the Group did not have any plan for significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During 1H2025, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there were no other plans for material investments or capital assets as at 30 June 2025.

PLEDGE OF ASSETS

As at 30 June 2025, the Group has not pledged any assets.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: HK\$30 million).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange except for the deviation mentioned in the section of “CHAIRLADY AND CHIEF EXECUTIVE OFFICER”.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

For 1H2025, under code provision C.2.1 of the CG Code, the roles of the Chairlady and Chief Executive Officer (the “**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. Kwok Chi Yan Gammy (“**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.

MODEL CODE OF CONDUCT OF DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding Directors’ securities transactions. Having been made specific enquiries by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Reporting Period.

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 announcement.

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 respect of awards granted during the Reporting Period to eligible participants pursuant to the Share Award Scheme.

USE OF PROCEEDS

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

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

Intended application of the net proceeds	Approximate percentage of total net proceeds	Adjusted planned allocation <i>HK\$ million</i>	Unutilised amount as at 31 December 2024 <i>HK\$ million</i>	Utilised amount during the Reporting Period <i>HK\$ million</i>	Unutilised amount as at 30 June 2025 <i>HK\$ million</i>	Expected timetable for full utilisation <i>(Note)</i>
Strategic marketing and promotion activities to further enhance the brand awareness and recognition of products under our own brands	35.7%	33.7	33.7	9.1	24.6	December 2027
Expanding, improving and optimising our sales network	37.8%	35.7	35.7	0.3	35.4	December 2027
Diversifying and enhancing our product portfolio	4.7%	4.4	4.4	–	4.4	December 2027
Talent recruitments	12.4%	11.7	11.7	–	11.7	December 2027
General working capital	9.4%	8.9	8.9	8.9	–	N/A
Total	100.0%	94.4	94.4	18.3	76.1	

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 30 June 2025, the unutilised net proceeds have been placed in interest-bearing accounts with licensed banks in Hong Kong.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules, the audit committee of the Company ("**Audit Committee**") comprises of three independent non-executive Directors, including Mr. Lam Yiu Por ("**Mr. Lam**") (chairman of the Audit Committee), Professor Chan Chi Fai Andrew, SBS, JP, and Dr. Tsang Hing Lim Kenneth. Mr. Lam (chairman of the Audit Committee) possesses the appropriate professional qualifications or accounting or related financial management expertise as required. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2025 and this announcement.

This announcement is prepared by extracting the relevant information from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2025.

REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

The interim financial report for the six months ended 30 June 2025 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included in the interim report to be sent to shareholders. The Audit Committee has, together with the management, reviewed the accounting policies adopted by the Group. They also discussed risk management, internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim condensed consolidated financial information during the interim reporting period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.herbs.hk and the Stock Exchange's website at www.hkexnews.hk. The Company's 2025 interim report for the Reporting Period will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 28 August 2025

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