HUNG FOOK TONG

Hung Fook Tong Group Holdings Limited
鴻福堂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號：1446

2014 INTERIM REPORT 中期報告

CONTENTS

CORPORATE INFORMATION

PLACE OF INCORPORATION
Cayman Islands

BOARD OF DIRECTORS
Executive Directors
Mr. TSE Po Tat *(Chairman)*
Mr. KWAN Wang Yung
Dr. SZETO Wing Fu
Ms. WONG Pui Chu

Non-Executive Director
Mr. TSE Po Shing

Independent Non-Executive Directors
Mr. KIU Wai Ming
Professor SIN Yat Ming
Mr. Andrew LOOK

AUDIT COMMITTEE
Mr. Andrew LOOK *(Chairman)*
Mr. KIU Wai Ming
Professor SIN Yat Ming

REMUNERATION COMMITTEE
Professor SIN Yat Ming *(Chairman)*
Mr. KIU Wai Ming
Ms. WONG Pui Chu

NOMINATION COMMITTEE
Mr. KIU Wai Ming *(Chairman)*
Mr. KWAN Wang Yung
Dr. SZETO Wing Fu
Mr. Andrew LOOK
Professor SIN Yat Ming

AUTHORIZED REPRESENTATIVES
Mr. KWAN Wang Yung
Dr. SZETO Wing Fu

COMPANY SECRETARY
Mr. TSANG Kai Ming *(HKICPA, FCCA)*

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants
22/F., Prince's Building
Central, Hong Kong

COMPLIANCE ADVISER
Crosby Securities Limited
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Wanchai, Hong Kong

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS
Codan Trust Company (Cayman) Limited
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P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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Wanchai, Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

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COMPANY WEBSITE

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STOCK CODE

1446

HIGHLIGHTS

- **Revenue for the six months ended 30 June 2014 ("1H2014") increased to HK$364.9 million, by 24.4% from that for the corresponding period in 2013 ("1H2013").**
    - **Revenue from direct sales business increased by 25.1%, to HK$245.4 million, continuing the shop expansion strategy, with our direct sales network now comprising 126 retail shops.**
    - **Revenue from indirect sales business increased by 23.0%, to HK$119.6 million, with our indirect sales network now covering 44 cities in 13 provinces, and number of distributors in PRC increased to 66.**
- **Gross profit for 1H2014 increased to HK$220.6 million by 25.3% from 1H2013, and gross profit margin for 1H2014 slightly increased to 60.5%.**
- **Profit attributable to equity shareholders of the Company for 1H2014 was:**
    - **based on reported net profit: HK$4.4 million;**
    - **based on Underlying Net Profit (note): increased by 27.7% to HK$21.2 million.**
- **Basic earnings per share for 1H2014 was:**
    - **based on reported net profit: HK0.94 cent;**
    - **based on Underlying Net Profit (note): HK4.47 cents, as compared to HK3.51 cents for 1H2013.**

Note:

Underlying Net Profit represents reported net profit as set out in the Condensed Consolidated Interim Statement of Comprehensive Income before taking into account:

(i) one-off listing-related expenses of approximately HK$16.7 million; and

(ii) share-based compensation expenses relating to the pre-IPO share options of approximately HK$0.1 million

BUSINESS OVERVIEW

The board of directors (the "Board") of Hung Fook Tong Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six-month period ended 30 June 2014 (the "Reporting Period"). During the Reporting Period, the Group managed to expand its market presence and achieve business growth in terms of revenue to HK$364.9 million, representing growth of 24.4% compared with the same period last year, and reported a net profit of HK$4.4 million (after a one-off listing-related expense of approximately HK$16.7 million and share-based compensation expenses relating to the pre-IPO share options of approximately HK$0.1 million).

In respect of the Group's direct sales business, the management has continued with its shop expansion strategy, which has resulted in the operation of 126 retail shops in total as at the end of the Reporting Period, with 101 shops in Hong Kong and 25 self-operated shops in Mainland China. Such revenue growth has been driven by shop refurbishment and more sales and marketing promotions conducted in Hong Kong during the Reporting Period, which led to a rise in same-store sales. With regards to indirect sales, the Group has actively marketed its range of products through a variety of campaign efforts. Underpinning both direct and indirect sales, the Group has continuously put efforts at improving operational efficiency and through effective cost controls, the Group has been able to maintain the gross profit margin at a stable level.

2014 will be regarded as an especially significant year for the Group. On 4 July 2014, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange). This major milestone not only adds another important chapter to the Group's illustrious history, but will also enable it to accelerate business growth, particularly in Mainland China. The Group is well positioned to leverage its solid business model, wholesome corporate culture, quality products and services, and strong development potential to propel its business to new heights of success in the future.

Direct Sales

The Group's direct sales segment primarily comprises self-operated retail shops, the majority of which, in Hong Kong, are found in MTR stations and shopping malls, which enable them to capitalise on high pedestrian flow and the general public's desire for convenience. In contrast, the Group's retail shops in Mainland China are targeted towards mid-to-high income customers. During the Reporting Period, revenue derived from direct sales amounted to HK$245.4 million, a rise of 25.1% compared to the corresponding period in 2013, and accounted for 67.3% of the Group's total revenue. A segment profit of HK$41.3 million was recorded, increased around 31.9% over the corresponding period of last year.

Hong Kong

The Hong Kong operation experienced a rise in revenue of 27.5% compared to the corresponding period in 2013 to HK$235.3 million, driven by growth in same-store sales and enhanced sales from refurbished stores. The operation remains the largest revenue contributor to the Group, accounting for 64.5% of total revenue. Segmentally, the Hong Kong direct sales business achieved a rise in profit of 31.5% compared to the corresponding period in 2013 to HK$43.4 million.

During the Reporting Period, the Group opened a total of 18 new shops, and thus exceeded the 100 mark for the first time. The Group has achieved a good track record of realising approximately 70% of its full-year shop opening target, which now stands at 101 as at 30 June 2014. This includes successfully tapping into highly populated locations in Aberdeen, Kennedy Town and Shau Kei Wan, which are new regions for the Group. A total of five retail shops are newly opened on Hong Kong Island. It also opened new shops in shopping malls and at street-level locations, as well as its first self-operated shop within a public institution at the Tuen Mun Hospital.

Complementing the expanded network is a bolstered line-up of products that are backed by appealing marketing campaigns. In total, 21 new fresh drink products were introduced during the Reporting Period to cater for individuals seeking appealing new refreshment offerings. And to help announcing their launch, particularly to young consumers, Mr. Alfred Hui was employed as brand ambassador. Yet a further means of reaching out to consumers has been the Group's JIKA CLUB, which as at 30 June 2014, successfully raised total memberships to more than 391,000.

BUSINESS OVERVIEW (Continued)

Direct Sales (Continued)

Mainland China

During the Reporting Period, the Mainland China operations generated revenue of HK$10.1 million (same period of 2013: HK$11.7 million), being still in a developmental stage. The decline was mainly due to the closure of eight loss-making shops in Guangzhou after July 2013 as part of the Group's retail strategy, though one new shop was opened in Shanghai in 2014 during the Reporting Period. With the management's continuous efforts to raise customer traffic and sales volume, all retail stores in Guangzhou have been able to maintain breakeven point at the shop level. However, a segmental loss of HK$2.1 million (same period of 2013: loss HK$1.7 million) was recorded because the Mainland China operations has yet to reach an optimal operation scale. The management will continue to implement its business strategy, and strive to achieve a turnaround within this full financial year.

Indirect Sales

The Group's indirect sales customers are mainly third-party retailers, i.e. supermarket and convenience store chains, and distributors that are responsible for distributing its long-shelf-life drinks and fresh drinks in Hong Kong, Mainland China and overseas. During the Reporting Period, the indirect sales business generated revenue of HK$119.6 million, an increase of 23.0% compared to the corresponding period in 2013 and accounted for 32.8% of the Group's total revenue. Profit from the segment reached HK$11.4 million, up 46.2% compared to the corresponding period in 2013.

Mainland China

In respect of the Mainland China market, the indirect sales business has realised significant progress, with further growth expected. Revenue climbed by 29.9% compared to the corresponding period in 2013 to HK$52.1 million. Revenue contributions from this segment rose to 14.3% of the Group's total revenue, compared to 13.7% in the same period of last year.

Helping spur business growth has been an enhanced market presence and a larger distribution network. The Group's network coverage has increased to 44 cities in 13 provinces, with the inclusion of Jilin, Zhanjiang, Qingyuan and Suzhou. And the number of distributors in Mainland China now totals 66 as at 30 June 2014, compared to 48 at the end of 2013. Several renowned distributors and third-party retailers have been secured, including Beijing Lawson in the second quarter.

Geographically, Guangdong remains the Group's biggest revenue contributor in this segment during the Reporting Period, while sales growth in Shanghai was encouraging. It is worth noting that sales from key account customers have been satisfactory in the newly entered market of Beijing during the Reporting Period. Supporting such growth has been healthy demand for the Group's Salted Mandarin Orange Drink (咸柑桔) and Mango Deluxe Drink (楊枝甘露), as well as an expanded portfolio of products that include such new offering as the Pear & Chrysanthemum Drink (雪梨菊花).

To raise brand awareness in Mainland China, the Group implemented a new branding campaign spearheaded by new celebrity spokesperson Mr. Ekin Cheng, which employs a comprehensive range of mediums such as print, digital and selected outdoor media, including advertisements in Guangzhou and Shanghai Metro stations. The campaign leverages the Group's Hong Kong roots, which, based on past experience, has proved to be an effective marketing angle.

BUSINESS OVERVIEW (Continued)

Indirect Sales (Continued)

Hong Kong

The indirect sales business in Hong Kong (including Hong Kong and overseas markets) generated revenue of HK$67.5 million during the Reporting Period, representing encouraging growth of 18.2% compared to the corresponding period in 2013 and accounting for 18.5% of the Group's total revenue.

For Hong Kong market, it generated revenue of HK$59.1 million during the Reporting Period (same period of 2013: HK$49.0 million). Such growth was mainly attributable to the steady take-up of the Group's best-selling products, including Canton Love-pes Vine Drink (雞骨草) and Common Selfheal Fruit-spike Drink (夏枯草).

The Group has continued to enjoy strong ties with its key account customers, which has been further reinforced with the introduction of several innovative products. Among the Group's expanded repertoire include Salted Lime Drink (咸青檸), endorsed by celebrity spokesperson Ms. Ivana Wong, that has been well received by customers, thus replicating the success of the Salted Mandarin Orange Drink (咸柑桔) introduced in 2013, and which has continued to enjoy sales growth and popularity during the Reporting Period. The fresh drinks portfolio has also been expanded with new offerings that include Cashew and Walnut Drink (腰果核桃露), Lily Bulb with Papaya Drink (北海道牛乳百合木瓜露), and Black Glutinous Rice and Coconut Milk Drink (椰香紫米露), all of which can be found in major supermarket and convenience store chains. Aside from new products, the Group has also introduced a 1-litre fresh drink size that can be found in supermarkets and caters for the needs of families.

In addition to Hong Kong market, the overseas markets deliver another steady source of income to the indirect sales business in Hong Kong. During the Reporting Period, it generated revenue of HK$8.4 million (same period of 2013: HK$8.1 million). The Group's long-shelf-life drinks are principally sold to distributors in Australia, Canada, Macau, Malaysia, New Zealand, the Philippines, Taiwan and the United States.

Awards and Corporate Social Responsibility

The Group has been bestowed with numerous awards in recognition of its ongoing efforts to build healthy relations with its customers and employees, promote worthwhile causes and sustain healthy business growth. Among the accolades received during the Reporting Period include the following:

Organisation	Award
Reader's Digest	Trusted Brand 2014 — Platinum Award (Chinese Soup/Herbal Tea Shop)
Employees Retaining Board	ERB Manpower Developer Award Scheme: Manpower Developer (2013–14) Grand Prize Award (2013–14)
MetroBox	Golden Diamond Award of Consistently Outstanding Corporate Social Responsibility
East Week	Hong Kong Service Awards 2014
Superbrands	Superbrands 2014
The Hong Kong Council of Social Service	Caring Company 2006–2014

BUSINESS OVERVIEW (Continued)

Awards and Corporate Social Responsibility (Continued)

The Group has from the outset promoted a natural and healthy lifestyle. This outlook also constitutes part of its corporate social responsibility, which it has wholeheartedly championed. Among the highlights of its efforts has been the recent opening of a concept store in Comix Home Base, which is a refurbished, pre-war Grade 2 historical building in Wan Chai, Hong Kong. The concept store aligns with the Group's mission of promoting Chinese herbal culture to the general public.

The Group has donated in-kind products and coupons to over hundreds of non-profit organisations and colleges. It also believes in directly assisting society through a variety of means. For example, the Group Volunteer Team participated in notable events such as the Standard Chartered Hong Kong Marathon 2014, Community Chest's voluntary service for underprivileged group with undesirable living conditions and Metro Finance Charity Football Match.

Prospects

The Hong Kong retail segment is expected to experience headwinds as a result of weakening consumption sentiment during the remaining half year. Nonetheless, the management remains confident in the Group's ability to capture a greater share of the local market by capitalising on its significant years of experience and proven track record of successfully navigating through challenging conditions. In Mainland China, consumption sentiment is improving gradually as suggested by various consumption indicators. Given that the Group is still in the initial stages of penetrating into the country, the management is buoyant about the Group's capacity to strengthen its foothold in the local market and sustain growth.

While remaining cautiously optimistic about the Group's overall business prospects in the remaining half year, the management is well aware that there are several challenges that need to be addressed, including rising raw material, rental and staff costs. In terms of food-related costs, the Group's ongoing expansion has led to greater economies of scale; hence, the management will capitalise on its advantageous position when negotiating with its procurement suppliers. As for the issue of rent, the Group has maintained healthy ties with its many landlords, and will leverage such relations to bargain with relevant parties as the terms of rental contracts expire. With respect to staff cost, cost control will be vigorously employed as a means of offsetting this expense. The management is convinced that through gradual network expansion and rise in operational efficiency, still greater profitability will be realised in the future.

Direct Sales

In Hong Kong, the management will seek to consolidate the Group's leading position in the Chinese Herbal Drinks, Soups and Tortoise Herbal Jelly ("DSJ") market by employing marketing strategies, including events sponsorship and engaging young consumers through its popular spokesperson. At the same time, it will look to prudently expand its retail network to sustain growth momentum. Further to 18 new openings in the first half year, the Group has already opened four more retail shops in Hong Kong by the end of August 2014. In line with its expansion goals, the management is fully confident in the Group's ability to reach the target of opening a total of 25 new shops in 2014, which will considerably bolster its market presence. Newly opened stores in the first half of this year are expected to be the Group's key revenue drivers during the rest of 2014, helping further improve the Group's overall performance.

Across in Mainland China, the management will continue to identify new shop locations to enhance the Group's market exposure. Already, three new shops have opened in July 2014, all of which are located either in shopping malls or at street-level locations in Tianhe, Yuexiu District, Guangzhou, and are able to capitalise on the relatively high consumption power of the target customers found in the region. The Group plans to open more shops in Guangzhou and Shanghai by the end of the year.

BUSINESS OVERVIEW (Continued)

Prospects (Continued)

Indirect Sales

The indirect sales business plays a key role in the Group's growth. To bolster its development, the management will seek to enhance its presence in the valuable Mainland China market. In Guangdong, where the Group has a longer presence, the Group will seek to further penetrate the local market by selling to more individual third-party retailers and by seizing opportunities to directly conduct sales with key-accounts customers. In first-tier cities, in particular Shanghai, the management will leverage the Group's unique and highly recognised Hong Kong branding, which represents a premium, middle-class social status symbol, as the catalyst for further expanding the Group's distribution network to include large-scale local supermarkets and convenience stores. The management has conducted discussions with a number of retail operators, and several parties have shown keen interest in carrying the Group branded products. The materialisation of such interest will help the Group to further strengthen its presence in the local market.

It is worth noting that the Group also has plans to open a sales office in Beijing to serve as an additional base for strategizing its sales network expansion activities, specifically in northern China. Already, the Group is well on track to expand into Ningbo, Hangzhou and Dalian, and will continue to expand its network to more first-tier and second-tier cities going forward.

Also helping to bolster the Group's presence in Mainland China is Mr. Ekin Cheng. As the Group's official brand ambassador, Mr. Cheng will help endorse the Group products by utilising the 'Hong Kong brand Hong Kong taste' marketing angle, which allows the Group to both reinforce its premium position and differentiate it from local beverage brands, in turn enabling the Group to more effectively target middle-class customers.

As for the Hong Kong market, by building on the success of the Group's extensive network, the Group will continue to consolidate its leading position, supported by innovative products and a highly diverse product portfolio.

Production Facilities

While bolstering direct and indirect sales is pivotal to the Group's growth, enhancing production will be paramount to achieve such an objective. In Mainland China, the new production facility in Suzhou is expected to become operational in the fourth quarter of 2014, at which time it will help to directly address increasing demand resulting from the Group's expansion activities in Shanghai and eastern and central China. Similarly, the Tai Po plant in Hong Kong has begun trial production since June, and is expected to achieve full-production capability around October 2014. It will then supplant the Tsuen Wan facility as the Group's main production facility in Hong Kong.

Quality Control and Safety Enhancement

The announcement from the Centre for Food Safety concerning two of the Group's products in July 2014 had an immediate impact on its business. In response, the management quickly strengthened internal quality controls and obtained a Hazard Analysis and Critical Control Points ("HACCP") system that enables the Group to improve its cold chain and enhance the environment of its production facilities. In addition, the Group has improved its quality assurance controls and production processes by establishing a task force that is assisted by a food safety specialist who will be involved in monitoring and reviewing the entire production process, as well as training staff at the Group's production facilities. The food safety specialist has also been providing additional training to production and logistics staff, with the objective of raising overall food safety standards.

With the Group's new production facilities in Tai Po and Suzhou being highly automated and equipped with the latest filling and food processing technologies, these facilities will go towards raising the overall food quality and food safety standards of the Group even further.

Product quality and food safety have always been key pillars that provide support to the Group's brand heritage. With the Group's unwavering commitment to fortifying these pillars, the management has witnessed consumers' growing confidence in its products; hence, it believes that the impact of the aforementioned announcement will be limited and short term.

BUSINESS OVERVIEW (Continued)

Prospects (Continued)

Quality Control and Safety Enhancement (Continued)

Leveraging solid management experience, sound two-channel sales model, effective marketing strategies and high-quality products that hold true to the Group's "naturally made, wholeheartedly good" motto, the Group is confident in its ability to consolidate its position at the top of the Hong Kong DSJ industry, while at the same time strengthen its reputation as a leading wellness concept food and beverage brand in Mainland China. While doing so, the Group will strive to deliver satisfactory returns to its shareholders.

FINANCIAL OVERVIEW

Revenue

During the six months ended 30 June 2014, the Group's revenue reached to HK$364.9 million, representing an increase of 24.4% from HK$293.4 million in the corresponding period of 2013. The increase was mainly attributable to a 27.5 % increase in Hong Kong direct sales and a 29.9 % increase in Mainland China indirect sales.

Cost of Sales

During the six months ended 30 June 2014, the Group's cost of sales amounted to HK$144.4 million, representing an increase of 23.1% from HK$117.3 million in the corresponding period of 2013. This accounted for 39.5% and 40.0% respectively in percentage to revenue in 2014 and 2013. We have faced upward pressure on the raw materials costs but due to our effective cost control measures, the raw materials cost to revenue ratio was at 32.5% which was lower than last year's figure of 33.0%.

Gross Profit and Gross Profit Margin

During the six months ended 30 June 2014, the Group's gross profit amounted to HK$220.6 million, representing an increase of 25.3% from HK$176.1 million in the corresponding period of 2013. The Group's gross profit margin remained stable at 60.5% and 60.0% for 1H2014 and 1H2013 respectively. In addition to our effective cost control measures, we managed to pass on the rise in the cost of raw materials to consumers due to our increasing brand popularity and strong pricing ability.

Staff Costs

For the six months ended 30 June 2014, the Group's staff costs amounted to HK$96.5 million, representing an increase of 23.6% from HK$78.1 million in the corresponding period of 2013. The increase was primarily due to increase in number of staff for new shops in Hong Kong. The continuous increase in the revenue has offset the increment of the staff costs, thus leading to the staff cost-to-revenue ratio remaining at 26.4%, which corresponds with last year's figure of 26.6%.

Rental Expenses

For the six months ended 30 June 2014, the Group's rental expenses amounted to HK$47.9 million, representing an increase of 13.8% from HK$42.1 million in the corresponding period of 2013. The increase was primarily due to the opening of new shops in Hong Kong. Rental-to-revenue ratio dropped notably from 14.3% for 1H2013 to 13.1% for 1H2014 which was attributed by our management who has a set of stringent standards on new shop openings.

Advertising and Promotion Expenses

For the six months ended 30 June 2014, the Group's advertising and promotion expenses amounted to HK$14.2 million, representing an increase of 39.2% from HK$10.2 million in the corresponding period of 2013. This accounted for 3.9% and 3.5% respectively in percentage to revenue in 1H2014 and 1H2013. The increase was primarily due to the increase in retail shops in Hong Kong. Also, more marketing campaigns were launched to sustain our brand awareness and enhance the development of the wholesale business in China.

FINANCIAL OVERVIEW (Continued)

Depreciation

For the six months ended 30 June 2013 and 2014, depreciation amounted to HK$8.0 million and HK$10.4 million respectively, which accounted for approximately 2.7% and 2.9% of the Group's revenue in the respective periods. This represents an increase of 30.0%.

Net Profit

Profit attributable to equity holders of the Company for the six months ended 30 June 2014 amounted to HK$4.4 million. However, when the one-off listing-related expense of HK$16.7 million and share-based compensation expenses relating to pre-IPO share options of HK$0.1 million are excluded, profit attributable to equity holders of the Company amounted to HK$21.2 million, as compared to HK$16.6 million for the same period last year, representing an increase of 27.7%. On this basis, net profit margin for the Reporting Period was 5.8% as compared to 5.7% for the same period last year. The increase in the underlying net profit is mainly due to effective operation management and increasing benefits derived from greater economies of scale. Basic earnings per share before the one-off listing-related expense and the said share-based compensation expenses amounted to HK4.47 cents, as opposed to HK0.94 cent when the one-off listing-related expense and the share-based compensation expenses are considered.

Capital Expenditure

During the six months ended 30 June 2014, the Group incurred a total amount of HK$207.4 million of capital expenditure. Included in the amount was HK$184.8 million in relation to the Group's new production plant in Tai Po. The balance was mainly used for the opening of new and revamping existing retail shops.

Liquidity, Financial Resources Review

Our Group is financially sound with bank deposit and cash amounting to HK$67.0 million as at 30 June 2014 (31 December 2013: HK$95.8 million). The decrease was mainly due to the payment of expenses for listing. Following the success in listing of our Group, liquidity position has further been improved. Most bank deposit and cash are denominated in Hong Kong dollars and Renminbi.

For the six months ended 30 June 2014, our Group has bank and other borrowings amounting to HK$190.7 million (31 December 2013: HK$122.6 million) and no financial instruments were used for hedging purpose.

As at 30 June 2014, the gearing ratio of the Group was 2.9 (31 December 2013: 1.2), which was calculated based on total debt (this was defined to include interest-bearing bank borrowing and other debts incurred not in the ordinary course of business) divided by total equity attributable to equity holders. The ratio has significantly been improved following the listing of the Group in July 2014.

We aim to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable us to continue our business in a manner consistent with the short-term and long-term financial strategies of the Group.

Foreign Currency Risk

Our Group operates mainly in Hong Kong and China and conducts our business primarily in Hong Kong dollars and Renminbi. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and the United States dollar. The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

FINANCIAL OVERVIEW (Continued)

Contingent Liabilities

(i) Taclon, a subsidiary of the Company, is involved in a potential litigation the claim of which amounted to approximately HK$10.3 million (the "Alleged Debt"). It is the understanding of the directors of the Company that the Alleged Debt is a personal debt belongs to a Taclon's ex-director. The directors of the Company are of the view that Taclon did not or does not owe the claimant the Alleged Debt and will vigorously defend the Taclon's position in the legal proceeding. Moreover, HFT Industrial had confirmed, covenant and undertaken to indemnify and keep indemnified fully Taclon against any cost, loss or damages arising from the litigation.

(ii) Taclon has several pending litigations and claims with its former employees of which provision of approximately HK$1,000,000 has been provided as at 31 December 2013 and 30 June 2014.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 28 January 2014, the Group entered into a sales and purchase agreement with Mr. Kwan Wang Yung ("Mr. Kwan") to dispose of its 51% issued shares of Gaoda Plastic Bottle (Shenzhen) Company Limited ("Gaoda Shenzhen") at a consideration of HK$1,570,000. The consideration was determined by the carrying amount of Gaoda Shenzhen and settled through the current account of Mr. Kwan with the Group.

On 26 March 2014, the Group entered into an agreement with Hung Fook Tong Industrial Co. Limited ("HFT Industrial") and two directors of the Company to acquire the entire issued share capital of Taclon Industries Limited ("Taclon") at a consideration of approximately HK$82,568,000, which holds a factory premises and a piece of leasehold land in Tai Po. This is considered an asset acquisition. The consideration has been satisfied by settlement of the balances with HFT Industrial, directors and companies controlled by the directors.

Human Resources

As at 30 June 2014, the Group employed approximately 1,615 employees. Remuneration was based on market price, individual qualification and experience, and there was discretionary bonus based on year of services and performance appraisal. The Group also implemented share option scheme, details of which are set forth in page 43 of this interim report.

During the Reporting Period, various training activities, such as orientation on both frontline and back office operations, customer service & selling skills, product knowledge (Herbal Master Program) and retail operations, have been conducted to improve the quality of front-end services, as well as enlightening customers consuming experience and to ensure the smooth and effective operation of the Point-of-Sales ("PoS") system. Training team has also implemented continuous management trainee program to enhance the depth and breadth of the knowledge of the management staff of the Group for the purpose of their future career development.

Charge on Group's Assets

As at 30 June 2014, certain assets of the Group have been pledged to secure bank borrowing facilities, details of which are set forth in page 37 (Note 21) in this interim report.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	(Unaudited) Six months ended 30 June 2014 HK$'000	2013 HK$'000
Revenue	5, 6	**364,943**	293,377
Cost of sales	8	**(144,357)**	(117,277)
Gross profit		**220,586**	176,100
Other income	6	**554**	440
Other gains, net	6	**140**	7
Selling and distribution costs	8	**(32,465)**	(25,925)
Administrative expenses	8	**(175,190)**	(129,399)
Operating profit		**13,625**	21,223
Finance income		**932**	3,087
Finance costs		**(3,147)**	(2,007)
Finance (costs)/income, net		**(2,215)**	1,080
Profit before income tax		**11,410**	22,303
Income tax expense	9	**(6,573)**	(5,146)
Profit for the period		**4,837**	17,157
Profit attributable to:			
Equity holders of the Company		**4,442**	16,643
Non-controlling interests		**395**	514
		4,837	17,157
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (HK cents per share)	10	**0.94**	3.51
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
— Currency translation differences		**(1,062)**	355
— Release of exchange reserve upon disposal of a subsidiary		**(338)**	–
Other comprehensive (loss)/income, net of tax		**(1,400)**	355
Total comprehensive income for the period		**3,437**	17,512
Total comprehensive income attributable to:			
— Equity holders of the Company		**3,041**	16,925
— Non-controlling interests		**396**	587
		3,437	17,512
Dividends	11	**40,000**	–

The notes on pages 18 to 39 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	12	**207,638**	44,505
Investment property	12	**843**	858
Leasehold land and land use right	13	**33,499**	–
Amounts due from related companies		**–**	61,655
Prepayments and deposits		**40,117**	15,812
Deferred income tax assets		**4,691**	4,692
		286,788	127,522
Current assets			
Inventories		**37,481**	29,375
Trade receivables	14	**65,526**	66,414
Prepayments, deposits and other receivables		**33,836**	31,026
Amounts due from related companies		**435**	42,212
Amounts due from directors		**–**	43,338
Tax recoverable		**874**	480
Restricted cash		**27,625**	31,073
Cash and cash equivalents		**39,328**	64,738
		205,105	308,656
Total assets		**491,893**	436,178
Equity			
Share capital	15	**10**	–
Reserves		**65,485**	102,297
		65,495	102,297
Non-controlling interests		**3,100**	2,704
Total equity		**68,595**	105,001

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Liabilities			
Non-current liabilities			
Provision for reinstatement costs	19	**1,531**	1,540
Deferred income tax liabilities		**286**	286
Bank borrowings	21	**46,931**	23,029
Obligation under finance leases		**2,419**	2,495
		51,167	27,350
Current liabilities			
Trade and bill payables	17	**35,854**	34,863
Accruals and other payables	18	**70,454**	47,386
Provision for reinstatement costs	19	**4,347**	3,730
Receipts in advance	20	**110,168**	105,521
Amounts due to related companies		**92**	19,082
Amounts due to directors		**–**	9,784
Bank borrowings	21	**140,292**	77,127
Obligation under finance leases		**1,026**	893
Taxation payable		**9,898**	5,441
		372,131	303,827
Total liabilities		**423,298**	331,177
Total equity and liabilities		**491,893**	436,178
Net current (liabilities)/assets		**(167,026)**	4,829
Total assets less current liabilities		**119,762**	132,351

The notes on pages 18 to 39 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	`Attributable to equity holders of the Company							
	Share capital HK$'000	Capital reserve HK$'000	Share based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2014 (audited)	–	8,123	–	3,243	90,931	102,297	2,704	105,001
Comprehensive income								
Profit for the period	–	–	–	–	4,442	4,442	395	4,837
Other comprehensive income								
Currency translation differences	–	–	–	(1,401)	–	(1,401)	1	(1,400)
Total comprehensive income for the period	–	–	–	(1,401)	4,442	3,041	396	3,437
Transaction with equity holders								
Issue of shares (Note 15)	10	–	–	–	–	10	–	10
Share based compensation expenses	–	–	147	–	–	147	–	147
Dividend relating to 2014	–	–	–	–	(40,000)	(40,000)	–	(40,000)
	10	–	147	–	(40,000)	(39,843)	–	(39,843)
Balance at 30 June 2014 (unaudited)	10	8,123	147	1,842	55,373	65,495	3,100	68,595

	Attributable to equity holders of the Company							
	Share capital HK$'000	Capital reserve HK$'000	Share based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013 (audited)	–	8,123	–	2,371	56,463	66,957	1,099	68,056
Comprehensive income								
Profit for the period	–	–	–	–	16,643	16,643	514	17,157
Other comprehensive income								
Currency translation differences	–	–	–	282	–	282	73	355
Total comprehensive income for the period	–	–	–	282	16,643	16,925	587	17,512
Balance at 30 June 2013 (unaudited)	–	8,123	–	2,653	73,106	83,882	1,686	85,568

The notes on pages 18 to 39 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	(Unaudited) Six months ended 30 June 2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations		**16,360**	18,298
Income tax (paid)/refund		**(2,079)**	1,010
Net cash generated from operating activities		**14,281**	19,308
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(35,304)**	(7,634)
Proceeds from disposal of property, plant and equipment		**205**	14
Reinstatement costs paid for shop and office premises		**(270)**	(64)
Advances to related companies		**(36,127)**	(12,100)
Decrease in restricted cash		**3,448**	4,017
Acquisition of a subsidiary, net of cash and cash equivalents acquired	7	**(531)**	–
Interest received		**932**	3,087
Advances to directors		**–**	(6,267)
Net cash used in investing activities		**(67,647)**	(18,947)
Cash flows from financing activities			
Proceeds from bank borrowings		**131,002**	83,519
Proceeds from obligation under finance leases		**57**	–
Repayment of bank borrowings		**(108,517)**	(62,519)
Share issuance costs		**(863)**	–
Proceeds from issuance of ordinary shares		**10**	–
Dividend paid		**(14,660)**	–
Interest paid		**(3,147)**	(2,007)
Net cash generated from financing activities		**3,882**	18,993
Net (decrease)/increase in cash and cash equivalents		**(49,484)**	19,354
Effect of currency translation difference		**(508)**	185
Cash and cash equivalents at beginning of the period		**64,731**	22,783
Cash and cash equivalents at end of the period		**14,739**	42,322
Cash and cash equivalents comprise:			
Cash and cash equivalents in the condensed consolidated interim statement of financial position		**39,328**	46,372
Bank overdrafts (included in bank borrowings in the condensed consolidated interim statement of financial position)		**(24,589)**	(4,050)
		14,739	42,322

The notes on pages 18 to 39 form an integral part of this condensed consolidated interim financial information.

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

Hung Fook Tong Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 10 January 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group (together the "Group") are principally engaged in the retail, wholesale and distribution of bottled drinks, other herbal products and snacks in Hong Kong and in the People's Republic of China ("PRC") (the "Business").

The Company has listed its shares on the Stock Exchange of Hong Kong Limited on 4 July 2014.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated and was approved for issue on 26 August 2014.

This condensed consolidated interim financial information has not been audited.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Business was carried out by companies now comprising the Group other than Taclon Industries Limited ("Taclon") which was acquired by the Group on 26 March 2014 (collectively the "Operating Companies"). The Operating Companies were collectively controlled by Ms. Wong Pui Chu ("Ms. Wong"), Mr. Tse Po Tat ("Mr. PT Tse") and Mr. Kwan Wang Yung ("Mr. Kwan") (the "Controlling Shareholders").

In preparation for listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation to transfer the Business to the Company principally through the following steps:

On 10 January 2014, the Company was incorporated in the Cayman Islands. Upon incorporation, one share of the Company was allotted and issued to Ms. Wong.

On 17 January 2014, Hung Fook Tong Group Limited ("HFT (BVI)") was incorporated in the British Virgin Islands. On the same date, one share of HFT (BVI) was allotted and issued to the Company and it became a wholly-owned subsidiary of the Company.

On 14 March 2014, the Company allotted and issued 4,042 shares, 2,376 shares, 1,890 shares, 861 shares, 479 shares, 351 shares to a company wholly owned by Ms. Wong, a company wholly-owned by Mr. PT Tse, a company wholly-owned by Mr. Kwan, Mr. Tse Po Shing ("Mr. PS Tse"), a company wholly-owned by Dr. Szeto Wing Fu ("Dr. Szeto") and Mr. Wong Fat Mo ("Mr. Wong"), respectively, pursuant to a share swap agreement, as the consideration for the acquisition by HFT (BVI) for the entire shareholdings of the Operating Companies held by the Controlling Shareholders, Mr. PS Tse, Dr. Szeto and Mr. Wong. Upon the completion of the share swap, the Operating Companies became the wholly-owned subsidiaries indirectly held by the Company.

The Group's Reorganisation was completed on 14 March 2014 and thereafter, the Company became the holding company of the Group.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the combined financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and has been prepared under the historical cost convention.

As at 30 June 2014, the Group's current liabilities exceeded its current assets by HK$167,026,000. Included within net current liabilities were receipts in advance of HK$110,168,000, and bank borrowings of HK$23,726,000 due for repayment after 1 year which contain repayable on demand clause as at 30 June 2014. On 4 July 2014, the Company listed its shares on The Stock Exchange of Hong Kong Limited and raised net proceeds of HK$199,129,000.

In preparing the condensed consolidated interim financial information, the directors have taken into account all information that could reasonably be expected to be available, and consider that (i) the receipts in advance are not expected to be settled in cash under normal business circumstances; (ii) the relevant banks will not exercise their discretion to demand immediate repayment but allow such bank borrowings to be repaid in accordance with the scheduled dates set out in the relevant agreements; and (iii) the net proceeds from the listing had been received. Management and the directors consider the Group has sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due.

2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the Group's combined financial information for the years ended 31 December 2011, 2012 and 2013 in the Accountants' Report included in the listing prospectus of the Company dated 23 June 2014 ("Prospectus").

(i) Share based payments

The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(i) Share based payments (Continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Adoption of new accounting policy in the current interim period:

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretation are mandatory for the Group's financial year beginning 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement
HK(IFRIC)-Int 21	Levies

These amendments have no material impact to the Group's interim financial information and only results in changes in disclosures format.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(b) New and amended standards not yet adopted

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 11 (Amendment)	Joint Arrangements — Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKAS 16, HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (Amendment)	Defined Benefits Plans: Employee Contributions	1 July 2014
Annual improvements 2010–2012	Several HKFRS standards	1 July 2014
Annual improvements 2011–2013	Several HKFRS standards	1 July 2014

Management is in the process of making an assessment on the impact of these standards, amendments and interpretations to existing HKFRSs and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

3 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to as those that applied to the Accountant's Report included in Appendix IA to the Prospectus, except the addition on estimates applied on share based payment.

(i) Share based payment

The Group is required to expense its employees' share based compensation awards in accordance with HKFRS 2 "Share-based payment". The Group measures share based compensation cost based on the fair value on the grant date of each award. This cost is recognised over the period during which an employee is required to provide service in exchange for the award or the requisite service period, usually the vesting period, and is adjusted for actual forfeitures that occur before vesting. In order to assess the fair value of share based compensation, the Group is required to use certain assumptions, including the probability of reaching the market performance, if any, and financial results targets, the forfeitures and the service period of each employee. The use of different assumptions and estimates could produce materially different estimated fair values for the share based compensation awards and related expenses.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant's Report included in Appendix IA to the Prospectus.

There have been no changes in the risk management or in any risk management policies since the year end.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities except for the increase in bank borrowing of HK$40,000,000 through acquisition of a subsidiary (Note 7) which initially had a term of 5 years. Subsequent to 30 June 2014, the whole amount of this bank borrowing has been repaid.

4.3 Fair value estimation

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, amounts due from directors and related companies and cash and cash equivalents, and financial liabilities, including trade and bill payables, other payables, amounts due to related companies, bank borrowings and obligation under finance leases, approximate their fair values due to their short maturities.

5 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a customer perspective and assesses the performance of the operating segments based on the segment assets, segment revenue and segment results for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this condensed consolidated interim financial information.

The management has identified three reportable segments based on the Group's major customer types, namely the (i) Hong Kong Retail; (ii) PRC Retail and (iii) Wholesale.

Segment assets consist primarily of property, plant and equipment, investment property, leasehold land and land use right, inventories, trade receivables, prepayments, deposits and other receivables, pledged deposits and cash and cash equivalents. They exclude deferred income tax assets, amounts due from related companies and directors and assets used for corporate functions. Capital expenditure comprises additions (including those through acquisition of a subsidiary) to property, plant and equipment and leasehold land and land use right.

Geographically, the management considers the retail, wholesale, distribution of bottled drinks, other herbal products and snacks are mainly located in Hong Kong and the PRC, which the revenue and segment results are determined by the geographical location in which the customer is operated. The assets are determined based on where the assets are located.

5 REVENUE AND SEGMENT INFORMATION (Continued)

Unallocated corporate expenses, finance income and costs, listing-related expenses, share based compensation expenses and income tax expenses are not included in segment results.

There is no single external customer that contributed more than 10% revenue to the Group's revenue for the six months ended 30 June 2014 and 2013 respectively.

The segment information provided to the executive directors for the six months ended 30 June 2014 and 2013 are as follows:

	(Unaudited) Six months ended 30 June 2014			
	Hong Kong Retail HK$'000	PRC Retail HK$'000	Wholesale HK$'000	Total HK$'000
Segment revenue	237,628	10,100	123,417	371,145
Less: Inter-segment revenue	(2,361)	–	(3,841)	(6,202)
Revenue from external customers	235,267	10,100	119,576	364,943
Segment results	43,390	(2,114)	11,417	52,693
Corporate expenses				(22,315)
Finance costs, net				(2,215)
Listing-related expenses				(16,606)
Share based compensation expenses				(147)
Profit before income tax				11,410
Income tax expense				(6,573)
Profit for the period				4,837
Other segment items:				
Capital expenditure	202,942	1,448	3,027	207,417
Depreciation	6,366	1,162	2,857	10,385
Interest income	642	10	280	932

5 REVENUE AND SEGMENT INFORMATION (Continued)

	(Unaudited) Six months ended 30 June 2013			
	Hong Kong Retail HK$'000	PRC Retail HK$'000	Wholesale HK$'000	Total HK$'000
Segment revenue	186,167	11,668	101,548	299,383
Less: Inter-segment revenue	(1,689)	–	(4,317)	(6,006)
Revenue from external customers	184,478	11,668	97,231	293,377
Segment results	32,977	(1,692)	7,809	39,094
Corporate expenses				(17,871)
Finance income, net				1,080
Profit before income tax				22,303
Income tax expense				(5,146)
Profit for the period				17,157
Other segment items:				
Capital expenditure	3,743	974	2,917	7,634
Depreciation	5,024	1,236	1,771	8,031
Interest income	2,930	–	157	3,087

The segment assets as at 30 June 2014 and 31 December 2013 are as follows:

	Hong Kong Retail HK$'000	PRC Retail HK$'000	Wholesale HK$'000	Elimination HK$'000	Total HK$'000
As at 30 June 2014					
Segment assets	**295,119**	**12,767**	**190,491**	**(12,484)**	**485,893**
Amounts due from related companies					**435**
Tax recoverable					**874**
Deferred income tax assets					**4,691**
Total assets					**491,893**
As at 31 December 2013					
Segment assets	111,847	13,521	164,392	(5,959)	283,801
Amounts due from related companies					103,867
Amounts due from directors					43,338
Tax recoverable					480
Deferred income tax assets					4,692
Total assets					436,178

The eliminations between the reportable segments are intercompany receivables and payables between the operating segments.

6 REVENUE, OTHER INCOME AND OTHER GAINS, NET

The Group's revenue, other income and other gains, net recognised during the six months period are as follows:

	(Unaudited) Six months ended 30 June 2014 HK$'000	(Unaudited) Six months ended 30 June 2013 HK$'000
Revenue		
Sale of goods	**357,325**	288,069
Service income	**13**	41
Revenue recognised upon expiry of pre-paid coupons and cards	**7,605**	5,267
	364,943	293,377
Other income		
Rental income	**132**	121
Franchise income	**77**	181
Others	**345**	138
	554	440
Other gains, net		
Gains on disposal of property, plant and equipment	**140**	7

7 ACQUISITION OF A SUBSIDIARY

On 26 March 2014, Hung Fook Tong Group Limited ("HFT BVI"), a subsidiary of the Group, entered into an agreement with Hung Fook Tong Industrial Company Limited ("HFT Industrial"), a related company to the Group under which HFT BVI agreed to acquire 100% equity interests in Taclon Industries Limited ("Taclon") ("Taclon Acquisition") for a total consideration of HK$82.6 million. The major asset of Taclon is a leasehold property in Tai Po Industrial Estate which the Group plans to use to replace its existing Tsuen Wan production facility, the lease for which will be expired in December 2014, and to further expand the Group's production capacity. The directors considered that the Taclon Acquisition was not an acquisition of any business but was an acquisition of long-term leasehold of the production facility premises and the equipment located thereon through the acquisition of Taclon, and has been accounted for an acquisition of assets. The Taclon Acquisition was completed on 26 March 2014. The consideration of the Taclon Acquisition was fully settled and set-off against the amounts respectively due from HFT Industrial, other related companies and directors.

The net assets acquired by the Group in the above transaction are as follows:

	HK$'000
Leasehold land and land use right	33,700
Property, plant and equipment	131,783
Prepayments, deposits and other receivables	131
Cash and cash equivalents	(531)
Amounts due to related companies	(41,410)
Accruals and other payables	(1,105)
Bank borrowings	(40,000)
	82,568
Satisfied by:	
Amounts due from HFT Industrial, other related companies and directors	82,568

An analysis of the cash flows in respect of the of Taclon Acquisition is as follows:

	HK$'000
Inflow of cash to acquire a subsidiary	
Cash and cash equivalents in subsidiary acquired	(531)

8 EXPENSES BY NATURE

	(Unaudited) Six months ended 30 June 2014 HK$'000	2013 HK$'000
Cost of inventories sold	**118,611**	96,768
Operating lease rental in respect of retail outlets		
— Minimum rental	**38,710**	34,754
— Contingent rental	**796**	730
Operating lease rental in respect of storage spaces and office premises	**8,351**	6,579
Advertising and promotional expenditure	**14,176**	10,240
Depreciation of property, plant and equipment (Note 12)	**10,169**	8,016
Depreciation of leasehold land and land use right (Note 13)	**201**	–
Depreciation of investment property (Note 12)	**15**	15
Communication and utilities	**13,831**	10,539
Employee benefit expenses (including directors' emoluments)	**96,541**	78,055
Provision for obsolete inventories	**404**	25
Legal and professional fees	**932**	570
Auditors' remuneration	**1,551**	778
Repair and maintenance expenses	**2,357**	1,137
Transportation and distribution expenses	**14,215**	12,947
Listing-related expenses	**16,606**	–
Share based compensation expenses	**147**	–
Others	**14,399**	11,448
Total cost of sales, selling and distribution costs and administrative expenses	**352,012**	272,601

9 INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise income tax ("EIT") has been provided at the rate of 16.5% and 25%, respectively (30 June 2013: 16.5% and 25% respectively).

The amount of income tax expense charged to the condensed consolidated interim statement of comprehensive income represents:

	(Unaudited) Six months ended 30 June 2014 HK$'000	2013 HK$'000
Current income tax		
— Hong Kong profits tax on profit for the period	**4,234**	3,470
— PRC EIT on profit for the period	**2,339**	1,676
Income tax expense	**6,573**	5,146

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**4,442**	16,643
Weighted average number of ordinary shares in issue (thousands)	**474,000**	474,000
Basic earnings per share (HK cents)	**0.94**	3.51

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by 1,000,000 ordinary shares issued on incorporation and pursuant to the Reorganisation and 473,000,000 ordinary shares under capitalisation, which is deemed to be issued at the beginning of the earliest period presented in the condensed consolidated interim financial information.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has share options which may result in dilutive potential ordinary shares. Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the six months ended 30 June 2014 and 2013 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

During the six months ended 30 June 2014, the Group incurred listing-related expenses and share based compensation expenses related to pre-IPO share options scheme. As these expenses are one-off and non-recurring in nature, management are of the opinion that to enable an investor to better understand the Group's results, it is meaningful to present the following reconciliation of earnings per share based on profit attributable to equity holders of the Company excluding listing-related expenses and share based compensation expenses related to pre-IPO share options scheme. These adjusting items are not considered to be indicators of the Group's operating performance.

10 EARNINGS PER SHARE (Continued)

	(Unaudited) Six months ended 30 June 2014 HK$'000	2013 HK$'000
Profit attributable to equity holders of the Company	**4,442**	16,643
Adjustments for:		
Listing-related expenses	**16,606**	–
Share based compensation expenses in relation to pre-IPO share options scheme	**147**	–
Adjusted profit attributable to equity holders of the Company excluding listing-related expenses and share based compensation expenses related to pre-IPO share options scheme	**21,195**	16,643
Adjusted basic earnings per share excluding listing-related expenses and share based compensation expenses related to pre-IPO share options scheme (HK cents)	**4.47**	3.51

Adjusted diluted earnings per share for the six months ended 30 June 2014 and 2013 equal adjusted basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

11 DIVIDENDS

	(Unaudited) Six months ended 30 June 2014 HK$'000	2013 HK$'000
Dividends declared and paid	**40,000**	–

On 11 June 2014, an interim dividend of HK$40,000,000 was declared and paid by the Company to the then shareholders of the Company pursuant to the resolution of the first extraordinary general meeting for 2014.

12 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

12.1 Property, plant and equipment

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
At 1 January	**44,505**	38,199
Additions	**41,934**	7,634
Acquisition of a subsidiary (Note 7)	**131,783**	–
Disposals	**(64)**	(7)
Depreciation (Note 8)	**(10,169)**	(8,016)
Exchange difference	**(351)**	97
At 30 June	**207,638**	37,907

The acquisition of Taclon in March 2014 resulted in increase in buildings, leasehold improvements, furniture and fixtures, plant and machinery, motor vehicles and construction in progress of the Group.

12.2 Investment property

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
At 1 January	**858**	887
Depreciation (Note 8)	**(15)**	(15)
At 30 June	**843**	872

Investment property situated in Hong Kong is held under lease of over 50 years and rented out under operating lease. The investment property has been pledged to secure general facilities granted to the Company.

13 LEASEHOLD LAND AND LAND USE RIGHT

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
At 1 January	**–**	–
Acquisition of a subsidiary (Note 7)	**33,700**	–
Depreciation (Note 8)	**(201)**	–
At 30 June	**33,499**	–

The acquisition of Taclon in March 2014 resulted in increase in leasehold land of the Group.

14 TRADE RECEIVABLES

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Trade receivables	**67,270**	68,158
Less: Provision for impairment of trade receivables	**(1,744)**	(1,744)
Trade receivables, net	**65,526**	66,414

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days. As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade receivables, based on invoice date, are as follows:

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Less than 30 days	**29,689**	31,585
31–90 days	**31,498**	27,042
Over 90 days	**4,339**	7,787
	65,526	66,414

15 SHARE CAPITAL

	Note	Number of shares	Ordinary shares HK$
Authorised:			
At 10 January 2014 (date of incorporation)	(a)	10,000	10,000
Increase in authorised share capital and subdivision of shares	(c)	999,990,000	9,990,000
At 30 June 2014 (Unaudited)		1,000,000,000	10,000,000
Issued and fully paid:			
At 10 January 2014 (date of incorporation)		1	1
Shares issued pursuant to the Reorganisation	(b)	9,999	9,999
Subdivision of shares	(c)	990,000	–
At 30 June 2014 (Unaudited)		1,000,000	10,000

15 SHARE CAPITAL (Continued)

(a) The Company was incorporated on 10 January 2014. As at the date of incorporation, the Company had an authorised share capital of HK$10,000, divided into 10,000 shares of HK$1.00 each. On the same date, one share was issued for cash at par to the initial subscriber, who subsequently transferred the said share to Ms. Wong.

(b) Shares issued pursuant to the Reorganisation:

(i) On 28 February 2014, Mr. Wong and the Company entered into a share swap agreement to implement part of the Reorganisation, pursuant to which the Company issued 351 Shares to Mr. Wong, in consideration for which Mr. Wong transferred his interest in Hung Fook Tong Holdings Limited ("HFT Holdings") to HFT BVI. The shares in the Company were issued for cash at par and credited as fully paid. Payment of such consideration had offset the amount payable by HFT BVI (being a wholly owned subsidiary of the Company), in its acquisition of such 5% issued share capital in HFT Holdings.

(ii) On 14 March 2014, each of Ms. Wong, Mr. PT Tse, Mr. Kwan, Mr. PS Tse, Dr. Szeto and the Company entered into a share swap agreement to implement part of the Reorganisation, pursuant to which the Company issued 4,042, 2,376, 1,890, 861 and 479 shares to each of Think Expert Investments Limited, YITAO Investments Limited, Prestigious Time Limited, Mr. PS Tse and Aolong Limited, (together, the "Shareholders"), respectively, in consideration for which each of Ms. Wong, Mr. PT Tse, Mr. Kwan, Mr. PS Tse and Dr. Szeto transferred their respective interests in HFT Holdings, Hung Fook Tong Services Limited ("HFT Services"), Hung Fook Tong International Limited ("HFT International") and Gold Work Limited ("Gold Work") (as applicable), to HFT BVI. The shares in the Company were issued for cash at par and credited as fully paid. Payment of such consideration had offset the amount payable by HFT BVI (being a wholly-owned subsidiary of the Company), in its acquisition of the shares in HFT Holdings, HFT Services, HFT International and Gold Work.

(c) On 11 June 2014, the Shareholders resolved that (i) each share of HK$1.00 in the share capital of the Company was subdivided into 100 shares of HK$0.01 each; and (ii) the authorised share capital of the Company was increased to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each.

(d) Pursuant to the written resolution passed by the Shareholders on 11 June 2014, conditional on the share premium account of the Company being credited as a result of the global offering, the directors were authorised to capitalise an amount of HK$4,730,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 473,000,000 shares for allotment and issue to the Shareholders in proportion to their respective shareholdings.

16 SHARE BASED PAYMENTS

A pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was approved and adopted by the shareholders of the Company on 11 June 2014 (the "Adoption Date"). Another share option scheme ("Share Option Scheme") was also approved on the same date, 11 June 2014 by the shareholders of the Company. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme (where applicable) except for the following principal terms:

(a) Subscription price per share

For Pre-IPO Share Option Scheme, the subscription price per share shall be HK$1.0;

For Share Option Scheme, the subscription price per share shall be determined by the Board of Directors and notified to the grantee at the time of offer of the option.

(b) Duration of the share option schemes

For shares granted under Pre-IPO Share Option Scheme, the options will lapse automatically if the listing of the Company does not take place by 31 December 2014.

For Share Option Scheme, the scheme shall be valid and effective for a period of 10 years from the 11 June 2014, being the date which the scheme was conditionally approved and adopted.

Pursuant to the Schemes, the Board of Directors may, at its discretion, grant share options to any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or their trustee subject to the terms and conditions stipulated therein.

Movements in the number of share options of the Pre-IPO Share Option Scheme outstanding and the average exercise prices are as follows:

	(Unaudited) 2014	
	Average exercise price in HK$ per share	Number of shares under options (in thousands)
At 1 January	–	–
Granted	1.0	12,636
At 30 June	1.0	12,636

On 11 June 2014, options over 12,636,000 shares were conditionally granted under the Pre-IPO Share Option Scheme and the exercisable period is from 4 January 2015 (six months following the listing date of the Company) to 4 July 2017.

The significant inputs into the model were share price of HK$1.3 (being the upper-point of the Company's offer price range), volatility of the underlying stock of 33% (being the volatility of the stock returns of listed companies in the beverage industry in Hong Kong), risk-free interest rate of 0.82% (being the yield of 3-year fund note issued by the Hong Kong Monetary Authority) and suboptimal exercise factor of 2.88 (being the factor to account for the early exercise behavior of the share option). Options are conditional on the employees completing six months' service (the vesting period).

16 SHARE BASED PAYMENTS (Continued)

The fair value of options granted during the six months ended 30 June 2014 determined using the Binomial Option valuation model was HK$5,528,000 of which HK$147,000 had been recognised as an expense in the income statement during the period ended 30 June 2014.

17 TRADE AND BILL PAYABLES

At 30 June 2014 and 31 December 2013, the ageing analysis of the trade and bill payables, based on invoice date, are as follows:

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
0–30 days	**19,888**	33,564
31–60 days	**8,262**	438
61–90 days	**3,509**	75
Over 90 days	**4,195**	786
	35,854	34,863

18 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Accruals for employee benefit expenses	**18,260**	19,246
Accruals for marketing and promotional expenses	**3,777**	2,933
Accruals for sales rebate	**221**	994
Rental and other store expenses payable	**11,927**	11,192
Office and utilities expenses payable	**4,288**	3,057
Deferred revenue	**332**	332
Other accruals and other payables	**31,649**	9,632
	70,454	47,386

19 PROVISION FOR REINSTATEMENT COSTS

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Non-current		
Provision for reinstatement costs	**1,531**	1,540
Current		
Provision for reinstatement costs	**4,347**	3,730
	5,878	5,270

Movements on the Group's provision for reinstatement costs are as follows:

	(Unaudited) Six months ended 30 June	
	2014 HK$'000	2013 HK$'000
At 1 January	**5,270**	5,244
Additional provision during the period	**894**	68
Actual cost paid	**(270)**	(64)
Reversal of provision	**(16)**	(6)
At 30 June	**5,878**	5,242

20 RECEIPTS IN ADVANCE

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Receipts in advance	**110,168**	105,521

20 RECEIPTS IN ADVANCE (Continued)

Movements on the Group's receipts in advance are as follows:

	Note	(Unaudited) Six months ended 30 June 2014 HK$'000	2013 HK$'000
At 1 January		**105,521**	73,222
Sales of pre-paid coupons and credits during the period	(a)	**140,082**	115,756
Revenue recognised upon the redemption of products by customers	(b)	**(127,781)**	(92,103)
Revenue recognised upon expiry of pre-paid coupons and credits	(c)	**(7,605)**	(5,267)
Exchange differences		**(49)**	26
At 30 June		**110,168**	91,634

Note:

(a) The amounts represent receipts from sales of herbal drinks and other pantry product during the years which are settled via credit cards, Electronic Payment System ("EPS") and cash.

(b) The amounts represent revenue recognised in condensed consolidated interim statement of comprehensive income as a result of redemption of products by customers during the period.

(c) The amounts represent revenue recognised in condensed consolidated interim statement of comprehensive income for prepaid coupons and credits expired in accordance with the contractual periods stipulated in the respective terms and conditions.

21 BANK BORROWINGS

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Non-current	**46,931**	23,029
Current	**140,292**	77,127
	187,223	100,156

Movements in bank borrowings and bank overdrafts are analysed as follows:

	(Unaudited) Six months ended 30 June 2014 HK$'000	2013 HK$'000
At 1 January	**100,156**	116,907
Repayments of bank borrowings and bank overdrafts	**(108,517)**	(78,935)
Proceeds from bank borrowings and bank overdrafts	**155,584**	83,519
Acquisition of a subsidiary	**40,000**	–
At 30 June	**187,223**	121,491

21 BANK BORROWINGS (Continued)

The bank borrowings facilities granted to the Group are secured by the following:

(a) A legal charge on the properties of a related company;

(b) Joint and several personal guarantees executed by certain directors of the Company;

(c) Corporate guarantees given by certain subsidiaries of the Group;

(d) An assignment of rental for the premises of a related company;

(e) Pledge of time deposit;

(f) Pledge of investment property (Note 12);

The carrying amounts of bank borrowings approximate their fair values.

The weighted average interest rates are 4.2% and 4.1% as at 30 June 2014 and 31 December 2013, respectively.

Interest expense on borrowings and loans for the six months ended 30 June 2014 is HK$3,147,000 (30 June 2013: HK$2,007,000).

22 CONTINGENT LIABILITIES

(i) Taclon, a subsidiary of the Company, is involved in a potential litigation the claim of which amounted to approximately HK$10.3 million (the "Alleged Debt"). It is the understanding of the directors of the Company that the Alleged Debt is a personal debt belongs to a Taclon's ex-director. The directors of the Company are of the view that the Taclon did not or does not owe the claimant the Alleged Debt and will vigorously defend the Taclon's position in the legal proceeding. Moreover, HFT Industrial had confirmed, covenant and undertaken to indemnify and keep indemnified fully Taclon against any cost, loss or damages arising from the litigation.

(ii) Taclon has several pending litigations and claims with its former employees of which provision of approximately HK$1,000,000 has been provided as at 31 December 2013 and 30 June 2014.

23 RELATED-PARTY TRANSACTIONS

In addition to the related party information and transactions disclosed elsewhere in the condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties.

(a) Transactions with related companies

(i) Continuing transactions

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Rental expenses paid for office premises		
— Action Rich Investment Limited	**270**	270
Logistic services expenses		
— A.P. Logistics Co., Limited	**230**	832
Purchase of bottled water		
— Aqua Pure Distilled Water Company Limited	**325**	269
Production services fee		
— Aqua Pure Distilled Water Company Limited	**153**	–

(ii) Non-continuing transactions

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Interest income received		
— Action Rich Investment Limited	**–**	54
— Hung Fook Tong Industrial Co. Limited	**706**	1,927
	706	1,981
Consultancy fee paid		
— Charter Firm Development Limited	**–**	36

These transactions were made on terms mutually agreed by the relevant parties.

(b) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,267**	4,975
Pension costs	**101**	98
Share based compensation expenses	**47**	–
	6,415	5,073

24 COMMITMENTS

(a) Operating leases commitments

As lessee

The Group had future aggregate minimum lease payments in relation of retail outlets, storage spaces and office premises under non-cancellable operating lease as follows:

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Not later than 1 year	**79,597**	65,661
Later than 1 year and no later than 5 years	**99,363**	61,036
	178,960	126,697

The leases have varying terms and escalation clauses. The operating lease rentals of certain outlets are based on the higher of a minimum guaranteed rental or a sales-level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

(b) Capital commitments

The Group had the following capital expenditure contracted but not yet incurred and provided for:

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Contracted but not provided for property, plant and equipment	**17,160**	3,441

25 SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2014:

In connection with the global offering completed on 4 July 2014 and the exercise of the over-allotment option completed on 26 July 2014 respectively, the Company issued a total 181,700,000 shares at a price of HK$1.3 per share for a total subscription price (before related fees and expenses) of HK$236,210,000. The net proceeds after the related fees and expenses were HK$199,129,000.

The Board intends to use the net proceeds for (i) opening of new retail shops in Hong Kong and Mainland China (ii) promotion and marketing (iii) improving our information system (iv) recruitment of new staff for expansion and enhancement of operational efficiency (v) expansion of our distribution network for indirect sales in Mainland China (vi) repayment of part of the bank borrowing and (vii) as working capital and other general corporate purposes.

INTERIM DIVIDEND

Before the shares of the Company were listed on the Stock Exchange, a dividend amounting HK$40,000,000 was declared at a Board meeting held on 11 June 2014 and was paid out of the internal resources to the then shareholders of the Company on the same day. The Board has resolved not to declare further interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the shares of the Company were listed on the Stock Exchange on 4 July 2014, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance ("SFO") as at 30 June 2014.

Immediately after the listing of the Company and the exercise of the over-allotment option as described in the prospectus of the Company dated 23 June 2014, the interests and short positions of the directors of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be disclosed, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") were as follows:

Interest in Shares of the Company

Name of Director	Nature of Interest	Number of Shares	Approximate Percentage of total issued shares (%)
Ms. Wong Pui Chu (Note 1 & 2)	Interests held jointly with other persons; interest in a controlled corporation	393,846,600 (L)	60.07
Mr. Tse Po Tat (Note 1 & 3)	Interests held jointly with other persons; interest in a controlled corporation	393,846,600 (L)	60.07
Mr. Kwan Wang Yung (Note 1 & 4)	Interests held jointly with other persons; interest in a controlled corporation	393,846,600 (L)	60.07
Mr. Tse Po Shing (Note 5)	Beneficial interest	40,811,400 (L)	6.22
Dr. Szeto Wing Fu (Note 6)	Interest in a controlled corporation	22,704,600 (L)	3.46

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Interest in Shares of the Company (Continued)

Notes:

The letter "L" denotes a director's "long position" in such shares.

(1) Pursuant to a deed of confirmation dated 27 March 2014 executed by Ms. Wong Pui Chu, Mr. Tse Po Tat and Mr. Kwan Wang Yung (the "Controlling Shareholders"), the Controlling Shareholders have agreed to jointly control their respective interests in the Company. Decisions as to the business and operations of the Group shall be made in accordance with the unanimous consent of all the Controlling Shareholders. Each of the Controlling Shareholders shall exercise their respective voting rights in the Company in the same way. Hence, each of the Controlling Shareholders is deemed to be interested in all the Shares held by the Controlling Shareholders in aggregate by virtue of the SFO.

(2) The Company is directly owned as to 29.23% (being 191,638,200 shares) by Think Expert Investments Limited ("Think Expert"). By virtue of her 100% shareholding of Think Expert, Ms. Wong Pui Chu is deemed to be interested in the same number of Shares held by Think Expert.

(3) The Company is directly owned as to 17.18% (being 112,622,400 shares) by YITAO Investments Limited ("YITAO"). By virtue of his 100% shareholding of YITAO, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by YITAO.

(4) The Company is directly owned as to 13.66% (being 89,586,000 shares) by Prestigious Time Limited ("Prestigious Time"). By virtue of his 100% shareholding of Prestigious Time, Mr. Kwan Wang Yung is deemed to be interested in the same number of Shares held by Prestigious Time.

(5) Mr. Tse Po Shing is the brother of Mr. Tse Po Tat.

(6) The Company is directly owned as to 3.46% (being 22,704,600 shares) by Aolong Limited ("Aolong"). By virtue of his 100% shareholding of Aolong, Dr. Szeto Wing Fu is deemed to be interested in the same number of Shares held by Aolong.

Same as disclosed above, as at the date of this interim report, none of the directors nor chief executive of the Company had registered an interest or a short position in any share or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As the shares of the Company were listed on the Stock Exchange on 4 July 2014, the Company was not required to keep any register under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2014.

Immediately following the listing of the Company, so far as the directors are aware, the following persons (other than the directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Interest in Shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares	Approximate Percentage of total issued shares (%)
Think Expert (Note 1)	Interests held jointly with other persons; Beneficial interest	393,846,600 (L)	60.07
YITAO (Note 2)	Interests held jointly with other persons; Beneficial interest	393,846,600 (L)	60.07
Ms. Chan Suk Hing Comita (Note 3)	Interest of spouse	393,846,600 (L)	60.07
Prestigious Time (Note 4)	Interests held jointly with other persons; Beneficial interest	393,846,600 (L)	60.07
Mrs. Kwan Chan Lai Lai (Note 5)	Interest of spouse	393,846,600 (L)	60.07
Ms. Chiu Lai Lin (Note 6)	Interest of spouse	40,811,400 (L)	6.22

Notes:

The letter "L" denotes a substantial shareholder's "long position" in such shares.

(1) The interest of Think Expert was disclosed as the interest of Ms. Wong Pui Chu in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares".

(2) The interest of YITAO was disclosed as the interest of Mr. Tse Po Tat in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares".

(3) Ms. Chan Suk Hing Comita is the spouse of Mr. Tse Po Tat and is therefore deemed to be interested in the shares that Mr. Tse Po Tat is interested in under the SFO.

(4) The interest of Prestigious Time was disclosed as the interest of Mr. Kwan Wang Yung in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares".

(5) Mrs. Kwan Chan Lai Lai is the spouse of Mr. Kwan Wang Yung and is therefore deemed to be interested in the shares that Mr. Kwan Wang Yung is interested in under the SFO.

(6) Ms. Chiu Lai Lin is the spouse of Mr. Tse Po Shing and is therefore deemed to be interested in the shares that Mr. Tse Po Shing is interested in under the SFO.

Same as disclosed above, the directors are not aware of any other corporation or individual (other than the directors or chief executive of the Company) who, immediately following the listing of the Company, had registered an interest or a short positions in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2014. As at the date of this interim report, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 63,200,000 shares, being 10% of the total number of shares in issue at the time dealings in the shares first commence on the Stock Exchange. The total number of shares issued and to be issued upon the exercise of the options granted or to be granted under the Share Option Scheme and any other schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants to (1) motivate the eligible participants to optimize their performance and efficiency for the benefit of the Group; and (2) attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group. The Board may, at its discretion, grant an option to the eligible participants to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years from its effective date. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

The Board confirms that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. As at the date of this interim report, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme.

PRE-IPO SHARE OPTION SCHEME

On 11 June 2014, the Company adopted a Pre-IPO Share Option Scheme, pursuant to which on 16 June 2014 the Company granted the Pre-IPO share options to subscribe for an aggregate of 12,636,000 shares in the Company to certain employees, executives and officers of the Group.

Name of Grantee	At 1 January 2014	Date of Grant	Exercisable Period	Exercise Price (HK$)	At 30 June 2014	Fair Value per Share at Date of Grant (Note 1)
Chan Hiu Cheuk (Note 2)	–	16.06.2014	04.01.2015–04.07.2017	1.00	450,000	0.44
Tse Kei Tai (Note 3)	–	16.06.2014	04.01.2015–04.07.2017	1.00	20,000	0.44
					470,000	
Other employees	–	16.06.2014	04.01.2015–04.07.2017	1.00	12,166,000	0.44

Notes:

(1) The fair value of the share options granted is estimated based on Binomial Model.

(2) Mr. Chan Hiu Cheuk is the son of Ms. Wong Pui Chu, one of the Controlling Shareholders and an executive director.

(3) Mr. Tse Kei Tai is the son of Mr. Tse Po Tat, one of the Controlling Shareholders and an executive director.

PRE-IPO SHARE OPTION SCHEME (Continued)

The Pre-IPO share options granted under the Pre-IPO Share Option Scheme shall become exercisable 6 months following the date of the listing of the shares of the Company at an exercise price of HK$1.00 per share. The Pre-IPO share options that are not exercised by the grantees prior to the third anniversary date of the date of the listing of the shares of the Company shall lapse and be deemed as cancelled and void. As at the date of this interim report, no Pre-IPO share option had been exercised by the grantees.

CORPORATE GOVERNANCE

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2014, the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the Reporting Period. The Company has adopted and complied with all the code provisions and, where applicable, the recommended best practices of CG Code as set forth in Appendix 14 of the Listing Rules, as its corporate governance code of practices upon listing on the Stock Exchange.

The Board is committed to maintaining high standard of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2014, the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules was not applicable to the Company during the Reporting Period. The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms based on the required standard set out in the Model Code upon listing. The Company has made specific enquiry with the directors and all directors have confirmed that they complied with the required standards as set out in the Code of Conduct throughout the period from the date of listing on 4 July 2014 up to the date of this interim report.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") which currently consists of three independent non-executive directors of the Company with written terms of reference which deal clearly with its authority and duties. Amongst the Audit Committee's principal duties is to review and supervise the Company's financial reporting process and internal control system of the Group, including the review of the unaudited interim financial information for the six months ended 30 June 2014.

PricewaterhouseCoopers, the external auditors of the Company, have reviewed the interim financial information for the six months ended 30 June 2014 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

On behalf of the Board of
Hung Fook Tong Group Holdings Limited
Tse Po Tat
Chairman

Hong Kong, 26 August 2014

As at the date of this interim report, the Board comprises Mr. Tse Po Tat, Ms. Wong Pui Chu, Mr. Kwan Wang Yung and Dr. Szeto Wing Fu as Executive Directors, Mr. Tse Po Shing as Non-Executive Director, and Mr. Kiu Wai Ming, Professor Sin Yat Ming and Mr. Andrew Look as Independent Non-Executive Directors.

HUNG FOOK TONG

Hung Fook Tong Group Holdings Limited

鴻福堂集團控股有限公司