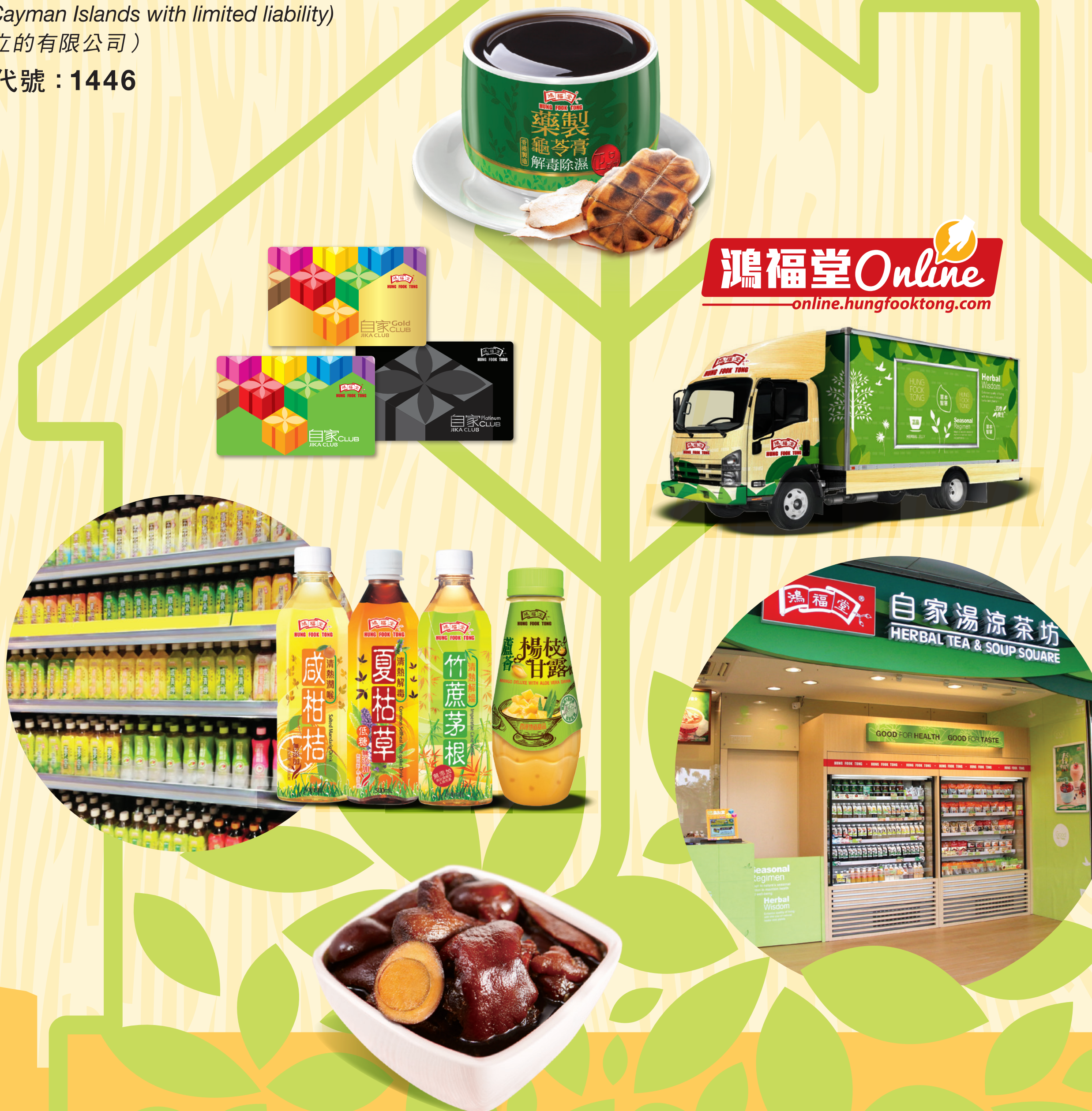
HUNG FOOK TONG

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



2017 INTERIM REPORT 中期報告

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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

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

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. KWAN Wang Yung *(Chairman)*
Ms. WONG Pui Chu
Dr. SZETO Wing Fu

AUTHORIZED REPRESENTATIVES

Mr. KWAN Wang Yung
Dr. SZETO Wing Fu

COMPANY SECRETARY

Mr. LAU Siu Ki

AUDITOR

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

11 Dai King Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

COMPANY WEBSITE

www.hungfooktong.com

STOCK CODE

1446

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2017 ("1H2017"), the retail sector continued to be challenging in Hong Kong and Mainland China, though signs that the two markets have bottomed out are beginning to emerge. In Hong Kong, retail sales value of the market fell 0.6% in 1H2017 as compared to the same period of last year ("1H2016"), whereas for the month of June 2017, sales value was up 0.1%, marking the fourth straight month of growth for the retail sector. In Mainland China, retail sales of consumer goods grew 10.4% in 1H2017, with the pace slightly faster than 10.0% for the first quarter.

Owing to strong brand recognition in Hong Kong, and an improving wholesale business, the Group recorded revenue of HK$355.8 million as at 1H2017 (1H2016: HK$347.9 million), representing a year-on-year increase of 2.3%. Gross profit increased by 3.0% to HK$223.0 million (1H2016: HK$216.4 million), while gross profit margin rose modestly to 62.7% (1H2016: 62.2%) owing to enhanced procurement procedures and effective cost control measures. As a result, profit attributable to owners of the Company increased to HK$3.0 million (1H2016: HK$1.4 million), with a turnaround achieved in the wholesale segment.

BUSINESS SEGMENT ANALYSIS

Retail

The retail segment recorded revenue totalling HK$260.8 million in 1H2017 (1H2016: HK$258.9 million), representing a year-on-year increase of 0.8%. However, segment profit declined by 17.9% to HK$26.2 million (1H2016: HK$31.9 million), as retail shops faced higher operating costs.

Hong Kong

Revenue from the Hong Kong retail operation amounted to HK$254.8 million (1H2016: HK$251.9 million), up 1.2% year-on-year, and accounted for 71.6% of total revenue. The increase was primarily due to further expansion of the local retail network. Segmental profit of HK$27.5 million was recorded, down 20.6% from the preceding year (1H2016: HK$34.6 million), owing to the rise in labour cost, and an increase in rent resulting from a greater number of shops as well as renewal of leasing contracts.

As at 30 June 2017, the Group had a total of 117 self-operated shops in Hong Kong, having opened two new shops, located in the Central and Lam Tin MTR stations during 1H2017. The Group thus remained the largest herbal retailer in Hong Kong based on retail network size.

Besides operating a large retail network, the Group also has a diverse product portfolio that was further expanded with the introduction of more than 40 new or seasonal products during 1H2017. This included the Joyous Series (自家喜慶系列) which, partly due to the introduction of new products such as Organic Chicken Essence (有機滴雞精) and larger-size containers of Home-Made Stewed Pork Trotter and Ginger in Sweet Vinegar (自家豬腳薑醋), achieved double-digit year-on-year sales growth.

To continue to raise awareness and the stature of the Hung Fook Tong brand, the Group officially launched its food truck in Hong Kong in February 2017. The food truck has since been operating in eight designated tourist attractions in the city, and will continue to operate during the two-year Pilot Scheme. The management views the initiative as important not because of financial returns, but rather because the food truck will serve as a powerful tool for reinforcing the image of Hung Fook Tong as a wholesome local brand and trendsetter.

BUSINESS SEGMENT ANALYSIS (Continued)

Retail (Continued)

Hong Kong (Continued)

Yet another means of reaching out to the public, and particularly the Group's loyal customers, is via JIKA CLUB. During 1H2017, membership grew to over 690,000, among which included Platinum Members who are highly brand loyal and have significant spending power. The Group has also reached out to customers via new technologies, including its own mobile application which offers added convenience, facilitating greater spending. The Group has courted the corporate sector as well, leading to the securing of 1,300 corporate clients as at the end of 1H2017.

Mainland China

Revenue from the Mainland China retail operation contracted by 13.4% year-on-year to HK$6.0 million (1H2016: HK$7.0 million), owing to the further closure of underperforming shops. Such closures were also part of the management's efforts to re-allocate and optimise resources to strengthen its exposure in Guangdong where there is already significant public awareness of the Hung Fook Tong brand. Correspondingly, a new shop was opened in Guangzhou IFC shopping centre in January 2017. The Group had a total of 17 retail shops in the city as at 30 June 2017. In rationalising operations towards achieving the aforementioned objectives, segment loss further narrowed to HK$1.3 million (1H2016: loss of HK$2.7 million).

Wholesale

Revenue from the wholesale segment rose 6.6% year-on-year to HK$95.0 million (1H2016: HK$89.0 million), owing to improving conditions in both the Hong Kong and Mainland China markets. Moreover, profit achieved a turnaround, climbing to HK$3.3 million versus a loss of HK$8.0 million for the corresponding period last year. The positive development was achieved on the back of effective cost controls and lower advertising and promotion expenses as well as less listing fees (上架費) paid to third-party retailers, which is in contrast with 1H2016 when the Group was impacted due to the launch of new products.

Hong Kong

The Hong Kong wholesale business reported revenue of HK$57.9 million as at 1H2017 (1H2016: HK$53.0 million), an increase of 9.3% over the corresponding period of last year. The upturn was driven by closer cooperation with key accounts as well as the better performance of a key distributor.

During 1H2017, significant effort was placed on securing more retail outlets, including bakery shops and Asian supermarkets. Concerning the overseas markets, significant progress was duly achieved in Taiwan where the Group's Iced Lemon Tea Drink (凍檸茶) and Common Selfheal Fruit-spike Drink (夏枯草) became available from one of the largest convenience store chain operators, which has over 3,000 outlets in Taiwan.

Mainland China

The Mainland China wholesale operation was able to achieve income growth during 1H2017 despite the beverage industry suffering from fierce competition, generating revenue of HK$37.1 million (1H2016: HK$36.0 million) or a year-on-year increase of 2.8%. Such growth was primarily the result of imposing more stringent control over rebates and discounts granted to certain accounts, as well as the continuously improving markets of Guangzhou and Beijing.

The Group has maintained a strong presence in Mainland China, with a distribution network now covering 53 cities in 18 provinces as at 30 June 2017, and the number of distributors now totalling 73. During 1H2017, the Group continued to introduce more chilled drink products with higher margins like fresh herbal tea to key accounts in Guangzhou and Shanghai, achieving favourable response from the respective markets.

BUSINESS SEGMENT ANALYSIS (Continued)

Production Facilities

With plans to construct a new production facility in Kaiping City, Guangdong, the Group duly entered into construction contracts in March and July 2017. The aggregate amount of consideration of the construction contracts is RMB41.8 million (approximately HK$47.4 million). Payment of the consideration will be financed primarily by internal resources of the Group, and/or through bank borrowings. Construction of the Kaiping City plant is expected to be completed by April 2018. The new plant will enable the Group to support the rising demand for its products through highly automated and cost effective production. This in turn will translate into lower production cost in the long run.

PROSPECTS

The Hong Kong and Mainland China retail markets are beginning to stabilise, with recovery expected on the horizon. In Hong Kong market, retail sales is expected to record a mild growth of 1% this year, according to the Hong Kong Retail Management Association while in Mainland China market, retail sales is expected to grow 10% in 2017 as forecasted by the Ministry of Commerce. The management will nonetheless remain cautious, and will strive to maintain leadership in the Hong Kong retail market while carefully navigating through the Mainland China market. Controlling cost will therefore remain an important priority, as will the need to reinforce the image of Hung Fook Tong as a healthy, trustworthy and innovative brand. Even though the Hung Fook Tong Online platform is still in its infancy, it possesses potential and the management trusts that the platform can also play a valuable role in facilitating the Group's development – complementing the brick-and-mortar business in the future. To encourage its development, the management will introduce more customised products and services via the platform.

Retail

Hong Kong

As part of efforts to protect the Group's leading position in Hong Kong, the management will employ a prudent shop expansion strategy, as reflected by the opening of two retail points in a shopping mall in Tuen Mun and at the Kennedy Town MTR station respectively in the second half of 2017 ("2H2017"). In the meantime, the management will remain resolute in controlling rental cost by optimising the Hong Kong retail network.

Just as the management will judiciously expand the Group's retail presence, so too it will seek to sensibly drive same-store sales growth. Correspondingly, focus will be placed on promoting the Joyous Series (自家喜慶系列), particularly Organic Chicken Essence (有機滴雞精), by reaching out to the public via social media platforms. The Group will also introduce more vegetarian options to meet the preferences of this consumer segment. What is more, in July this year the Group introduced a payment function via its mobile application to facilitate electronic payment and the use of electronic coupons by its customers, which in turn will enhance operational efficiency and reduce printing costs in the long run. JIKA CLUB will also introduce member-engagement campaigns to encourage visits and greater spending at its retail chain.

Mainland China

In Mainland China, the management plans to introduce the Joyous Series (自家喜慶系列) and associated gift vouchers in 2H2017, aiming to replicate the success achieved in Hong Kong.

PROSPECTS (Continued)

Wholesale

Hong Kong

To further reinforce the Group's leading position in Hong Kong, during 1H2017, the management has recruited local celebrity Mr. Bob Cheung (張彥博) to serve as one of the brand ambassadors. He will be involved in a series of product awareness campaigns that the Group will employ to launch its newly packaged Sugarcane Juice Drink Series (甘蔗汁). In addition, the Group will also develop exclusive products with different key accounts so as to capture opportunities during the summer period, which is the traditional peak season.

Mainland China

The management would rather err on the side of caution in developing the Mainland China wholesale business given the fast-changing nature and competitiveness of the market. With the growing popularity of herbal drinks, sports drinks and ready-to-drink teas, the Group will duly cater for such demand by encouraging sales of associated products from its portfolio. The management will also leverage its competitive edges of "Made in Hong Kong" and high quality to enhance exposure, particularly with regard to chilled products, given the large number of players in the market.

In view of unique consumer preferences that can vary significantly from region to region in Mainland China, the management will develop a clear product portfolio that addresses such differences. It will also seek to deepen market penetration by way of securing new key accounts, which also opens to possibility for the Group to extend product coverage. And to directly entice consumers, the Group will introduce new products that have appealing packaging, such as Sparkling Salted Mandarin Drink (有氣鹹柑桔), Dessert with Coconut Milk, Mixed Beans and Milk (喳咋) and Passion Fruit with Honey Drink (百香果).

Besides reaching consumers through traditional channels, the Group will further leverage online retailers, which along with Yihaodian (一號店), Jingdong (JD.com, 京東) and sfbest.com (順豐優選), will now include Miss Fresh (每日優鮮) and a greater presence in Tmall (天貓) starting in 2H2017.

For the overseas market, the Group will seek to further strengthen its presence in the Taiwan market through closer cooperation with key accounts.

CONCLUSION

With a solid foundation built from three decades worth of industry experience and an iconic brand synonymous with quality, the Group will seek to capitalise on such strengths to promulgate the "3H" concept of "*Health, Herbal and Home*". This concept will be put into practice through the introduction of more innovative products to the market that are underpinned by traditional Chinese herbal wisdom. They will include more low-sugar and low-sodium options that capture opportunities from the health-conscious consumer segment. Through these and other efforts, the Group will strive to sustain its leading market position in Hong Kong and achieve a turnaround in Mainland China.

FINANCIAL REVIEW

Revenue

In 1H2017, the Group's revenue amounted to HK$355.8 million, representing an increase of 2.3% from HK$347.9 million in 1H2016. The increase was attributed to an increase of 1.2% in Hong Kong retail sales and 6.6% in wholesales, as a result of the continuous retail business expansion and the successful implementation of more effective measures in the granting of rebates and discounts in the wholesale segment.

Cost of Sales

In 1H2017, the Group's cost of sales amounted to HK$132.9 million, representing an increase of 1.0% from HK$131.5 million in 1H2016. As a percentage of revenue, cost of sales represented 37.3% and 37.8% in 1H2017 and 1H2016 respectively.

Gross Profit and Gross Profit Margin

In 1H2017, the Group's gross profit amounted to HK$223.0 million, representing an increase of 3.0% from HK$216.4 million in 1H2016. The Group's gross profit margin increased by 0.5 percentage point to 62.7% as compared to 62.2% in 1H2016. The increase was mainly due to the enhancement of procurement procedures and the successful implementation of cost control measures.

Staff Costs

In 1H2017, the Group's staff costs amounted to HK$115.3 million, representing an increase of 5.1% from HK$109.7 million in 1H2016. The increase was mainly due to the increase in retail shop staff salaries as shop number increased and office staff salary increment. The staff cost-to-revenue ratio was 32.4% as compared to 31.5% in 1H2016.

Rental Expenses

In 1H2017, the Group's rental expenses in relation to its retail shops amounted to HK$52.4 million, representing an increase of 9.6% from HK$47.9 million in 1H2016. The increase was primarily due to new shops leased during the period and the increase in rent upon renewal of leases. Rental expense-to-revenue ratio (Hong Kong and Mainland China) was 20.1% as compared to 18.5% in 1H2016.

Advertising and Promotional Expenditure

In 1H2017, the Group's advertising and promotional expenditure amounted to HK$13.2 million, representing a decrease of 4.9% from HK$13.9 million in 1H2016. This accounted for 3.7% and 4.0% respectively in percentage to revenue in 1H2017 and 1H2016. More marketing expenses had been incurred for the Group's 30th anniversary celebration in 1H2016.

FINANCIAL REVIEW (Continued)

Depreciation and Amortisation

In 1H2017, the depreciation and amortisation of the Group amounted to HK$15.9 million, representing a decrease of 6.9% from HK$17.1 million in 1H2016. This accounted for 4.5% and 4.9% respectively in percentage to revenue in 1H2017 and 1H2016.

Income Tax Expense

In 1H2017, the effective income tax rate of the Group decreased from 22.4% to 6.7% due to the utilisation of previously unrecognised tax loss.

Net Profit

Profit attributable to owners of the Company for the six months ended 30 June 2017 was HK$3.0 million, representing an increase of 114.1% from HK$1.4 million in 1H2016. The net profit margin (calculated as profit attributable to owners of the Company as a ratio of revenue) for six months ended 30 June 2017 was 0.9%, as compared to 0.4% in 1H2016. The increase is mainly due to effective operational management and increasing benefits derived from greater economies of scale.

Basic earnings per share for the six months ended 30 June 2017 amounted to HK0.46 cent, as compared to HK0.22 cent in 1H2016.

Capital Expenditure

During 1H2017, capital expenditure amounted to HK$11.5 million (1H2016: HK$9.4 million). This amount was used mainly for the opening of new shops, revamping of existing retail shops, purchase/replacement of production facilities in Mainland China and Tai Po plants, as well as construction of new production plant in Kaiping, China.

Liquidity and Financial Resources Review

The Group is liquidity and financially sound despite recording net current liabilities of HK$1.9 million as at 30 June 2017. Out of the total current liabilities of HK$247.1 million was non-refundable receipts in advance from customers of HK$133.8 million which will reduce gradually over the time of each redemption and are not expected to be settled in cash under normal business circumstances. During 1H2017, the Group continued to have strong cash flows generated from operating activities. As at 30 June 2017, the Group had bank deposits and cash of HK$135.9 million (31 December 2016: HK$132.2 million) and unutilized banking facilities of HK$88.2 million (31 December 2016: HK$103.2 million).

As at 30 June 2017, the gearing ratio of the Group was 0.25 (31 December 2016: 0.26), which was calculated based on total debts divided by total equity attributable to owners of the Company.

As at 30 June 2017, the Group had total banking facilities of HK$153.6 million (31 December 2016: HK$172.4 million) of which HK$65.4 million (31 December 2016: HK$69.2 million) has been utilised.

As at 30 June 2017, the Group had pledged bank deposit of HK$1.1 million (31 December 2016: HK$1.1 million). The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable it to continue business in a manner consistent with the short-term and long-term financial strategies of the Group.

FINANCIAL REVIEW (Continued)

Foreign Currency Risk

The Group operates mainly in Hong Kong and Mainland China and conducts the business primarily in Hong Kong dollar and Renminbi. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. The Group will continue to take proactive measures and monitor closely on its exposure to such currency movement.

Material Acquisitions, Disposals and Significant Investments

There were no material acquisitions, disposals and significant investments during the six months ended 30 June 2017.

Contingent Liabilities

(i) Taclon Industries Limited ("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, AC Alliance Investment Limited, a related company outside the Group, 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 the Directors consider an outflow of resources is not probable.

Human Resources

As at 30 June 2017, the Group employed approximately 1,428 employees. Remuneration was based on market price, individual qualification and experience, and there was discretionary bonus based on years of service and performance appraisal. In addition, the Group has also implemented share option schemes.

During the six months ended 30 June 2017, various training activities, such as orientation on both frontline and back office operations, customer services and sales skills, product knowledge (Herbal Ambassador Program) and retail operations, have been conducted to improve the quality of frontline services, as well as enhance customer experience and to ensure the smooth and effective operation of the Point-of-Sales ("POS") system. A supervisor trainee program for the production department was also implemented to attract talents, enhancing the leadership skills of the participants including their professional and managerial techniques as well as their knowledge in machinery monitoring and production processing.

The Group is committed to excellence in all of its pursuits, whether pertaining to the advancement of business objectives, development of staff or contributions to society. During 1H2017, the Group received the following awards in recognition of its efforts:

AWARD	ISSUER OF AWARD
Superbrands 2017	Superbrands
Hong Kong Service Awards 2017 – Outstanding Honorary Award	East Week
The Hong Kong Q-Mark Service Scheme	The Federation of Hong Kong Industries
10 Years Plus Caring Company Logo 2006-2017	The Hong Kong Council of Social Service
Happiness-at-Work 5 years+	The Hong Kong Productivity Council
Charter on External Lighting Award (Gold Award)	Environment Bureau
2015/16 Y-Care CSR Scheme (Bronze Partner)	Chinese YMCA of Hong Kong

ENVIRONMENTAL

The Group strives to manage its food manufacturing in order to minimise the impact of its products on the environment. In the case of handling surplus food, the Group has been working with several food banks, which has led to the donation of over 12,000 units of surplus food items to People Service Centre (民社服務中心) and Food Grace (食德好), etc. in 1H2017. When feasible, the Group has also offered food waste for recycling, which, in 1H2017, amounted to 51 tonnes from the Tai Po plant, Hong Kong.

The Group also encourages its customers to lend a hand in protecting the environment. Correspondingly, it continued to offer advantage points to JIKA CLUB members who have cleaned and returned their tortoise herbal jelly containers.

Still other efforts that the Group has engaged in include joining the "Charter on External Lighting Scheme", organised by the Environment Bureau. In complying with the switch-off lighting requirement stipulated in the Charter, some 20 shops subsequently received the Gold Award in 1H2017.

Worth noting as well that a new "GREENSEED" committee has been created by the Group, its members comprise colleagues from different departments. All of whom are entrusted with raising the awareness on balanced diets and healthy lifestyle among colleagues and the general public in large.

SOCIAL

Corporate social responsibility is as much about creating a healthy work environment as contributing to the community. Well aware of this, the Group promotes life-long learning among employees by offering training to staff at all levels. In 1H2017, approximately 147 hours of training was offered to colleagues, including 77 training courses involving an aggregate of 1,010 attendances.

Fulfilling its responsibility to society, the Group has continued to provide in-kind products and cash sponsorships for Non-Governmental Organizations (NGOs) and institutions. The Group has also supported "The Community Chest Skip Lunch Day（公益行善「折」食日）" for eight consecutive years, sponsoring over 35,000 food coupons in 1H2017. The event raised over HK$2 million for the organisation. The Group's volunteer team is also active in supporting community services, including joining the "Mapperthon Soup Run (Mapperthon送湯跑)" co-organized with Chinese YMCA of Hong Kong (香港中華基督教青年會), to promote a caring culture in the community.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	(Unaudited) Six months ended 30 June 2017 HK$'000	2016 HK$'000
Revenue	5, 6	**355,815**	347,933
Cost of sales	7	**(132,863)**	(131,503)
Gross profit		**222,952**	216,430
Other income	6	**773**	492
Other losses, net	6	**(18)**	(443)
Selling and distribution costs	7	**(35,255)**	(35,813)
Administrative and operating expenses	7	**(184,729)**	(177,857)
Operating profit		**3,723**	2,809
Finance income		**68**	139
Finance costs		**(815)**	(1,236)
Finance costs, net		**(747)**	(1,097)
Profit before income tax		**2,976**	1,712
Income tax expense	8	**(196)**	(383)
Profit for the period		**2,780**	1,329
Profit attributable to:			
Owners of the Company		**3,040**	1,420
Non-controlling interests		**(260)**	(91)
		2,780	1,329
Earnings per share for profit attributable to owners of the Company			
Basic and diluted (HK cent per share)	9	**0.46**	0.22
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss			
— Currency translation differences		**508**	(726)
Other comprehensive income/(loss), net of tax		**508**	(726)
Total comprehensive income for the period		**3,288**	603
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**3,502**	770
Non-controlling interests		**(214)**	(167)
		3,288	603

The notes on pages 17 to 38 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**223,419**	226,990
Leasehold land and land use right	12	**47,837**	48,387
Prepayments and deposits		**28,027**	17,507
Deferred income tax assets		**9,016**	9,016
		308,299	301,900
Current assets			
Inventories		**30,654**	27,921
Trade receivables	13	**48,972**	53,659
Prepayments, deposits and other receivables		**27,776**	32,942
Amount due from a related company		**690**	690
Tax recoverable		**1,190**	4,400
Pledged bank deposit		**1,069**	1,066
Cash and cash equivalents		**134,807**	131,160
		245,158	251,838
Total assets		**553,457**	553,738
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**6,559**	6,559
Share premium		**214,999**	214,999
Reserves		**38,121**	34,619
		259,679	256,177
Non-controlling interests		**591**	805
Total equity		**260,270**	256,982

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs	18	**4,791**	3,521
Deferred income tax liabilities		**378**	378
Bank borrowings	20	**40,931**	44,942
		46,100	48,841
Current liabilities			
Trade payables	16	**26,014**	23,558
Accruals and other payables	17	**59,815**	62,416
Provision for reinstatement costs	18	**1,725**	2,877
Receipts in advance	19	**133,786**	133,329
Bank borrowings	20	**22,951**	22,813
Taxation payable		**2,796**	2,922
		247,087	247,915
Total liabilities		**293,187**	296,756
Total equity and liabilities		**553,457**	553,738
Net current (liabilities)/assets		**(1,929)**	3,923
Total assets less current liabilities		**306,370**	305,823

The notes on pages 17 to 38 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 2017

	(Unaudited)								
	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'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 2017	**6,559**	**214,999**	**8,123**	**5,421**	**(3,763)**	**24,838**	**256,177**	**805**	**256,982**
Comprehensive income/(loss)									
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**3,040**	**3,040**	**(260)**	**2,780**
Other comprehensive income									
Currency translation differences	**–**	**–**	**–**	**–**	**462**	**–**	**462**	**46**	**508**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**462**	**3,040**	**3,502**	**(214)**	**3,288**
Balance at 30 June 2017	**6,559**	**214,999**	**8,123**	**5,421**	**(3,301)**	**27,878**	**259,679**	**591**	**260,270**
Balance at 1 January 2016	6,559	214,999	8,123	5,421	21	20,862	255,985	2,821	258,806
Comprehensive income/(loss)									
Profit/(loss) for the period	–	–	–	–	–	1,420	1,420	(91)	1,329
Other comprehensive loss									
Currency translation differences	–	–	–	–	(650)	–	(650)	(76)	(726)
Total comprehensive (loss)/income for the period	–	–	–	–	(650)	1,420	770	(167)	603
Balance at 30 June 2016	6,559	214,999	8,123	5,421	(629)	22,282	256,755	2,654	259,409

The notes on pages 17 to 38 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 2017

	Note	(Unaudited) Six months ended 30 June 2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations		**21,534**	19,743
Income tax refund/(paid)		**2,731**	(1,110)
Net cash generated from operating activities		**24,265**	18,633
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16,173)**	(11,877)
Proceeds from disposal of property, plant and equipment		**–**	1
Reinstatement costs paid for shop and office premises	18	**(70)**	(167)
Repayment from a related company		**–**	74
(Increase)/decrease in pledged bank deposit		**(3)**	12,479
Decrease in bank deposit with original maturity over 3 months		**–**	2,724
Interest received		**68**	139
Net cash (used in)/generated from investing activities		**(16,178)**	3,373
Cash flows from financing activities			
Proceeds from bank borrowings	20	**15,000**	33,000
Repayment of obligation under finance leases		**–**	(576)
Repayment of bank borrowings	20	**(18,873)**	(70,258)
Interest paid		**(815)**	(1,201)
Net cash used in financing activities		**(4,688)**	(39,035)
Net increase/(decrease) in cash and cash equivalents		**3,399**	(17,029)
Effect of currency translation difference		**248**	(398)
Cash and cash equivalents at beginning of the period		**131,160**	127,410
Cash and cash equivalents at end of the period		**134,807**	109,983

The notes on pages 17 to 38 form an integral part of this condensed consolidated interim financial information.

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 (together the "Group") are principally engaged in the retail, wholesale and distribution of bottled drinks, other herbal products, soups and snacks in Hong Kong and other parts of the People's Republic of China ("PRC" for the purpose of this condensed consolidated interim financial information).

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

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 2017 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 annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2017, the Group's current liabilities exceeded its current assets by HK$1,929,000. Included within net current liabilities was non-refundable receipts in advance from customers of HK$133,786,000 which will reduce gradually over the time of each redemption by customers and are not expected to be settled in cash under normal business circumstances.

The future funding requirements of the Group are expected to be met through the cash flows generated from operating activities and the renewal of the revolving and term credit facility available from various international banks. As at 30 June 2017, there are undrawn facilities amounting to approximately HK$88,212,000 available to the Group. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the condensed consolidated interim financial information has been prepared on a going concern basis.

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

2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

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, amendments and interpretation and annual improvements have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

Amendment to HKAS 12	Income taxes
Amendment to HKAS 7	Statement of cash flows
Amendment to HKFRS 12	Disclosure of interest in other entities

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

(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 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Lease	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

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 (Continued)

HKFRS 9 'Financial Instruments'

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS 39.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group does not plan to early adopt HKFRS 9. Management has assessed the impact of the adoption of HKFRS 9 and does not expect the adoption to have a material impact to the Group's condensed consolidated interim financial information.

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 (Continued)

HKFRS 15 'Revenue from Contracts with Customers'

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an earnings processes to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group does not plan to early adopt HKFRS 15. Management has assessed the impact of the adoption of HKFRS 15 by analysing the Group's key revenue streams against the 5-step approach, and does not expect the adoption to have a material impact on the Group's condensed consolidated interim financial information, other than presenting additional disclosures.

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 (Continued)

HKFRS 16 'Leases'

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of HK$217,060,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

In addition to the aforementioned HKFRS 9, HKFRS 15 and HKFRS 16, the directors of the Company are also in the process of assessing the financial impact of the other new and amended standards upon initial application but are not yet in a position to state whether these new and amended standards would have any significant impact on its 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 the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4 FINANCIAL RISK MANAGEMENT

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 condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the financial year ended 31 December 2016.

There have been no significant changes in the risk management or in any risk management policies since the Group's annual financial statements for the financial year ended 31 December 2016.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities except for the decrease in bank borrowings of HK$67,755,000 as at 31 December 2016 to HK$63,882,000 as at 30 June 2017. Of these borrowings, the Group expects HK$22,951,000 will be settled within 1 year, HK$18,109,000 in 1-2 years and the remaining HK$22,822,000 in 2-5 years.

4.3 Fair value estimation

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, amount due from a related company, pledged bank deposit and cash and cash equivalents, and financial liabilities, including trade payables, other payables and bank borrowings, 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 assess 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.

Management has identified three reportable segments based on the Group's business model, namely the (1) Hong Kong Retail; (2) PRC Retail and (3) Wholesale.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use right, inventories, trade receivables, prepayments, deposits and other receivables, pledged bank deposit and cash and cash equivalents. They exclude deferred income tax assets, amount due from a related company, tax recoverable and assets used for corporate functions.

Capital expenditure comprises additions to property, plant and equipment for the six months ended 30 June 2017 and 2016.

Geographically, management considers the retail, wholesale and distribution of bottled drinks, other herbal products, soups 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. Information relating to segment liabilities is not disclosed as such information is not regularly reported to the chief operating decision-maker.

Unallocated corporate expenses, finance income and costs and income tax expense 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 2017 and 2016 respectively.

5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the six months ended 30 June 2017 and 2016 are as follows:

	(Unaudited) Six months ended 30 June 2017			
	Hong Kong retail HK$'000	PRC retail HK$'000	Wholesale HK$'000	Total HK$'000
Segment revenue	256,297	6,033	97,088	359,418
Less: Inter-segment revenue	(1,482)	–	(2,121)	(3,603)
Revenue from external customers	254,815	6,033	94,967	355,815
Segment results	27,489	(1,317)	3,316	29,488
Corporate expenses				(25,765)
Finance costs, net				(747)
Profit before income tax				2,976
Income tax expense				(196)
Profit for the period				2,780
Other segment items:				
Capital expenditure	4,169	605	6,739	11,513
Depreciation and amortisation	11,342	397	4,186	15,925
Interest income	22	2	43	67

5 REVENUE AND SEGMENT INFORMATION (Continued)

	(Unaudited) Six months ended 30 June 2016			
	Hong Kong retail HK$'000	PRC retail HK$'000	Wholesale HK$'000	Total HK$'000
Segment revenue	256,941	6,967	91,580	355,488
Less: Inter-segment revenue	(5,024)	–	(2,531)	(7,555)
Revenue from external customers	251,917	6,967	89,049	347,933
Segment results	34,602	(2,732)	(8,041)	23,829
Corporate expenses				(21,020)
Finance costs, net				(1,097)
Profit before income tax				1,712
Income tax expense				(383)
Profit for the period				1,329
Other segment items:				
Capital expenditure	4,488	545	4,414	9,447
Depreciation and amortisation	12,979	741	3,407	17,127
Interest income	90	–	49	139

The segment assets as at 30 June 2017 and 31 December 2016 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 2017 (Unaudited)					
Segment assets	**355,646**	**7,408**	**169,077**	**(4,239)**	**527,892**
Amount due from a related company					**690**
Tax recoverable					**1,190**
Deferred income tax assets					**9,016**
Corporate assets					**14,669**
Total assets					**553,457**
As at 31 December 2016 (Audited)					
Segment assets	354,509	8,699	174,230	(3,723)	533,715
Amount due from a related company					690
Tax recoverable					4,400
Deferred income tax assets					9,016
Corporate assets					5,917
Total assets					553,738

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

6 REVENUE, OTHER INCOME AND OTHER LOSSES, NET

The Group's revenue, other income and other losses, net recognised during the six months ended 30 June 2017 and 2016 are as follows:

	(Unaudited) Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Revenue		
Sale of goods	**345,662**	339,471
Revenue recognised upon expiry of pre-paid coupons and cards	**10,153**	8,462
	355,815	347,933
Other income		
Rental income	**–**	156
Franchise income	**–**	55
Insurance claim	**408**	–
Others	**365**	281
	773	492
Other losses, net		
Exchange difference	**108**	(387)
Losses on disposal of property, plant and equipment	**(126)**	(56)
	(18)	(443)

7 EXPENSES BY NATURE

		(Unaudited) Six months ended 30 June	
		2017	2016
	Note	**HK$'000**	HK$'000
Cost of inventories sold		**98,035**	97,585
Operating lease rental in respect of retail outlets			
— Minimum rental		**52,281**	47,716
— Contingent rental		**167**	156
Operating lease rental in respect of storage spaces and office premises		**10,017**	9,674
Advertising and promotional expenditure		**13,180**	13,864
Depreciation of property, plant and equipment	11	**15,210**	16,601
Amortisation of leasehold land and land use right	12	**715**	511
Depreciation of investment property	11	**–**	15
Communication and utilities		**16,321**	15,981
Employee benefit expenses (including directors' emoluments)		**115,308**	109,716
Provision for impairment of trade receivables		**74**	480
Impairment losses on property, plant and equipment	11	**–**	171
Legal and professional fees		**1,645**	1,773
Auditors' remuneration			
— Audit services		**570**	525
— Non-audit services		**179**	166
Tools, repair and maintenance expenses		**4,790**	5,558
Transportation and distribution expenses		**14,525**	14,980
Others		**9,830**	9,701
Total cost of sales, selling and distribution costs and administrative and operating expenses		**352,847**	345,173

8 INCOME TAX EXPENSE

Hong Kong Profits Tax and PRC Corporate Income Tax ("CIT") have been provided at the rate of 16.5% and 25%, respectively (six months ended 30 June 2016: 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	
	2017 HK$'000	2016 HK$'000
Current income tax		
— Hong Kong Profits Tax on profit for the period	–	–
— PRC CIT on profit for the period	**68**	340
— Under-provision in prior years	**128**	30
Deferred income tax	–	13
Income tax expense	**196**	383

9 EARNINGS PER SHARE

	(Unaudited) Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (HK$'000)	**3,040**	1,420
Weighted average number of ordinary shares (thousands)	**655,944**	655,944
Earnings per share attributable to owners of the Company		
— Basic earnings per share (HK cent)	**0.46**	0.22
— Diluted earnings per share (HK cent)	**0.46**	0.22

(a) Basic

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

9 EARNINGS PER SHARE (Continued)

(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 had share options which might 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 2017 and 30 June 2016 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

10 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

11.1 Property, plant and equipment

	(Unaudited) Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
At 1 January	**226,990**	242,102
Additions	**11,513**	9,447
Disposals	**(126)**	(57)
Depreciation (Note 7)	**(15,210)**	(16,601)
Impairment losses (Note 7)	**–**	(171)
Exchange difference	**252**	(327)
At 30 June	**223,419**	234,393

Depreciation of HK$4,543,000 (30 June 2016: HK$4,349,000) has been charged in 'cost of sales', HK$10,602,000 (30 June 2016: HK$12,133,000) in 'administrative and operating expenses' and HK$65,000 (30 June 2016: HK$119,000) in 'selling and distribution costs' for the six months ended 30 June 2017.

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (Continued)

11.2 Investment property

	(Unaudited) Six months ended 30 June 2017 HK$'000	2016 HK$'000
At 1 January	–	800
Depreciation (Note 7)	–	(15)
At 30 June	–	785

Investment property situated in Hong Kong was held under lease of over 50 years and rented out under operating lease.

No depreciation has been charged for the six months ended 30 June 2017 (30 June 2016: HK$15,000 charged in 'administrative and operating expenses') as the investment property has been disposed of during the year ended 31 December 2016.

The investment property was sold to an independent third party in December 2016 at a consideration of HK$9,000,000. A gain of HK$8,227,000 has been recognised in 'other gains/ (losses), net' for the year ended 31 December 2016.

12 LEASEHOLD LAND AND LAND USE RIGHT

	(Unaudited) Six months ended 30 June 2017 HK$'000	2016 HK$'000
At 1 January	**48,387**	31,965
Amortisation (Note 7)	**(715)**	(511)
Exchange difference	**165**	–
At 30 June	**47,837**	31,454

Amortisation of leasehold land and land use right of HK$715,000 (30 June 2016: HK$511,000) has been charged in 'administrative and operating expenses' for the six months ended 30 June 2017.

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Leasehold land and land use right located in:		
– Hong Kong	**30,430**	30,942
– PRC	**17,407**	17,445
	47,837	48,387

The useful life of the leasehold land and land use right are both 50 years.

13 TRADE RECEIVABLES

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Trade receivables	**51,335**	59,199
Less: Provision for impairment of trade receivables, net	**(2,363)**	(5,540)
	48,972	53,659

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days. As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables, based on invoice date, are as follows:

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
0 – 30 days	**28,120**	23,665
31 – 90 days	**17,747**	26,520
Over 90 days	**3,105**	3,474
	48,972	53,659

14 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK$
Authorised:		
At 1 January 2017 and 30 June 2017 (Unaudited)	**1,000,000,000**	**10,000,000**
Issued and fully paid:		
At 1 January 2017 and 30 June 2017 (Unaudited)	**655,944,000**	**6,559,440**

15 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 was 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

Under Pre-IPO Share Option Scheme, the options granted would lapse automatically if the listing of the Company did not take place by 31 December 2014.

For Share Option Scheme, the scheme is valid and effective for a period of 10 years from 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 the 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) 2017		(Unaudited) 2016	
	Average exercise price in HK$ per share	**Number of shares under options (in thousands)**	Average exercise price in HK$ per share	Number of shares under options (in thousands)
At 1 January	**1.0**	**9,984**	1.0	10,528
Granted	**1.0**	**–**	1.0	–
Exercised	**1.0**	**–**	1.0	–
Cancelled	**1.0**	**–**	1.0	–
Lapsed	**1.0**	**(24)**	1.0	(544)
At 30 June		**9,960**		9,984

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

15 SHARE BASED PAYMENTS (Continued)

The outstanding share options under the Pre-IPO Share Option Scheme have the following expiry date and exercise price:

Expiry date	Exercise price Per share HK$	Share options 30 June 2017 (in thousands) (Unaudited)	Share options 31 December 2016 (in thousands) (Audited)
4 July 2017	1.0	**9,960**	9,984

No option was exercised during the six months ended 30 June 2017 and 30 June 2016.

During the six months ended 30 June 2017, 24,000 share options (30 June 2016: 544,000 share options) were lapsed as a result of the cessation of employment of certain employees.

16 TRADE PAYABLES

As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables, based on invoice date are as follows:

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
0 – 30 days	**15,555**	11,898
31 – 60 days	**7,808**	10,298
61 – 90 days	**2,590**	1,193
Over 90 days	**61**	169
	26,014	23,558

17 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Accruals for employee benefit expenses	**20,295**	22,698
Accruals for marketing and promotional expenses	**2,174**	2,564
Accruals for sales rebate	**1,090**	2,397
Rental and related expenses payable	**4,410**	5,136
Office and utilities expenses payable	**3,184**	2,786
Deferred revenue	**1,904**	1,760
Consideration payable for property, plant and equipment acquired	**2,651**	3,468
Accruals for transportation and delivery charges	**12,047**	8,116
Accruals for audit fee	**1,451**	2,719
Other accruals and other payables	**10,609**	10,772
	59,815	62,416

18 PROVISION FOR REINSTATEMENT COSTS

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Non-current	**4,791**	3,521
Current	**1,725**	2,877
	6,516	6,398

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

	(Unaudited) Six months ended 30 June	
	2017 HK$'000	2016 HK$'000
At 1 January	**6,398**	6,260
Additional provision during the period	**188**	148
Utilisation	**(70)**	(167)
At 30 June	**6,516**	6,241

19 RECEIPTS IN ADVANCE

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Receipts in advance	**133,786**	133,329

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

	Note	(Unaudited) Six months ended 30 June 2017 HK$'000	2016 HK$'000
At 1 January		**133,329**	122,743
Receipts from sales of pre-paid coupons and cards during the period		**148,281**	145,241
Revenue recognised upon the redemption of products by customers	(a)	**(137,694)**	(137,906)
Revenue recognised upon expiry of pre-paid coupons and cards	(b)	**(10,153)**	(8,462)
Exchange differences		**23**	(58)
At 30 June		**133,786**	121,558

Note:

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

(b) The amounts represent revenue recognised in condensed consolidated interim statement of profit or loss for pre-paid coupons and cards expired in accordance with the contractual periods stipulated in the respective terms and conditions.

20 BANK BORROWINGS

	As at 30 June 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Non-current	**40,931**	44,942
Current	**22,951**	22,813
	63,882	67,755

Movements on the Group's bank borrowings are analysed as follows:

	(Unaudited) Six months ended 30 June	
	2017 HK$'000	2016 HK$'000
At 1 January	**67,755**	85,583
Repayments of bank borrowings	**(18,873)**	(70,258)
Proceeds from bank borrowings	**15,000**	33,000
At 30 June	**63,882**	48,325

The bank borrowings facilities granted to the Group are secured by the pledge of time deposit.

The carrying amounts of the Group's bank borrowings approximate their fair values.

The carrying amounts of the Group's bank borrowings are denominated in HK$.

21 CONTINGENT LIABILITIES

(i) Taclon Industries Limited ("Taclon"), a subsidiary of the Company, is involved in a potential litigation with the claim of which amounted to approximately HK$10.3 million ("Alleged Debt"). It is the understanding of the Directors of the Company that the Alleged Debt is a personal debt belonging to a Taclon's ex-director. The Directors are of the view that Taclon did not or does not owe the claimant the Alleged Debt and will vigorously defend Taclon's position in the legal proceeding. Moreover, AC Alliance Investment Limited, a related company outside the Group, 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 the Directors consider an outflow of resources is not probable.

22 RELATED-PARTY TRANSACTIONS

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	
	2017	2016
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**8,272**	7,039
Pension costs	**126**	126
	8,398	7,165

23 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 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Not later than 1 year	**105,371**	87,192
Later than 1 year and no later than 5 years	**111,689**	75,667
	217,060	162,859

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 2017 HK$'000 (Unaudited)	As at 31 December 2016 HK$'000 (Audited)
Contracted but not provided for property, plant and equipment	**3,288**	2,784

24 EVENT OCCURRING AFTER THE END OF REPORTING PERIOD

On 3 July 2017, Hung Fook Tong (Kaiping) Health Food Company Limited* 鴻福堂（開平）保健食品有限公司, an indirect wholly-owned subsidiary of the Company, entered into a construction contract with an independent third party for the construction of a new production plant in Kai Ping City, Guangdong Province, the PRC. The consideration of this construction contract is RMB39,800,000 (equivalent to approximately HK$45,125,000).

* The English name of the PRC entity is translation of its Chinese name, and is included herein for identification purpose only.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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 Securities and Futures Ordinance ("SFO") which had been notified to the Company and The Stock Exchange of Hong Kong Limited ("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 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") and the "Code of Conduct for Securities Transactions by Directors of the Company" adopted by the Company (the "Code of Conduct") were as follows:

Name of Director	Nature of Interest	Number of Shares	Approximate Percentage of total issued Shares (%)
Ms. Wong Pui Chu (Notes 1, 2 & 3)	Interests held jointly with other persons; Beneficial interest; Interest in a controlled corporation	413,656,600 (Long position)	63.06
Mr. Tse Po Tat (Notes 1 & 4)	Interests held jointly with other persons; Interest in a controlled corporation	413,656,600 (Long position)	63.06
Mr. Kwan Wang Yung (Notes 1 & 5)	Interests held jointly with other persons; Interest in a controlled corporation	413,656,600 (Long position)	63.06
Dr. Szeto Wing Fu (Note 6)	Interest in a controlled corporation	24,704,600 (Long position)	3.77

Notes:

(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, Think Expert Investments Limited ("Think Expert"), YITAO Investments Limited ("YITAO") and Prestigious Time Limited ("Prestigious Time") (collectively 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 was directly owned as to 0.27% (being 1,810,000 Shares) by Ms. Wong Pui Chu.

(3) The Company was directly owned as to 30.74% (being 201,638,200 Shares) by 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.

(4) The Company was directly owned as to 18.16% (being 119,122,400 Shares) by 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.

(5) The Company was directly owned as 13.89% (being 91,086,000 Shares) by 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.

(6) The Company was directly owned as to 3.77% (being 24,704,600 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.

Save as disclosed above, as at 30 June 2017, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and the Code of Conduct.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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:

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	413,656,600 (Long position)	63.06
YITAO (Note 2)	Interests held jointly with other persons; Beneficial interest	413,656,600 (Long position)	63.06
Ms. Chan Suk Hing Comita (Note 3)	Interest of spouse	413,656,600 (Long position)	63.06
Prestigious Time (Note 4)	Interests held jointly with other persons; Beneficial interest	413,656,600 (Long position)	63.06
Mrs. Kwan Chan Lai Lai (Note 5)	Interest of spouse	413,656,600 (Long position)	63.06

Notes:

(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.

Save as disclosed above, as at 30 June 2017, the Directors had not been notified of any other corporation or individual (other than the Directors of chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2017, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2014. As at 30 June 2017, 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 to each eligible participant (Note 1) 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 own discretion, grant an option to the eligible participants to subscribe for the shares of the Company at an exercise price (Note 2) and subject to the other terms of the Share Option Scheme.

The Share Option Scheme will remain in force for a period of ten years from its effective date (i.e. will expire on 10 June 2024). 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 ten years from the date of grant of option. There is no general requirement on the minimum period for which as 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 but not limited to 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. During the six months ended 30 June 2017, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme. A total of 63,200,000 Shares are available for issue under the Share Option Scheme, representing approximately 9.63% of the total issued capital of the Company as at 30 June 2017.

Notes:

1. "Eligible Participant'" includes: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or advisor of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliates"), or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or advisor of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, advisor of or contractor to the Group or an Affiliate.

2. The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under effects of alterations to capital.

PRE-IPO SHARE OPTION SCHEME

On 11 June 2014, the Company adopted a pre-IPO share option scheme ("Pre-IPO Share Option Scheme"). The purpose of the Pre-IPO Share Option Scheme is to motivate the grantees of the pre-IPO share options (the "Grantees") to optimize their future contributions to the Group and to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with the Grantees who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

Pursuant to the Pre-IPO Option Scheme, 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 eligible employees, including executives and officers of the Group at nil consideration and at exercise price of HK$1.00 per Share. As at 30 June 2017, the maximum number of Shares which might be issued upon exercise of all outstanding options granted under the Share Option Scheme was 9,960,000 shares, representing approximately 1.52% of the Company's issued share capital as at 30 June 2017. No pre-IPO share option had been granted under the Pre-IPO Option Scheme during the six months ended 30 June 2017.

Details of the outstanding share options under the Pre-IPO Share Option Scheme during the period as follows:

Name of Grantee	At 1 January 2017	Exercised during the period	Cancelled during the period	Lapsed during the period	At 30 June 2017	Date of Grant	Exercisable Period	Exercise Price (HK$)
Mr. Chan Hiu Cheuk (Note 1)	450,000	–	–	–	450,000	16.06.2014	04.01.2015-04.07.2017	1.00
Mr. Tse Kei Tai (Note 2)	20,000	–	–	–	20,000	16.06.2014	04.01.2015-04.07.2017	1.00
	470,000				470,000			
Other employees (in aggregate)	9,514,000	–	–	(24,000)	9,490,000	16.06.2014	04.01.2015-04.07.2017	1.00
Total	9,984,000				9,960,000			

Notes:

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

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

The pre-IPO share options that have not been exercised by the Grantees prior to the third anniversary of the Listing Date (ie. 4 July 2017) would lapse and be deemed as cancelled and void. As at the date of this report, all of the outstanding options granted (ie. 9,960,000 share options) which have not been exercised as at 4 July 2017 have been deemed as cancelled and voided.

Further details of the share options are set out in Note 15 to the condensed consolidated interim financial information.

CHANGES OF DIRECTORS' INFORMATION

Subsequent to publication of the 2016 Annual Report, notifications were received regarding the following changes of Directors' information, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules:

Mr. Andrew Look, an Independent Non-executive Director of the Company, has been appointed with effect from 18 April 2017 as:

i. the Chief Investment Officer of the asset management business of Tou Rong Chang Fu Group Limited ("Tou Rong Chang Fu") which shares are listed on the Stock Exchange (stock code: 850); and

ii. the Representative Officer of China Hong Kong Link Asset Management Limited (an indirectly wholly owned subsidiary of Tou Rong Chang Fu).

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Code of Conduct based on the required standard set out in the Model Code. For the six months ended 30 June 2017, all of the Directors confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") which currently consists of all 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 Group's financial reporting process, risk management and internal control systems, including the review of the unaudited interim financial information for the six months ended 30 June 2017.

PricewaterhouseCoopers, the external auditors of the Company, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2017 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.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Tse Po Tat
Chairman and Executive Director

Hong Kong, 29 August 2017

鴻福堂

HUNG FOOK TONG

Hung Fook Tong Group Holdings Limited

鴻福堂集團控股有限公司

www.hungfooktong.com

online.hungfooktong.com