



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

2020 INTERIM REPORT

中期報告



CONTENTS

Corporate Information	2
Management Discussion and Analysis	
— Business Review	4
— Financial Review	8
Awards and Corporate Social Responsibility	11
Interim Financial Information	
— Condensed Consolidated Interim Statement of Comprehensive Income	12
— Condensed Consolidated Interim Statement of Financial Position	14
— Condensed Consolidated Interim Statement of Changes in Equity	16
— Condensed Consolidated Interim Statement of Cash Flows	17
— Notes to the Condensed Consolidated Interim Financial Information	18
Other Information	37





CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Mr. TSE Po Tat (*Chairman*)
Dr. SZETO Wing Fu (*Chief Executive Officer*)
Ms. WONG Pui Chu

Independent Non-executive Directors

Mr. KIU Wai Ming
Prof. SIN Yat Ming
Mr. Andrew LOOK

AUDIT COMMITTEE

Mr. Andrew LOOK (*Chairman*)
Mr. KIU Wai Ming
Prof. SIN Yat Ming

REMUNERATION COMMITTEE

Prof. SIN Yat Ming (*Chairman*)
Mr. KIU Wai Ming
Ms. WONG Pui Chu

NOMINATION COMMITTEE

Mr. KIU Wai Ming (*Chairman*)
Dr. SZETO Wing Fu
Mr. Andrew LOOK
Prof. SIN Yat Ming

STRATEGY AND DEVELOPMENT COMMITTEE

Dr. SZETO Wing Fu (*Chairman*)
Ms. WONG Pui Chu

AUTHORIZED REPRESENTATIVES

Dr. SZETO Wing Fu
Mr. LAU Siu Ki

COMPANY SECRETARY

Mr. LAU Siu Ki

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL 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 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited

Bank of China Tower
1 Garden Road
Central
Hong Kong

DBS Bank (Hong Kong) Limited

11th Floor
The Center
99 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 2020 ("1H2020"), both the Hong Kong and Mainland China retail and wholesale markets were battered by the combination of the COVID-19 outbreak, China-United States trade frictions and global economic slowdown. The Group's retail and wholesale performance was inevitably affected by such developments, as well as a decline in Mainland China wholesale revenue due to the severing of business ties with key accounts owing to social movements in Hong Kong. As a consequence, the Group's revenue contracted by 11.7% to HK\$345.2 million (for the six months ended 30 June 2019 ("1H2019"): HK\$390.9 million). Despite of this, the single-digit decline in sales from the Group's Hong Kong retail business is still lower than the average decline experienced by many other retailers in the city, with total retail sales value estimated to have dropped by 33.3% in Hong Kong in 1H2020 when compared with 1H2019, according to the Census and Statistics Department. The reason for such resilience can be attributed to the Group's successful efforts in introducing more high-quality and healthy products that were able to allay public concerns over personal health and wellness, and its prompt expansion of sales channels to more online platforms and delivery services, leveraging Hung Fook Tong's strong brand equity.

Gross profit has expectedly declined, down by 8.3% to HK\$222.4 million (1H2019: HK\$242.7 million), due mainly to weaker top-line performance. However, benefitting from an improvement in the sales mix, continuous enhancement in supply chain management, and depreciation of the Renminbi ("RMB") which led to a decline in production costs at the plant in Kaiping City, Guangdong, gross profit margin rose to 64.4% (1H2019: 62.1%). Moreover, due to a decrease in selling and administrative expenses resulting from the implementation of cost saving measures covering rent and labour since late 2019 in response to the challenging Hong Kong retail environment brought by social movements; as well as the receipt of certain government grants and subsidies, profit attributable to owners of the Company has risen significantly by 355.8% to HK\$23.0 million (1H2019: HK\$5.1 million).

In view of the sound fundamentals of the Group, the Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (1H2019: nil) but to declare a special dividend in respect of the year ending 31 December 2020 of HK0.90 cent per ordinary share (1H2019: no special dividend was declared). The Group remains in a healthy financial position, and has stable operating cash flows. It also holds sufficient cash and cash equivalents as well as unutilised banking facilities, amounting to approximately HK\$107.4 million and HK\$72.7 million, respectively, as at 30 June 2020 (31 December 2019: HK\$95.4 million and HK\$42.9 million, respectively).

BUSINESS SEGMENT ANALYSIS

Hong Kong Retail

The Hong Kong retail operation has remained the largest revenue contributor of the Group, generating HK\$276.9 million (1H2019: HK\$296.5 million) in revenue in 1H2020 – down by 6.6% year-on-year, and accounting for 80.2% of total revenue. The decline was largely due to social distancing measures implemented by the Hong Kong Government in the wake of COVID-19, which led to school closures, adoption of work-from-home arrangements by government departments and companies, and less contact among the general public, consequently resulting in lower customer traffic and fewer transactions. Furthermore, the cancellations and postponements of exhibitions in the city have impacted on revenue derived from the operation of associated booths by the Group. More favourably, revenue from JIKA CLUB (自家CLUB) rose due to an increase in average transaction value per member, which partly offset the decrease in traffic. Despite the revenue drop, segmental profit climbed 30.7% to HK\$56.6 million (1H2019: HK\$43.3 million), which was attributed to the effective cost control of raw materials; concessions from certain landlords resulting in more affordable rental rates; more streamlined workforce; and receipt of government grants and subsidies for assisting the retail sector and food licence holders totalling HK\$9.6 million.

In response to a weak retail market in Hong Kong, the Group has acted quickly in maintaining a strong and resilient store network; opening two shops that are located at the West Rail Line and Tuen Ma Line Phase 1 (Nam Cheong Station and Hin Keng Station) respectively. By so doing, the Group has also maintained its standing as the largest herbal retailer in Hong Kong based on retail network size, with a total of 115 self-operated shops as at 30 June 2020 – and no shop closure related to the impact of the pandemic.

Recognising that online retailing and delivery services have become even more popular as “stay at home” and “working from home” have become the new normal in the wake of COVID-19, the Group has also allocated greater resources towards capitalising on such developments. This has included co-operating with foodpanda and Deliveroo food delivery platforms to offer a convenient way for customers to enjoy Hung Fook Tong products at home or at the office. Furthermore, the Group has offered bulk purchase delivery services to corporate clients, which saw a surge in demand, surpassing 1H2019 figures.

The Group has also sought to enhance engagement with loyalty members of JIKA CLUB, encouraging spending via top-up promotions and attractive discounts. Concurrently, it has sought to attract still more members, the success of such efforts is reflected by memberships totalling over 970,000 as at 30 June 2020, or an increase of around 48,000 members during the period. The increase can partly be attributed to the continuous enhancement of the Hung Fook Tong mobile application (“APP”), which also resulted in a rise in number of transactions via the APP and higher average spending per member.

In view of growing public concerns over health and hygiene amid the COVID-19 pandemic, the Group has recognised the need to also remind its own customers of the importance of a healthy diet to strengthen their health, and especially their immune system. Supporting this awareness, the Group has launched bulk-purchase offers covering its nutritious herbal drinks, soups and food products during the review period. Among the Group’s offerings that received particularly favourable response and good sales growth have included soups and drinks with nourishing benefits. The Group has also launched the new “Detox & Heat Relief Soup (清肺解毒湯)” to widen customers’ choices.

Similarly, the Joyous Series has been further expanded to provide customers with greater options for protecting their health. This has included the roll out of “Fish Essence (滴虱目魚精)”, which is rich in collagen and proteins, hence particularly appropriate for those needing to strengthen their health, such as the elderly, individuals recovering from illness or surgery, and postnatal mothers.

With respect to the Group’s HUNG+ Smart Vendor machines, all 17 were in operation in commercial buildings and residential estates as at 30 June 2020.

Wholesale

The wholesale segment experienced a decline in revenue of 27.7% to HK\$68.2 million (1H2019: HK\$94.4 million), dragged down by weaker sales from the Mainland China market, even though top-line sales in Hong Kong increased modestly. The segment nonetheless recorded a profit of HK\$0.5 million (1H2019: loss of HK\$4.5 million), which can be attributed to the surge in segmental results from the Hong Kong wholesale operation, resulting from higher revenue and higher gross profit as a result of RMB depreciation. Meanwhile, loss from the Mainland China wholesale business has narrowed due to less production expenses and effective restructuring exercises undertaken by its offices.

Hong Kong

Revenue from the Hong Kong wholesale business totalled HK\$60.7 million (1H2019: HK\$56.0 million), or an increase of 8.4% year-on-year. Aside from the lower base, as revenue from a couple of key accounts were lower in 1H2019, the local wholesale business recorded a significant increase in online sales which helped to partly offset the sales decline from key accounts and restaurants amid the epidemic. Among the expanded channels



MANAGEMENT DISCUSSION AND ANALYSIS

that the Group has employed to drive online sales included hksuning.com (蘇寧), Neigbuy.com (鄰住買), other smaller e-shops and online wholesale platforms. Furthermore, the new “Detox & Heat Relief Drink (清肺解毒飲)” was launched in response to COVID-19. Still other means of stimulating wholesale sales has included the introduction of new packaging featuring KAKAO FRIENDS as part of special edition drinks and premiums. Such products were made available via supermarkets, convenience stores and online shopping platforms. Unique delicacies have also been added to the wholesale business portfolio, such as Almond Cookies with Milkfish Floss (虱目魚鬆杏仁餅) imported from Taiwan that can be purchased through online platforms and department stores, and Korean Chicken Ginseng Soup (韓國人蔘雞湯) which is available via chain stores.

Mainland China

With regard to the Mainland China wholesale business, it was dealt a serious blow when the majority of key accounts elected to sever business ties in the second half of last year due to social movements in Hong Kong. In the aftermath, revenue has dropped by 80.4% to HK\$7.5 million (1H2019: HK\$38.4 million), though business ties with certain key accounts, particularly major convenience chain store operators in Southern China, have gradually been re-established. Consequently, in May and June of this year, certain fresh and long-shelf life bottled drinks have once again become available through a number of key accounts in Guangzhou, Dongguan, Shenzhen, etc., amounting to over 6,400 convenience stores in total. Furthermore, the Group’s fresh and long-shelf life drinks have appeared on the shelves of grocery stores, schools, and gas stations via distributors operating mainly in Guangdong, Shanghai and Beijing. In total, nearly 20 SKUs have reappeared in Mainland China as at 30 June 2020, though COVID-19 has impacted on the scale of business that has been secured.

In view of business developments in Mainland China in 2019, the Group initiated a restructuring exercise for its offices last year. Consequently, it now operates one office, located in Guangzhou, which has allowed the Group to save both operational and management costs.

Other Markets

The Group’s performance in other markets was invariably impacted as many local governments imposed lockdowns and social distancing policies in the wake of COVID-19. As a consequence, sales activities in countries such as the United States (“US”), Australia and Vietnam were either severely curtailed or suspended altogether. Compounding matters, in the US, higher import duties imposed on the Group’s products due to Sino-US trade tensions further affected local sales. Though stiff headwinds are expected to continue in the second half year, the Group will continue to explore new business opportunities. Case in point, the Group was able to tap the Netherlands and Brazil markets in 1H2020, as public awareness of the health benefits of herbal drinks increased amid the COVID-19 pandemic.

Safety and Production Capability

Food safety and good hygiene have always been among the top priorities of the Group, and the pandemic has only helped reaffirm their importance. The Group has duly upheld stringent safety standards, including rigorous hygiene standards applicable to its shops, factories and workplaces, which are paramount for protecting the wellbeing of customers and staff alike. Although the epidemic resulted in slight delays in the resumption of the Group’s factory in Kaiping City, Guangdong, after the Lunar New Year holiday, the factory largely resumed operation by early March. Consequently, the supply of fresh and long shelf-life drinks to Hong Kong, Mainland China and overseas markets resumed as planned. With regard to the Tai Po factory, it has followed ISO22000 and other food safety guidelines, with staff also observing such measures as wearing masks, washing hands regularly and sanitizing frequently. Aside from these precautionary steps, the Tai Po plant has also optimised Good Manufacturing Practice (“GMP”) procedures to further strengthen quality assurance efforts.

PROSPECTS

The Group is fully aware that the pandemic is likely to persist in the second half year, and the retail and wholesale business environment will continue to present numerous challenges. The third wave of the COVID-19 outbreak in Hong Kong subsequent to the review period has brought more devastation; severely impacting both foot traffic and consumption sentiment. The management will therefore closely monitor both internal and external developments so as to take measured action when deemed appropriate. On the health and safety front, the management team will monitor relevant developments closely to ensure that appropriate health precautions against the pandemic are implemented at the shop, factory and office levels.

Despite the uncertain outlook, the management is convinced that challenges and opportunities go hand in hand. Since COVID-19, consumers have gained greater appreciation for maintaining a healthy diet, which is an area that the Group holds particular expertise. To address their needs will include the Group's portfolio of pre-packaged food that are both convenient and hygienic. Certainly the need to work from home and dine at home present yet another opportunity which the Group will seek to seize by bolstering its online presence and delivery services.

Still other opportunities to be explored will be cross brand collaborations. On the back of the Group and HKBN Group's announcement of a five-year Barter and Bundle strategic partnership, the Group is pleased to commence a long-term partnership with the established brand, Eu Yan Sang. The link-up, which will also involve the sharing of resources, holds the potential for mutual success in the areas of product development and customer building, and for securing leadership positions in the health and wellness industry for both parties.

While leaving no stone unturned in its quest for new opportunities, the Group is well aware of the importance of financial prudence, especially during such a difficult period. It will therefore implement appropriate cost controls and maintain stable operational cash flow.

Hong Kong Retail

As regard the Hong Kong retail business, the Group will strive to maintain market leadership. Towards this goal, the Group will be flexible in its management of the local retail network, with stability its primary objective. Correspondingly, it plans to open one new shop in the second half of 2020 at an MTR station. In view of softening rent resulting from a depressed rental market, the Group will also look to negotiate further with landlords on rent concessions and lease renewals, having already made progress in 1H2020 when rental increases were generally minimised. With respect to the Handmade Bakery (嚙麥手作) operation, the Group will consider adding to the two shops that are currently in operation when retail sentiment improves.

In view of present work from home and social distancing practices, the Group will further promote its wide variety of ready-to-eat food and soups, and enticing Home Made Dish Series (自家小菜系列). Also, it will continue to raise awareness of the fish essence and organic chicken essence products through social media campaigns and influencer engagement. Furthermore, in the third quarter of 2020, the Group will introduce new flavours of its rice water series, to appeal to existing and new customers. Another focus on the product development side will be the introduction of Chinese health supplements, as the Group seeks to capitalise on a burgeoning market that is driven by demand from a health-conscious population.

Also due to the pandemic, the Group will participate in more online exhibitions and events, as their offline counterparts are suspended. Moreover, it will be launching a revamped "Hung Fook Tong Online" platform during the second half of this year that will enable customers to readily place orders or reserve their favourite products online, and pick up their items at selected Hung Fook Tong retail stores.



MANAGEMENT DISCUSSION AND ANALYSIS

Wholesale

On the Hong Kong wholesale front, the Group is set to launch more cross brand promotions and products in the remaining financial year. This will include an authentic Hong Kong Milk Tea (鴻福堂 X 檀島港式奶茶) resulting from a partnership with Honolulu Coffee Shop, that has entered the market subsequent to the reporting period, i.e. July. In addition, more specialty and seasonal food products from different markets, including South Korea, will be introduced.

As for Mainland China, with the epidemic under control and life gradually returning to normal, consumption sentiment is expected to improve, resulting in fresh opportunities. Consequently, industry peers will likely take an aggressive approach towards promotions to make up for weak business during the first half year. To remain competitive, the Group will work on strengthening business ties with key accounts to boost performance, while actively seeking to bring its products back to online platforms as well as promoting sales through online and social marketing activities.

In Taiwan, the Group will seek to boost sales and invigorate business by launching Hung Fook Tong X KAKAO FRIENDS products in July this year. The Group also plans to introduce fresh drink products to the Singapore and South Korea markets, while herbal drinks will be employed in tapping more European countries and New Zealand.

CONCLUSION

Hung Fook Tong has experienced numerous economic cycles over the past three decades, and even though COVID-19 is an unprecedented event, the Group will not be discouraged. It will leverage its full arsenal, including its strong brand profile, wide spectrum of wholesome products, leadership in the wellness food and beverage industry, and ample experience. Just as importantly, it will draw support from stakeholders both within and outside the industry. By working together, underpinned by the aforementioned attributes, the Group will be able to brave the difficulties ahead with all stakeholders while seizing new business opportunities.

FINANCIAL REVIEW

Revenue

In 1H2020, the Group's revenue amounted to HK\$345.2 million, representing a decrease of 11.7% from HK\$390.9 million in 1H2019. Both Hong Kong retail sales and wholesales business experienced a decline in revenue to HK\$276.9 million and HK\$68.2 million respectively, representing a decrease of 6.6% from HK\$296.5 million and 27.7% from HK\$94.4 million respectively in 1H2019, as a result of the COVID-19 outbreak and global economic slowdown.

Cost of Sales

In 1H2020, the Group's cost of sales amounted to HK\$122.7 million, representing a decrease of 17.2% from HK\$148.2 million in 1H2019. As a percentage of revenue, cost of sales represented 35.6% and 37.9% in 1H2020 and 1H2019 respectively.

Gross Profit and Gross Profit Margin

In 1H2020, the Group's gross profit amounted to HK\$222.4 million, representing a decrease of 8.3% from HK\$242.7 million in 1H2019. Despite a decrease in gross profit, the Group's gross profit margin increased by 2.3 percentage points to 64.4% as compared to 62.1% in 1H2019 due to effective cost control measures with continuous enhancement in supply chain management and improvement in the sales mix.

Staff Costs

In 1H2020, the Group's staff costs amounted to HK\$101.7 million, representing a decrease of 18.0% from HK\$123.9 million in 1H2019. The decrease was mainly due to decrease in number of headcount and receipt of government grant from the Employment Support Scheme. The staff costs-to-revenue ratio is 29.4% as compared to 31.7% in 1H2019.

Rental Expenses

In 1H2020, rental expenses in relation to the Group's retail shops in Hong Kong (being the aggregate of lease rental in respect of retail outlets, depreciation of right-of-use assets for shop properties and the interest expense arisen from lease liabilities) amounted to HK\$48.6 million, representing a decrease of 7.6% from HK\$52.6 million in 1H2019. The decrease was mainly due to concessions from certain landlords resulting in more affordable rental rates. Rental expenses-to-revenue ratio for the Hong Kong retail shops is 17.6% as compared to 17.8% in 1H2019.

Advertising and Promotion Expenses

In 1H2020, the Group's advertising and promotion expenses amounted to HK\$13.1 million, representing a decrease of 16.0% from HK\$15.6 million in 1H2019. This accounted for 3.8% and 4.0% respectively in percentage to revenue in 1H2020 and 1H2019. The Group was more prudent in managing marketing expenses during the period.

Depreciation

In 1H2020, the depreciation of property, plant and equipment of the Group amounted to HK\$16.6 million, representing an increase of 20.3% from HK\$13.8 million in 1H2019. The increase was mainly due to increase in acquisition of plant and machinery for production plant in Kaiping City, Mainland China in second half of 2019, causing an increase in depreciation in 2020. The depreciation-to-revenue ratio is 4.8% as compared to 3.5% in 1H 2019.

Net Profit

Profit attributable to owners of the Company for the six months ended 30 June 2020 was HK\$23.0 million, representing an increase of 355.8% from HK\$5.1 million in 1H2019. The net profit margin (calculated as profit for the period as a ratio of revenue) for six months ended 30 June 2020 was 6.8%, as compared to 1.3% in 1H2019.

Earnings per share for profit attributable to owners of the Company for the six months ended 30 June 2020 amounted to HK3.51 cents, as compared to HK0.77 cent in 1H2019.

Capital Expenditure

During 1H2020, capital expenditure amounted to HK\$11.8 million (1H2019: HK\$28.7 million). This amount was mainly used for the opening of new shops, revamping of existing retail shops, acquisition of production facilities in Mainland China and Tai Po plants, and construction for the production plant in Kaiping City, Mainland China.

Liquidity and Financial Resources Review

As at 30 June 2020, the Group had bank deposits and cash balance amounted to HK\$107.4 million (31 December 2019: HK\$95.4 million).



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the gearing ratio of the Group was 0.26 (31 December 2019: 0.34), which was calculated based on total bank borrowings divided by equity attributable to owners of the Company.

As at 30 June 2020, the Group had total banking facilities of HK\$149.0 million (31 December 2019: HK\$137.8 million) of which HK\$76.3 million (31 December 2019: HK\$94.9 million) had been utilised.

As at 30 June 2020, the Group's current liabilities exceeded its current assets by HK\$115.2 million (31 December 2019: HK\$142.9 million). Included in current liabilities are receipts in advance relating to sales of prepaid coupons and cards to customers in Hong Kong of HK\$152.3 million (31 December 2019: HK\$156.3 million) which will reduce gradually over the time of each redemption by customers and are not expected to be settled by cash under normal business circumstances. Excluding the aforementioned receipts in advance, the Group would have net current assets of HK\$37.1 million (31 December 2019: HK\$13.4 million) and current ratio of 1.17 (31 December 2019: 1.06).

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 Mainland China and conducts our business primarily in Hong Kong dollars and RMB. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. The Group will continue to take proactive measures and monitor closely of 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 2020.

Contingent Liabilities

Taclon Industries Limited, a subsidiary of the Company, has several pending litigations and claims with its former employees which the Directors consider an outflow of resources is not probable.

Human Resources

As at 30 June 2020, the Group employed approximately 891 employees. Remuneration was based on market price, individual qualification and experience, and there was discretionary bonus based on years of service and performance appraisal.

During the six months ended 30 June 2020, various training activities, such as orientation on retail shop and back office operations, customer services and sales skills, product knowledge 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 was also implemented to attract production talents, enhancing the leadership skills of the participants including their professional and managerial techniques as well as their knowledge in machinery monitoring and production processes.

The Group is committed to being a responsible corporate citizen. True to this commitment, it seeks to contribute to the advancement of society, industry and staff, in good times and bad. The Group's ceaseless efforts have earned a wide range of accolades as listed below:

AWARD	ISSUER OF AWARD
The Hong Kong Q-Mark Service Scheme & Q-Mark Elite Brand Awards 2020	The Federation of Hong Kong Industries
Trusted Brands 2020 – Gold Award (Chinese Soup/Herbal Tea)	Reader's Digest
GS1 Consumer Caring 5 years+	GS1 Hong Kong
2020 Quality E-Shop	Hong Kong Retail Management Association
Hong Kong Awards for Environmental Excellence 2019: Shops and Retailers – Certificate of Merit	Environmental Campaign Committee
Green Office 3+ Label and Eco-Healthy Workplace Label 2020	World Green Organisation
10 Years plus Caring Company 2006-2020	The Hong Kong Council of Social Service
Happiness-at-Work 5 years+	The Hong Kong Productivity Council

CORPORATE SOCIAL RESPONSIBILITY

COVID-19 has had a significant impact on the wellbeing of the community. In the wake of this unprecedented event, the Group has done its utmost to be a responsible corporate citizen. With respect to protecting its staff, the Group has provided surgical masks and herbal drinks, implemented a work-from-home scheme, and has transferred over 15% of training courses online to reduce health risk. As for assisting the community, the Group's efforts have included donating surgical masks, soups and herbal drinks to the Hong Kong Society for Rehabilitation ("HKSR"; 香港復康會) in March this year, subsequently helping some 1,500 families. Also, the Group has organised a volunteer event with HKSR, where participating staff visited the people with disabilities or chronic illnesses.

To reach out to larger numbers of the public, the Group has employed various means to distribute up to one million bottles of "Detox & Heat Relief Drink" and healthy herbal drinks to the community, such as enabling free redemption for JIKA CLUB members; setting up street booths across Hong Kong; and co-operating with corporate partners, healthcare professionals, and NGOs including Christian Family Service Centre (基督教家庭服務中心), and Hong Kong Young Women's Christian Association (香港基督教女青年會). Furthermore, the Group donated "Detox & Heat Relief Soup" to Food Angel (惜食堂) to assist their efforts at helping reduce hunger in society during the pandemic.

On the environmental front, the Group has continued to sponsor the operation of over 60 recycling machines across Hong Kong, resulting in more than 237,000 plastic bottles and cans collected via such machines in 1H2020. What is more, over 1,000 plastic bottles were collected from recycling bins placed at two selected Hung Fook Tong shops, as part of the Group's partnership with Jane Goodall Institute (Hong Kong) and V Cycle, a local green enterprise. Subsequent to the reporting period, in July 2020, the Group has placed recycling bins at two more shops to assist in recycling efforts.

Besides recycling bottles, the Group has, since the fourth quarter of 2019, continued to divert a portion of food waste to O.PARK – the first organic resources recovery centre, located in Siu Ho Wan, North Lantau. Such waste is subsequently processed for the production of biogas and compost. During the review period, approximately 570.7 tonnes of food waste was recycled (1H2019: 69.5 tonnes), which helped reduce over 121.6 tonnes of carbon dioxide equivalent of greenhouse gas emissions (1H2019: 18.1 tonnes).



CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	(Unaudited)	
		Six months ended 30 June	
		2020	2019
		HK\$' 000	HK\$' 000
Revenue	5, 6	345,172	390,903
Cost of sales	7	(122,739)	(148,216)
Gross profit		222,433	242,687
Other income, net	6	10,393	1,538
Selling and distribution costs	7	(33,901)	(43,146)
Administrative and operating expenses	7	(165,714)	(192,132)
Impairment on trade receivables	7	(790)	–
Operating profit		32,421	8,947
Finance income		25	38
Finance costs		(3,947)	(2,466)
Finance costs, net		(3,922)	(2,428)
Share of losses of joint ventures accounted for using the equity method	12	(15)	(50)
Profit before income tax		28,484	6,469
Income tax expense	8	(5,158)	(1,345)
Profit for the period		23,326	5,124
Profit attributable to:			
Owners of the Company		23,043	5,055
Non-controlling interests		283	69
		23,326	5,124

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME



FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	(Unaudited)	
		Six months ended 30 June	
		2020	2019
		HK\$' 000	HK\$' 000
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		<u>(3,577)</u>	<u>(400)</u>
Other comprehensive loss, net of tax		<u><u>(3,577)</u></u>	<u><u>(400)</u></u>
Total comprehensive income for the period		<u>19,749</u>	<u>4,724</u>
Total comprehensive income attributable to:			
Owners of the Company		<u>19,503</u>	<u>4,676</u>
Non-controlling interests		<u>246</u>	<u>48</u>
		<u>19,749</u>	<u>4,724</u>
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (HK cent per share)	9	<u>3.51</u>	<u>0.77</u>

The notes on pages 18 to 36 form an integral part of this condensed consolidated interim financial information.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	As at 30 June 2020 HK\$' 000 (Unaudited)	As at 31 December 2019 HK\$' 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	301,794	309,148
Right-of-use assets		201,847	204,016
Investments in joint ventures	12	40	55
Prepayments and deposits		26,309	28,486
Deferred income tax assets		2,435	7,594
		<u>532,425</u>	<u>549,299</u>
Current assets			
Inventories		45,585	43,768
Trade receivables	13	54,149	48,220
Prepayments, deposits and other receivables		47,592	50,806
Amount due from a related company	22(a)	690	690
Tax recoverable		1,003	986
Cash and cash equivalents		107,417	95,353
		<u>256,436</u>	<u>239,823</u>
Total assets		<u>788,861</u>	<u>789,122</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	6,559	6,559
Reserves		284,628	265,125
		<u>291,187</u>	<u>271,684</u>
Non-controlling interests		<u>329</u>	<u>83</u>
Total equity		<u>291,516</u>	<u>271,767</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	As at 30 June 2020 HK\$' 000 (Unaudited)	As at 31 December 2019 HK\$' 000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		76,111	71,124
Provision for reinstatement costs	18	4,892	4,495
Deferred income tax liabilities		92	93
Bank borrowings	20	44,603	58,879
		<u>125,698</u>	<u>134,591</u>
Current liabilities			
Trade payables	16	36,582	34,720
Accruals and other payables	17	56,831	64,727
Provision for reinstatement costs	18	2,818	2,859
Receipts in advance	19	157,945	162,044
Lease liabilities		85,707	82,333
Bank borrowings	20	30,422	34,732
Tax payable		1,342	1,349
		<u>371,647</u>	<u>382,764</u>
Total liabilities		<u>497,345</u>	<u>517,355</u>
Total equity and liabilities		<u>788,861</u>	<u>789,122</u>
Net current liabilities		<u>(115,211)</u>	<u>(142,941)</u>
Total assets less current liabilities		<u>417,214</u>	<u>406,358</u>

The notes on pages 18 to 36 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 2020

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share based			Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
				compensation reserve HK\$'000	Exchange reserve HK\$'000					
Balance at 1 January 2020 (audited)	<u>6,559</u>	<u>214,999</u>	<u>8,123</u>	<u>5,421</u>	<u>(8,362)</u>	<u>44,944</u>	<u>271,684</u>	<u>83</u>	<u>271,767</u>	
Comprehensive income										
Profit for the period	-	-	-	-	-	23,043	23,043	283	23,326	
Other comprehensive loss										
Currency translation differences	-	-	-	-	(3,540)	-	(3,540)	(37)	(3,577)	
Total comprehensive (loss)/ income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,540)</u>	<u>23,043</u>	<u>19,503</u>	<u>246</u>	<u>19,749</u>	
Balance at 30 June 2020 (unaudited)	<u>6,559</u>	<u>214,999</u>	<u>8,123</u>	<u>5,421</u>	<u>(11,902)</u>	<u>67,987</u>	<u>291,187</u>	<u>329</u>	<u>291,516</u>	
Balance at 1 January 2019 (audited)	<u>6,559</u>	<u>214,999</u>	<u>8,123</u>	<u>5,421</u>	<u>(4,313)</u>	<u>40,114</u>	<u>270,903</u>	<u>(233)</u>	<u>270,670</u>	
Comprehensive income										
Profit for the period	-	-	-	-	-	5,055	5,055	69	5,124	
Other comprehensive loss										
Currency translation differences	-	-	-	-	(379)	-	(379)	(21)	(400)	
Total comprehensive (loss)/ income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(379)</u>	<u>5,055</u>	<u>4,676</u>	<u>48</u>	<u>4,724</u>	
Balance at 30 June 2019 (unaudited)	<u>6,559</u>	<u>214,999</u>	<u>8,123</u>	<u>5,421</u>	<u>(4,692)</u>	<u>45,169</u>	<u>275,579</u>	<u>(185)</u>	<u>275,394</u>	

The notes on pages 18 to 36 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 2020

	Note	(Unaudited)	
		Six months ended 30 June	
		2020	2019
		HK\$' 000	HK\$' 000
Cash flows from operating activities			
Cash generated from operations		84,981	26,552
Income tax (paid)/refund		(17)	54
Net cash generated from operating activities		84,964	26,606
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,534)	(27,462)
Proceeds from disposal of property, plant and equipment		84	2,037
Reinstatement costs paid for shop and office premises	18	(62)	(1,194)
Advance to a joint venture		–	(1,000)
Investments in joint ventures		–	(110)
Payment for acquisition of subsidiary, net of cash acquired		–	(400)
Interest received		25	38
Net cash used in investing activities		(13,487)	(28,091)
Cash flows from financing activities			
Payment for lease liabilities (including interest)		(38,850)	(35,133)
Proceeds from bank borrowings	20	30,000	30,000
Repayment of bank borrowings	20	(48,586)	(37,702)
Interest paid on borrowings		(1,750)	(1,359)
Net cash used in financing activities		(59,186)	(44,194)
Net increase/(decrease) in cash and cash equivalents		12,291	(45,679)
Effect of currency translation differences		(227)	(91)
Cash and cash equivalents at beginning of the period		95,353	128,391
Cash and cash equivalents at end of the period		107,417	82,621

The notes on pages 18 to 36 form an integral part of this condensed consolidated interim financial information.



NOTES TO THE 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 “**Business**”).

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

These unaudited condensed consolidated interim financial information (the “**interim financial information**”) are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These unaudited interim financial information has been approved for issue by the Board of Directors (the “**Board**”) of the Company on 24 August 2020.

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 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Group’s current liabilities exceeded its current assets by HK\$115,211,000 as at 30 June 2020 (31 December 2019: HK\$142,941,000). The directors of the Company have reviewed the Group’s cash flow projections, which covers a period of 12 months from 30 June 2020. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operations as well as the possible changes in its operating performance and the continued availability of the Group’s banking facilities, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from 30 June 2020. Accordingly, these condensed consolidated interim financial information have 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 2019, 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.

2.2.1 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.2.2 Adoption of new accounting policy in the current interim period

(a) Amended standards adopted by the Group

The following amendments to existing standards are effective to the Group for accounting periods beginning on or after 1 January 2020 but did not result in any significant impact on the results and financial position of the Group.

HKAS 1 and HKAS 8 (Amendment)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
HKFRS 3 (Amendment)	Definition of Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

2.2 Summary of significant accounting policies (Continued)

2.2.2 Adoption of new accounting policy in the current interim period (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 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions	1 January 2021
HKFRS 17	Insurance Contracts	1 January 2021
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

The Group will adopt the above new and amended standards when they become effective. The Group is in the process of assessing the impact of adoption of such new and amended standards on the Group's results 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 annual financial statements for the year ended 31 December 2019.



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 do 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 as at 31 December 2019.

There have been no significant changes in the risk management or in any risk management policies since the Group's annual financial statements as at 31 December 2019.

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 decrease in bank borrowings from HK\$93,611,000 as at 31 December 2019 to HK\$75,025,000 as at 30 June 2020. Of these borrowings, the Group expects HK\$30,422,000 will be settled within 1 year, HK\$18,945,000 in 1 to 2 years and the remaining HK\$25,658,000 in 2 to 5 years. Also, lease liabilities increased from HK\$153,457,000 as at 31 December 2019 to HK\$161,818,000 as at 30 June 2020. Of these liabilities, the Group expects HK\$85,707,000 will be settled within 1 year, HK\$57,436,000 in 1 to 2 years and the remaining HK\$18,675,000 in 2 to 3 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 and cash and cash equivalents, and financial liabilities, including trade payables, accruals and other payables, lease liabilities and bank borrowings, approximate their fair values.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 two reportable segments based on the Group's business model, namely the (1) Hong Kong Retail and (2) Wholesale.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, inventories, trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. They exclude deferred income tax assets, amount due from a related company, investments in joint ventures, tax recoverable and assets used for corporate functions.

Capital expenditure comprises additions to property, plant and equipment for the six months ended 30 June 2020 and 2019.

Geographically, management considers the distribution of bottled drinks, other herbal products, soups and snacks through retail and wholesale channels are mainly located in Hong Kong and the PRC, which the revenue and segment results are determined by the nature of the business. 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, relocation of factories related expenses, share of losses of joint ventures accounted for using the equity method, 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 2020 and 2019 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the six months ended 30 June 2020 and 2019 are as follows:

	(Unaudited)		
	Six months ended 30 June 2020		
	Hong Kong Retail HK\$' 000	Wholesale HK\$' 000	Total HK\$' 000
Segment revenue	281,546	70,122	351,668
Less: Inter-segment revenue	<u>(4,601)</u>	<u>(1,895)</u>	<u>(6,496)</u>
Revenue from external customers	<u>276,945</u>	<u>68,227</u>	<u>345,172</u>
Segment results	56,633	519	57,152
Corporate expenses			(24,731)
Share of losses of joint ventures accounted for using the equity method			(15)
Finance costs, net (Note)			<u>(3,922)</u>
Profit before income tax			28,484
Income tax expense			<u>(5,158)</u>
Profit for the period			<u>23,326</u>
Other segment items:			
Capital expenditure	4,406	7,433	11,839
Depreciation and amortisation	57,678	6,017	63,695
Loss on disposal of property, plant and equipment	13	–	13
Provision for impairment on trade receivables	<u>790</u>	<u>–</u>	<u>790</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (Continued)

	(Unaudited)		
	Six months ended 30 June 2019		
	Hong Kong Retail HK\$' 000	Wholesale HK\$' 000	Total HK\$' 000
Segment revenue	299,734	94,686	394,420
Less: Inter-segment revenue	(3,235)	(282)	(3,517)
Revenue from external customers	296,499	94,404	390,903
Segment results	43,324	(4,474)	38,850
Corporate expenses			(27,402)
Relocation of factories related expenses			(2,501)
Share of losses of joint ventures accounted for using the equity method			(50)
Finance costs, net (Note)			(2,428)
Profit before income tax			6,469
Income tax expense			(1,345)
Profit for the period			5,124
Other segment items:			
Capital expenditure	7,446	21,239	28,685
Depreciation and amortisation	45,031	3,491	48,522
Gain on disposal of property, plant and equipment	(28)	(501)	(529)

Note: Finance costs include interest expenses arisen from lease liabilities of HK\$2,197,000 (2019: HK\$1,675,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment assets as at 30 June 2020 and 31 December 2019 are as follows:

	Hong Kong Retail HK\$' 000	Wholesale HK\$' 000	Elimination HK\$' 000	Total HK\$' 000
As at 30 June 2020 (Unaudited)				
Segment assets	496,161	279,487	(2,980)	772,668
Amount due from a related company				690
Investments in joint ventures				40
Tax recoverable				1,003
Deferred income tax assets				2,435
Corporate assets				<u>12,025</u>
Total assets				<u>788,861</u>
As at 31 December 2019 (Audited)				
Segment assets	489,110	277,712	(607)	766,215
Amount due from a related company				690
Investments in joint ventures				55
Tax recoverable				986
Deferred income tax assets				7,594
Corporate assets				<u>13,582</u>
Total assets				<u>789,122</u>

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND OTHER INCOME, NET

The Group's revenue and other income, net recognised during the six months ended 30 June 2020 and 2019 are as follows:

	(Unaudited) Six months ended 30 June	
	2020 HK\$' 000	2019 HK\$' 000
Revenue		
Sale of goods	328,706	376,688
Revenue recognised upon expiry of pre-paid coupons and cards (Note 19)	16,466	14,215
	<u>345,172</u>	<u>390,903</u>
Other income, net		
Government grants (Note)	9,600	–
Service income	485	133
Insurance claim	39	504
Exchange differences	(332)	139
(Loss)/gain on disposal of property, plant and equipment	(13)	529
Others	614	233
	<u>10,393</u>	<u>1,538</u>

Note:

Government subsidies of HK\$9,600,000 were granted from the one-off Retail Sector Subsidy Scheme and Food Licence Holders Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region. The Group has complied all attached conditions before 30 June 2020 and recognised in profit or loss in "other income, net".

Wage subsidies of HK\$5,074,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to August 2020 have been received during the six months ended 30 June 2020. The amounts of HK\$851,000 and HK\$840,000 were recognised in "cost of sales" and "administrative and operating expenses" respectively and had been offset with the employee benefit expenses. The remaining amount of HK\$3,383,000 was recognised as deferred government grants as disclosed in Note 17.

7 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$' 000	HK\$' 000
Cost of inventories sold	94,237	113,826
Lease rental in respect of retail outlets (Note)		
– Minimum rental	–	16,874
– Contingent rental	150	167
Lease rental in respect of storage spaces and office premises (Note)	4,981	10,818
Advertising and promotional expenditure	13,133	15,635
Depreciation of property, plant and equipment	16,590	13,788
Depreciation of right-of-use assets	47,105	34,734
Communication and utilities	12,317	15,927
Employee benefit expenses (including directors' emoluments)	101,651	123,946
Provision for impairment on trade receivables	790	–
Legal and professional fees	3,782	4,106
Tools, repair and maintenance expenses	5,076	4,749
Transportation and distribution expenses	13,661	17,780
Others	9,671	11,144
	<u>323,144</u>	<u>383,494</u>
Total cost of sales, selling and distribution costs and administrative and operating expenses		

Note:

These expenses included short-term leases expenses of HK\$609,000 (2019: HK\$21,221,000), variable lease payment expenses of HK\$845,000 (2019: HK\$1,825,000) and other rental-related expenses of HK\$3,677,000 (2019: HK\$4,813,000) for the six months ended 30 June 2020.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 (2019: 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	
	2020 HK\$'000	2019 HK\$'000
Current income tax		
– Under-provision in prior years	–	6
Deferred income tax	5,158	1,339
Income tax expense	5,158	1,345

9 EARNINGS PER SHARE

	(Unaudited) Six months ended 30 June	
	2020	2019
Profit attributable to owners of the Company (HK\$'000)	23,043	5,055
Weighted average number of ordinary shares for the calculation of basic and diluted earnings per share (thousands)	655,944	655,944
Earnings per share for profit attributable to owners of the Company		
– Basic earnings per share (HK cent)	3.51	0.77
– Diluted earnings per share (HK cent)	3.51	0.77

(a) Basic

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

(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. Diluted earnings per share for the six months ended 30 June 2020 and 2019 equal basic earnings per share as there were no outstanding share options as at both period ends.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 DIVIDENDS

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$' 000	HK\$' 000
Proposed dividend		
Special dividend in respect of the financial year ending 31 December 2020 of HK0.90 cent (2019: nil) per ordinary share	5,903	–

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil). A special dividend in respect of the year ending 31 December 2020 of HK0.90 cent per ordinary share, amounting to a total dividend of HK\$5,903,000 was approved by the Board on 24 August 2020. This special dividend is not reflected as dividend payable in the condensed consolidated interim statement of financial position, but will be recognised in shareholders' equity for the year ending 31 December 2020.

11 PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$' 000	HK\$' 000
At 1 January	309,148	288,562
Acquisition of a subsidiary	–	754
Additions	11,839	28,685
Disposals	(97)	(1,508)
Depreciation	(16,590)	(13,788)
Exchange difference	(2,506)	(247)
At 30 June	301,794	302,458

Depreciation of HK\$6,396,000 (2019: HK\$4,154,000) has been charged in 'cost of sales', HK\$10,194,000 (2019: HK\$9,634,000) in 'administrative and operating expenses' for the six months ended 30 June 2020.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 INVESTMENTS IN JOINT VENTURES

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$' 000	HK\$' 000
At 1 January	55	–
Capital injection	–	110
Share of losses of joint ventures	(15)	(50)
At 30 June	40	60

13 TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2020	2019
	HK\$' 000	HK\$' 000
	(Unaudited)	(Audited)
Trade receivables	57,390	50,671
Less: Provision for impairment on trade receivables	(3,241)	(2,451)
	54,149	48,220

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days. As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables, based on invoice date, are as follows:

	As at	As at
	30 June	31 December
	2020	2019
	HK\$' 000	HK\$' 000
	(Unaudited)	(Audited)
Less than 30 days	21,696	15,717
31 – 90 days	25,322	29,117
Over 90 days	7,131	3,386
	54,149	48,220

14 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK\$' 000
Authorised:		
At 31 December 2019, 1 January 2020 and 30 June 2020 (Unaudited)	1,000,000,000	10,000
Issued and fully paid:		
At 31 December 2019, 1 January 2020 and 30 June 2020 (Unaudited)	655,944,000	6,559

15 SHARE BASED PAYMENTS

A share option scheme was approved on 11 June 2014 by the shareholders of the Company. The subscription price per share shall be determined by the Board and notified to the grantee at the time of offer of the option. 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. There was no share option granted after approval till 30 June 2020.

16 TRADE PAYABLES

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables, based on invoice date are as follows:

	As at 30 June 2020 HK\$' 000 (Unaudited)	As at 31 December 2019 HK\$' 000 (Audited)
0 – 30 days	24,822	17,426
31 – 60 days	8,413	9,398
61 – 90 days	1,952	4,563
Over 90 days	1,395	3,333
	36,582	34,720



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2020 HK\$' 000 (Unaudited)	As at 31 December 2019 HK\$' 000 (Audited)
Accruals for employee benefit expenses	15,458	17,106
Accruals for marketing and promotional expenses	993	1,959
Accruals for sales rebate	2,882	3,216
Rental and related expenses payable	2,087	3,479
Office and utilities expenses payable	2,373	2,869
Deferred revenue	2,629	2,693
Consideration payable for property, plant and equipment acquired	1,919	8,359
Accruals for transportation and delivery charges	4,627	4,639
Accruals for audit fee	3,139	3,106
Deferred government grants (Note 6)	3,383	–
Other accruals and other payables	17,341	17,301
	56,831	64,727

18 PROVISION FOR REINSTATEMENT COSTS

	As at 30 June 2020 HK\$' 000 (Unaudited)	As at 31 December 2019 HK\$' 000 (Audited)
Non-current	4,892	4,495
Current	2,818	2,859
	7,710	7,354

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

	(Unaudited) Six months ended 30 June	
	2020 HK\$' 000	2019 HK\$' 000
At 1 January	7,354	7,602
Additional provision during the period	418	458
Utilisation	(62)	(1,194)
At 30 June	7,710	6,866

19 RECEIPTS IN ADVANCE

	As at 30 June 2020 HK\$' 000 (Unaudited)	As at 31 December 2019 HK\$' 000 (Audited)
Receipts in advance	157,945	162,044

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

	(Unaudited) Six months ended 30 June	
	2020	2019
Note	HK\$' 000	HK\$' 000
At 1 January	162,044	151,057
Receipt from sales of pre-paid coupons and cards during the period	175,225	172,781
Revenue recognised upon the redemption of products by customers (a)	(162,749)	(159,235)
Revenue recognised upon expiry of pre-paid coupons and cards (Note 6) (b)	(16,466)	(14,215)
Exchange differences	(109)	(14)
At 30 June	157,945	150,374

Notes:

- (a) The amounts represent revenue recognised in the condensed consolidated interim statement of comprehensive income as a result of redemption of products by customers during the period.
- (b) The amounts represent revenue recognised in the condensed consolidated interim statement of comprehensive income for pre-paid coupons and cards expired in accordance with the contractual periods stipulated in the respective terms and conditions and the relevant proportion of the expected breakage amount.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 BANK BORROWINGS

	As at 30 June 2020 HK\$' 000 (Unaudited)	As at 31 December 2019 HK\$' 000 (Audited)
Non-current	44,603	58,879
Current	30,422	34,732
	75,025	93,611

Movements in bank borrowings are analysed as follows:

	(Unaudited) Six months ended 30 June	
	2020 HK\$' 000	2019 HK\$' 000
At 1 January	93,611	94,092
Repayments of bank borrowings	(48,586)	(37,702)
Proceeds from bank borrowings	30,000	30,000
At 30 June	75,025	86,390

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

21 CONTINGENT LIABILITIES

Taclon Industries Limited, a subsidiary of the Company, has several pending litigations and claims with its former employees of which the Directors consider an outflow of resources is not probable.

22 RELATED PARTIES BALANCES AND TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following company was related party that had transactions or balances with the Group:

- Aqua Pure Distilled Water Company Limited

(a) Amounts due from related parties

The amounts due from related parties are unsecured, interest-free and repayable on demand.

The Group had the following material balances due from the related parties:

	As at 30 June 2020 HK\$' 000 (Unaudited)	As at 31 December 2019 HK\$' 000 (Audited)
Amount due from a related company	<u>690</u>	<u>690</u>
Amount due from a non-controlling interest (included in other receivables)	<u>1,000</u>	<u>1,000</u>

The amounts due from related parties are denominated in HK\$.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

(b) Transactions with a joint venture

The following transactions were undertaken by the Group with a joint venture during the period ended 30 June 2020 and 2019:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$' 000	HK\$' 000
Sales of goods	–	91
Service income	–	23
	–	114

These transactions are made of terms mutually agreed by the relevant parties.

(c) 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	
	2020	2019
	HK\$' 000	HK\$' 000
Salaries, allowances and benefits in kind	8,599	8,575
Pension costs	90	104
	8,689	8,679

23 COMMITMENTS

Capital commitments

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

	As at	As at
	30 June	31 December
	2020	2019
	HK\$' 000	HK\$' 000
	(Unaudited)	(Audited)
Contracted but not provided for property, plant and equipment	13,793	15,911

DIVIDEND

The Board of Directors (the "Board") of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil). A special dividend in respect of the year ending 31 December 2020 of HK0.90 cent per ordinary share was declared by the Board on 24 August 2020. The proposed special dividend is not reflected as dividend payable in the condensed interim consolidated statement of financial position, but will be recognised in shareholders' equity for the year ending 31 December 2020. The special dividend will be payable on or about Friday, 25 September 2020 to the shareholders whose name appears on the Register of Members of the Company at the close of business on Friday, 11 September 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the special dividend, the register of members of the Company will be closed from Thursday, 10 September 2020 to Friday, 11 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the special dividend as stated, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Branch Share Registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 9 September 2020.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, 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	Capacity/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 owner; interest of controlled corporation	398,552,600 (Long position)	60.76
Mr. Tse Po Tat (Notes 1 & 4)	Interests held jointly with other persons; interest of controlled corporation	398,552,600 (Long position)	60.76
Dr. Szeto Wing Fu (Notes 5 & 6)	Beneficial owner; interest of controlled corporation	25,704,600 (Long position)	3.91



OTHER INFORMATION

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 1.02% (being 6,706,000 Shares) by Ms. Wong Pui Chu.
- (3) The Company was directly owned as to 29.22% (being 191,638,200 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 16.63% (being 109,122,400 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 to 0.15% (being 1,000,000 Shares) by Dr. Szeto Wing Fu.
- (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 2020, 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 2020, 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	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%)
Prestigious Time (Note 1)	Interests held jointly with other persons; beneficial owner	398,552,600 (Long position)	60.76
Think Expert (Note 2)	Interests held jointly with other persons; beneficial owner	398,552,600 (Long position)	60.76
YITAO (Note 3)	Interests held jointly with other persons; beneficial owner	398,552,600 (Long position)	60.76
Ms. Chan Suk Hing Comita (Note 4)	Interest of spouse	398,552,600 (Long position)	60.76
Mr. Kwan Wang Yung (deceased)	Interests held jointly with other persons; interest of controlled corporation	398,552,600 (Long position)	60.76
Mrs. Kwan Chan Lai Lai (Note 5)	Interest of spouse	398,552,600 (Long position)	60.76

Notes:

- (1) The Company was directly owned as to 13.89% (being 91,086,000 Shares) by Prestigious Time. By virtue of his 100% shareholding of Prestigious Time, the late Mr. Kwan Wang Yung (the former managing Director and an executive Director of the Company) is deemed to be interested in the same number of Shares held by Prestigious Time.
- (2) 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".
- (3) 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".
- (4) 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.
- (5) Mrs. Kwan Chan Lai Lai is the spouse of the late Mr. Kwan Wang Yung and is therefore deemed to be interested in the Shares that the late Mr. Kwan Wang Yung is interested in under the SFO.

Save as disclosed above, as at 30 June 2020, the Directors had not been notified of any other corporation or individual (other than the Directors or 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 2020, 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 2020, 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 commenced 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 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 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 2020, 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 2020.



OTHER INFORMATION

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.

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

CHANGE OF DIRECTOR'S INFORMATION

Subsequent to publication of the 2019 Annual Report, the change in information of Directors is set out below pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules:

- On 30 June 2020, Dr. Szeto Wing Fu, the Chief Executive Officer and Executive Director of the Company, has completed his term of office of 6 years in Employees Compensation Assistance Fund Board.

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 2020.



OTHER INFORMATION

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 2020.

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 2020, 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 condensed consolidated interim financial information of the Group for the six months ended 30 June 2020.

PricewaterhouseCoopers, the external auditors of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 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

For the six months ended 30 June 2020, 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, 24 August 2020



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

