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

2021 年報
Annual Report

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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

AUTHORISED 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

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

COMPANY WEBSITE

www.hungfooktong.com

STOCK CODE

1446

JAN - FEB

Opened the first café concept store "HFT Life" in Caine Road

Opened the two-storey "HFT Life" shop in Happy Valley

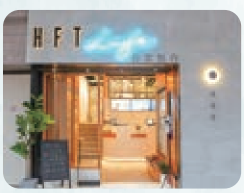
Partnered with Pei Ho Counterparts (北河同行), donated and distributed Chinese New Year pudding to the disadvantaged living in Sham Shui Po

15 years+ 商界展關懷 caringcompany

Awarded the "Caring Company" logo for the 15th consecutive year

Expanded the Joyous Series by rolling out the new Cordyceps Organic Chicken Essence

MAR- APR



Opened "HFT Life" stores in Fortress Hill and Kowloon City

MAY- JUN

Kicked off the **35th** anniversary celebrations

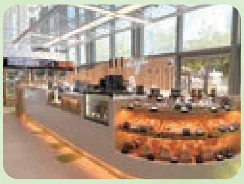
Opened new shops at To Kwa Wan MTR Station and Mong Kok East MTR Station

Introduced drinks adopting the "Old Hong Kong Style" nostalgic theme as cross-brand collaborations

JUL- AUG

Launched handmade herbal soaps by upcycling food waste

Opened a new shop in Ho Man Tin



Opened new "HFT Life" shops in Cyberport and the Hong Kong Polytechnic University

Launched mooncake series with SunnyHills

Partnered with KFC in bringing a Heat Relief Herbal Drink to customers

SEP- OCT

Supported the Hong Kong Young Women's Christian Association as volunteer team helped cleaning up mangrove thickets in Tai O

Introduced cookies gift set with Cookies Quartet

Launched the new Clam Essence under the Joyous Series

NOV-DEC

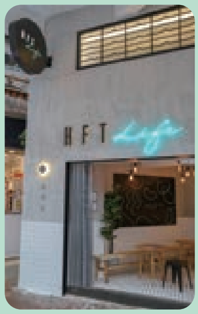
Received "2020/2021 Award of Distinction" for sponsoring the Community Chest Skip Lunch Day for 12 consecutive years

Launched new Fritillaria Cirrhosa Platycodon Honey Drink

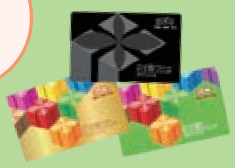
Launched the "JIKA ON!" online platform with a wide spectrum of healthy, eco-friendly or locally produced products

RETAIL BUSINESS

Remained the largest revenue contributor, accounted for **75.4%** of total revenue



122 shops in Hong Kong, including **7** “HFT Life” café concept stores



Over **1,159,000** JIKA CLUB members

Bolstered online exposure with the launch of the new online shopping platform “JIKA ON!”

Extended the **Joyous Series**, and introduced more **pre-packaged dishes and snacks** options to meet the rising need to remain at home

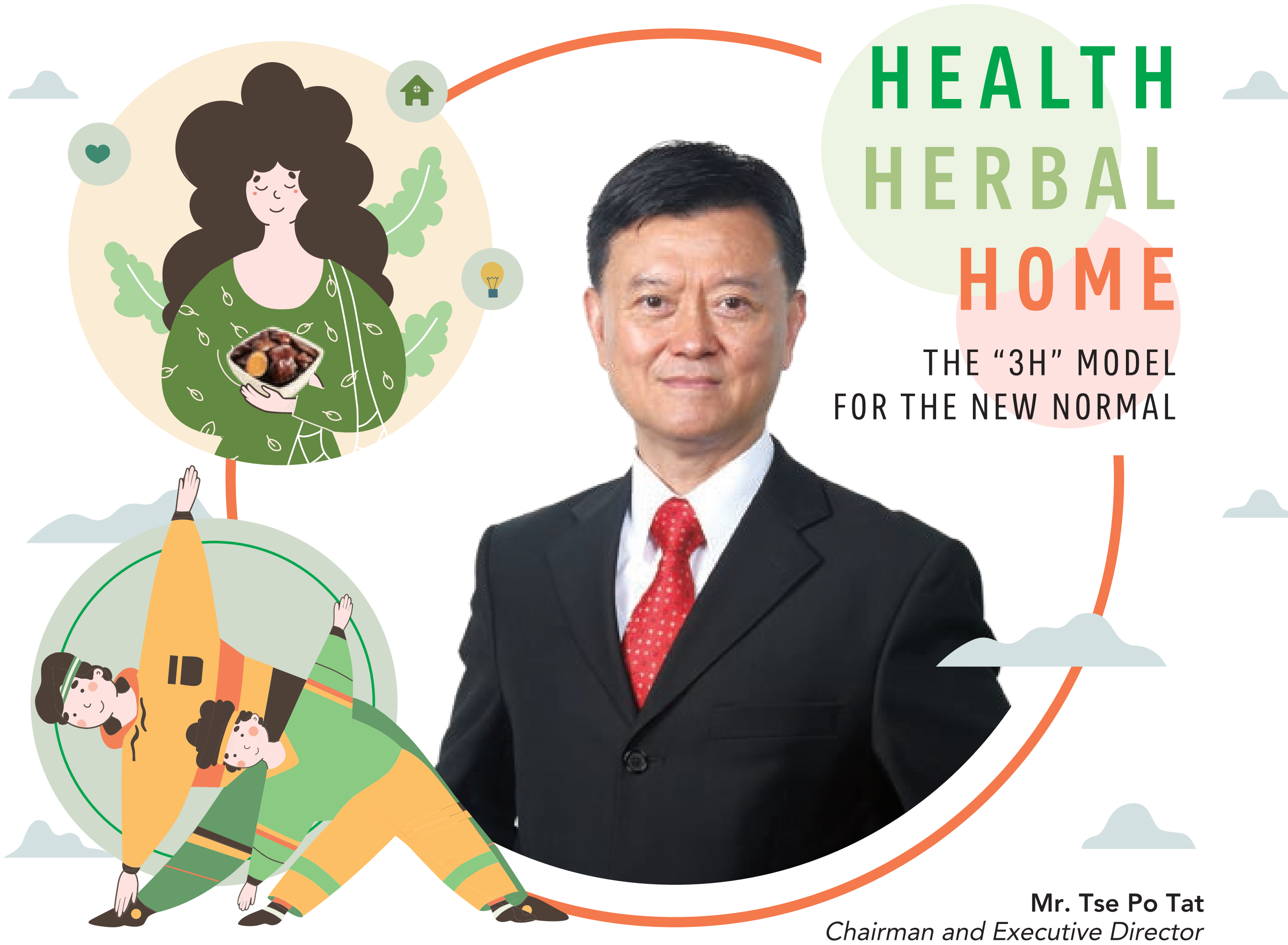
WHOLESALE BUSINESS

- Segment profit rose by **192.5%** to HK$ **23.7** million, as the Mainland China wholesale business returned to profitability
- More online sales channels have been tapped in Hong Kong and Mainland China

- A greater array of fresh and long shelf-life bottled drinks are available in Guangzhou, Dongguan, Shenzhen, Shanghai etc. at over **7,000** convenience stores

Product Highlights

- New drinks involving cross-brand collaborations or under special theme



Mr. Tse Po Tat
Chairman and Executive Director

To our stakeholders,

On behalf of the board (the "Board") of directors (the "Directors"), I hereby present the annual results of Hung Fook Tong Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021.

Over the past year, many businesses have operated under highly challenging conditions as COVID-19 continued to have a firm grip on all facets of society. With stringent restrictions on public movement in place, the overall retail sales performance was sub-par. As for the Group, it was impacted by weak consumer sentiment compounded by higher costs, all of which drove down both its top line and bottom line. Nonetheless, in celebrating Hung Fook Tong's 35th anniversary, our thoughts have been on ensuring business advancement. With this in mind, our focus has been on innovation and new business investments, as they also allow us to capitalise on evolving market needs. Even though such efforts are at initial stages and have resulted in the incurring of higher expenses, we trust that the long-term benefits will outweigh their temporary costs.

As for more immediate efforts that we have undertaken to protect our legacy includes the maintenance of a strong retail presence in Hong Kong, which, as at the end of the financial year, consists of 122 shops. This robust network has allowed us to once again maintain our standing as the largest herbal retailer based on network size. More importantly, it has allowed us to swiftly and seamlessly address changing lifestyles in the wake of the pandemic; facilitating the effective launch of various new products during the year. Such products included those aimed at boosting the health of customers as well as diverse pre-packaged food items that facilitate home cooking.

Certainly one of the highlights of the year was the introduction of our new "HFT Life" brand, under which seven innovative café concept stores have opened. The stores adopt a minimalistic design and offer a wide variety of healthy food and drink options. Serving as a hub for recharging the body and mind, "HFT Life" has enabled the Group to strengthen its appeal to the younger generation as well as today's health-conscious urbanites.

The aforementioned efforts have also created synergies in terms of engaging customers across all of the Group's touchpoints. A clear example is our JIKA CLUB. Complemented by various promotions aimed at boosting membership and engagement, we now have over 1,159,000 JIKA CLUB members as at the end of 2021. Furthermore, the launch of our new online shopping platform "JIKA ON*!*" in late 2021 has enabled us to further capitalise on the rising online shopping trend.

With respect to our wholesale business, we are pleased to note that the Group has been able to successfully revive ties with certain key accounts in Mainland China, resulting in an upswing in the wholesale business.

While we have continued to invest in new business opportunities and product development in response to the changing business climate, several factors conspired to offset our gains, including higher prices for certain raw materials, appreciation of the Renminbi and greater operating expenses. Moreover, the development efforts for new lines of business, which are in their preliminary stages and will require time to develop, led to the costs rise. Also, the substantial reduction in government grants and subsidies received as compared with the preceding year contributed to a decline in net profit for 2021.

Despite the profit shortfall, the Group remains in sound financial health. The Board has therefore resolved to recommend a final dividend of HK0.37 cent per ordinary share and a special dividend of HK0.31 cent per ordinary share to express appreciation to the Group's shareholders for their continuous support.

IN BUSINESS FOR THE LONG HAUL

The global economy is expected to continue experiencing stiff headwinds amid COVID-19. For businesses, rising costs for raw materials, labour and logistics will continue to be the reality. In Hong Kong, social distancing measures have further tightened as a fifth wave of COVID-19 infections broke out in January 2022. Unsurprisingly, this has led to further erosion of consumer sentiment and another formidable hurdle for retailers. While we remain optimistic that the pandemic will eventually come to pass, we are fully prepared to operate in a highly difficult environment.

In facing the most challenging period of our times, the relevance of our "3H" business model has never rung more true. Comprising the three pillars of "Health, Herbal and Home", all of these aspects have taken on added significance in the wake of the new normal. Home, for example, has now taken on even greater importance, and we have duly delivered products that align with its new status. Given that Health and Herbal are our intrinsic strengths, we have leveraged our product development expertise to help protect the wellbeing of our customers, leading to the offering of an even greater array of healthy high-quality herbal products. With the strong brand equity that the Group enjoys, we are in an advantageous position to capture the thriving demand for healthy food and beverages that has been driven by the pandemic.

As our retail network continues to grow in the coming year, which includes the addition of more "HFT Life" café concept stores, we will be able to attract the patronage of a younger demographic, thus further enlarge our customer base. To augment this base even further, we will leverage digitalisation. Consequently, the promotion of e-coupons and use of the "JIKA Pay" e-Card via our mobile application will be pursued, as will the use of social media channels for advertising. Furthermore, "JIKA ON!" will be employed to attract online shoppers, as it features more products suitable for health conscious customers.

As for our wholesale operation, bond building with key accounts in Mainland China will remain our top priority. We are adamant in our resolution to bring more of the Group's products back to shelves, and this includes second-tier cities. Leveraging the online realm will also be part of this effort to bolster our wholesale presence in Mainland China. Essentially, we will engage in online sales and promotions, as well as open an online store that leverages our "Hong Kong Brand" advantage.

Another integral part of our development involves cost control. In this regard, we will tackle rising costs, including those for raw materials, labour and rentals, through such measures as optimising procurement practices – both locally and internationally, reengineering business processes and negotiating with property owners for better rental terms and concessions as relief measures.

While we have taken measures to advance personal hygiene among staff, we appreciate the contributions made by all our colleagues and have sought to provide peace of mind as best possible given the current business climate. This has included maintaining favourable work conditions and benefits for our staff. We firmly believe that in protecting the wellbeing of colleagues and promoting camaraderie among all echelons of the Group, we will be able to navigate through the COVID-19 storm, and more importantly, steer it towards a path of long-term sustainable development.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude to our employees for their diligence and perseverance over the past year. I wish to also thank our customers, business partners and shareholders for their unstinting support, which has facilitated the Group's continuous development. Despite the presently unfavourable economic and business conditions, I trust that with our numerous strengths, an upside awaits the Group and all stakeholders.

TSE Po Tat
Chairman and Executive Director
Hong Kong, 28 March 2022

BUSINESS REVIEW

During the past 2021 financial year, the dark cloud of the COVID-19 pandemic continued to hang over the Hong Kong retail market, causing a general downturn in business activities. The Group's Hong Kong retail business was not immune to the pandemic's impact, with the Group's revenue declining modestly by 0.9% to HK$696.0 million (2020: HK$702.5 million) during the financial year. Nevertheless, the Group was able to achieve a steady growth in the Hong Kong wholesale business, and gradual recovery of the Mainland China wholesale operation as a result of the resumption of business ties with certain key accounts.

Gross profit contracted by 6.8% to HK$417.3 million (2020: HK$447.8 million), while the gross profit margin slipped to 60.0% (2020: 63.7%). The decline was owing to the increase in price of certain raw materials, and appreciation of the Renminbi, which in turn led to an increase in production cost at the Group's plant in Kaiping City, Guangdong.

Furthermore, operating expenses rose primarily due to higher staff costs and utility expenses. The Group also incurred greater rental costs, advertising and promotion expenses as well as higher development costs from certain new lines of business. Most significantly, the Group received considerably less government grants and subsidies from pandemic relief measures (comprising subsidies for the retail sector and food license holders and funds from the Employment Support Scheme), which amounted to HK$1.4 million for 2021 versus HK$45.5 million in 2020. Therefore, profit attributable to owners of the Company fell by 86.8% to HK$8.2 million (2020: HK$62.5 million).

Given the Group's sound fundamentals, the Board has resolved to recommend a final dividend and a special dividend of HK0.37 cent and HK0.31 cent per ordinary share, respectively, totalling HK0.68 cent per ordinary share (2020: a final dividend of HK1.96 cents per ordinary share and a special dividend of HK0.90 cent per ordinary share).

The Group remains in a healthy financial position and has stable operating cash flows. It possesses sufficient cash and cash equivalents as well as unutilised banking facilities, amounting to approximately HK$116.7 million and HK$72.2 million, respectively, as at 31 December 2021 (31 December 2020: HK$134.9 million and HK$92.2 million, respectively).

BUSINESS SEGMENT ANALYSIS

Hong Kong Retail

Constituting the Group's principal revenue contributor, the Hong Kong retail business generated HK$525.1 million (2020: HK$548.6 million) in revenue during the financial year, which was down 4.3% year-on-year and accounted for 75.4% of the Group's total revenue. The decline was mainly due to lower footfall and same-store sales amid COVID-19 control measures and dampened consumer sentiment. Moreover, a modest price adjustment was made during the second half year to partly offset higher production costs. This adjustment impacted on the number of transactions to a certain degree. Furthermore, while a number of expos resumed in 2021, including Hong Kong Brands and Products Expo and Food Expo, the sales derived from such events were lower as visitor traffic fell in the wake of strict social-distancing rules.

The retail segment also experienced a decline in profit, dropping by 71.7% to HK$31.1 million (2020: HK$109.8 million). The decline was mainly due to several factors, including i) the offering of deep promotional discounts; ii) an increase in raw material, labour and rental costs; iii) an increase in utility, advertising and promotion expenses; and iv) a significant drop in government grants received or receivable as part of pandemic relief measures.

The Group has continued to direct efforts towards expanding the retail business and enhancing brand recognition. In line with these objectives, it has maintained a robust store network, comprising 122 self-operated shops in Hong Kong as at 31 December 2021. With the opening of seven "HFT Life" café concept stores and two new shops located at the Tuen Ma Line and in Ho Man Tin respectively, the Group has reinforced its standing as the largest herbal retailer in Hong Kong in terms of retail network size.

The introduction of the "HFT Life" brand in early 2021 marked the realisation of a new café concept. Within its simple yet stylishly designed shops are an array of food items, including baked goods from Handmade Bakery (嚐麥手作), salad, coffee, organic oatmeal and fruit tea, along with the Group's signature soups and drinks, which epitomise the "HFT Life" ethos of offering an amalgam of Western and Chinese food cultures. Such diverse yet healthy offerings thus enable the Group to broaden its customer base to include younger urbanites. Moreover, the openings of the "HFT Life" stores also allow the Group to extend its reach to new parts of the city, such as Happy Valley and Cyberport. Moreover, the two-storey "HFT Life" shop in Happy Valley also serves as a community space for local communities, social enterprises and non-governmental organisations.

On the product front, the Group has further expanded its offerings, with an eye on accommodating the growing demand for a healthy diet and the new normal of "stay-at-home" and "work-from-home". With respect to the Joyous Series (自家喜慶系列), Cordyceps Organic Chicken Essence (野生冬蟲夏草有機滴雞精) was added to the chicken essence line in January 2021 as a more premium alternative for customers seeking to strengthen their immune system. Also, a new Clam Essence (黃金蜆精) was introduced in October 2021 to appeal to male customers concerned with strengthening their liver function. In view of the rising need to remain at home, more homemade dishes (自家小菜), snack options (自家小食) and easy-to-cook bulk pack frozen products were launched during the financial year, which are easy to prepare and conducive to meals at home.

A number of seasonal delights were unveiled as well to drive retail sales. In partnership with SunnyHills (微熱山丘), a popular Taiwan brand, the Group launched the "FORBIDDEN" Durian Mooncake Series along with other popular pastries in July 2021. Ahead of the festive Christmas and Chinese New Year holiday seasons, Cookies Gift Box with Cookies Quartet (曲奇四重奏), Chinese New Year Gift Hamper comprising an assortment of the Group's healthy products, and various luxurious pre-packaged dishes (鴻福珍品系列) for new year home meals were introduced.

Besides bolstering the various product series, the Group sought to directly promote customer consumption and raise brand awareness. In view of the government's Consumption Voucher Scheme – running from August 2021, special high-spending offers were introduced to capitalise on the scheme, resulting in good sales response. Moreover, Mr. Alfred Hui (許廷鏗), brand ambassador of the Group, was engaged in various advertising campaigns to promote new essence products. As a consequence, the Joyous Series achieved encouraging sales growth. And to leverage the 35th anniversary of Hung Fook Tong, discount promotions involving HK$35 offers were employed, leading to higher transactions.

On the JIKA CLUB (自家 CLUB) front, further inroads have been made in the areas of membership and engagement. As at 31 December 2021, membership exceeded 1,159,000, or an increase of approximately 135,000 members over the preceding year. What is more, the Hung Fook Tong mobile application ("**APP**") has also experienced increased take-up, with the number of downloads continuing to rise steadily. It is worth noting as well that over 17% of all member transactions were completed via the APP with the use of the "JIKA PAY" electronic membership card. Adding to the appeal of the APP are enhanced features, including E-Gifting which allows the user to use e-coupons as digital red packets and as gifts for other occasions.

Also on the digital front, the Group launched the "JIKA ON！" online platform in late 2021. The platform sells a wide spectrum of healthy, eco-friendly or locally produced products, with a focus on household needs for families.

As at 31 December 2021, the Group continued to operate 18 HUNG+ Smart Vendor machines in commercial buildings and residential estates.

Wholesale

During the financial year, the wholesale segment generated revenue of HK$170.9 million, which was an increase of 11.0% over the previous year (2020: HK$153.9 million) – an upturn supported by a sales recovery in the Mainland China market. Furthermore, segment profit recorded a sharp rise of 192.5% to HK$23.7 million (2020: HK$8.1 million), as the Mainland China wholesale business returned to profitability after the re-engineering of the Group's business processes. Additionally, an improvement in segment results by the Hong Kong wholesale business – facilitated by a decline in selling expenses, further contributed to the rise in profit from the wholesale business.

Hong Kong

The Hong Kong wholesale operation continued to deliver a steadily growing source of revenue to the Group, which, amounted to HK$135.0 million (2020: HK$132.1 million) during 2021, or a year-on-year rise of 2.2%. The increase can be attributed to the robust ties it enjoys with key accounts, distributors and online resellers, even amidst COVID-19. More online channels have also been tapped, among which include yuehwa.com (裕華網店), Citistore online (千色網店), Bonjour HKMall Online Shop (卓悅香港貓網購平台), Alipay (支付寶) mobile application and other smaller e-shops.

In driving top-line growth, the Group has further expanded the wholesale product line-up. Among the new drinks introduced during the financial year include those involving cross-brand collaborations, such as Ice Lemon Tea Drink (凍檸茶) with Honolulu Cafe (檀島咖啡餅店), and a Tangerine Peel Mandarin Drink (陳皮柑桔) in co-operation with Koon Wah Food (冠華食品). Both adopted special packaging under an "Old Hong Kong Style" (懷舊•香港地) nostalgic theme. In addition, the Group partnered with KFC in bringing a Heat Relief Herbal Drink (下火茶) to customers. Yet another endeavour involved the introduction of a new "Fritillaria Cirrhosa Platycodon Honey Drink" (川貝桔梗蜂蜜), which is a playful and nourishing drink that draws inspiration from a herbal recipe featured in a classic Hong Kong comedy.

As for the non-beverage products category, the Group brought to market various ambient temperature soup packs as well as imported goods from Taiwan and South Korea.

Mainland China

The wholesale operation in Mainland China saw a return of fortunes, with revenue up 64.4% to HK$35.9 million (2020: HK$21.8 million), as the Group restored business ties with key accounts, mainly in Southern China.

The Group has devoted greater energies to its wholesale operations, and in particular, bringing its products back to Guangdong Province by working with key accounts with good sales records. As a result, a greater array of fresh and long shelf-life bottled drinks have once again appeared at over 7,000 convenience stores in Guangzhou, Dongguan, Shenzhen, Shanghai, etc. The Group's products have also been made available at supermarkets, department stores, local grocery stores and through online platforms such as JD.com (京東), Tmall (天貓) and Meituan (美團).

The Mainland China wholesale operation has undergone business optimisation, which has involved the re-engineering of business processes, including the shifting of logistics and brand maintenance activities to distributors. Such changes have allowed the Group to operate a single office in Guangzhou, which in turn has enabled it to reduce both operational and management costs.

Other Markets

The overseas markets were still severely impacted by COVID-19 lockdown measures during the financial year. Such measures also led to greater transportation costs to these markets, and as a result, sales from Australia, Canada, Malaysia, the United States, etc. were lacklustre. Plans to tap into South Korea and Thailand have been suspended due to the pandemic.

Nonetheless, the Group was able to tap new markets, which included the United Kingdom where shipments commenced in the second half year, and discussions continue with potential distributors in Singapore.

Safety and Production Capability

The Group has always attached tremendous importance to personal hygiene and food safety, and since the outbreak of COVID-19, it has stepped up efforts to protect the well-being of staff and customers. This is clearly evident in its practice of offering incentives, such as vaccination leave, to encourage staff inoculation.

New facilities have also been added to support production of the Joyous Series as its demands continued to rise for its health benefits. What is more, cooking and filling equipment have been upgraded to increase production capacity for soups and drinks products, as they can be easily consumed at home, hence complement the "stay-at-home" and "work-from-home" lifestyles.

PROSPECTS

While the retail market was experiencing a more stable recovery towards the latter part of 2021, strict social distancing measures were again imposed by the Hong Kong Government in January 2022 to curb the spread of the highly contagious Omicron variant. In the wake of this new strain of COVID-19, the retail and wholesale industries are anticipated to face an even more challenging business environment in 2022, as the retail sentiment and store traffic sank to a new low after the lunar new year holidays. According to the Hong Kong Retail Management Association (HKRMA), total Retail Sales Value in the first half year is expected to be on par with the same period last year if the fifth wave of the pandemic persists in the absence of the border reopening and a new round of the E-Voucher Scheme.[1]

Despite the challenges and uncertainties ahead, the Group is fully aware that there are opportunities emerging from the new normal. In particular, the increased health consciousness of consumers and the rising demand for pre-packaged foods constitute revenue streams that the Group can effectively tap owing to its expertise and brand equity. The effort to develop new business lines will also start to bear fruit as more new customers are secured. At the same time, the Group will carefully manage the operating costs as the production costs of the retail industry are expected to rise.

Hong Kong Retail

In Hong Kong, the Group will seek to fortify its leading retail market position by opening up to 10 stores in 2022, comprising both Hung Fook Tong and "HFT Life" outlets. Subsequent to the reporting period, the Group had already opened one new shop in Hung Hom Station in January, and an additional "HFT Life" store at Hong Kong Science Park in February. Three more sites have been secured, located in shopping malls and MTR stations, including the East Rail Line Cross-Harbour Extension. The management will continue to negotiate with landlords to ensure that high-quality locations are secured at favourable rental terms. The Group is also in talks with landlords for considerable rental concessions during this highly difficult time.

1 Source: Hong Kong Retail Management Association's Website

In respect of retail products, the Group will consider to conduct price adjustments to certain goods in order to partially offset cost increases, subject to the market sentiment. As for leveraging the stay-at-home economy, it will develop more products that are easy to prepare and consume at home. This will include ambient temperature soup packs and frozen food packs. With reference to the gift giving market, the Group will tap this segment through such products as the New Year Gift Hamper, Pudding Castella Cake (日式布丁燒)-cum-farewell gift and dessert for sharing, and Pineapple Cake (洛神花鳳梨酥) as wedding gifts for guests.

To increase the exposure of the Group and its products, it will engage in online exhibitions and expos. Moreover, it will promote the Group's food delivery service to more corporate clients, including elderly care centres, charities, hospitals and social services organisations in order to secure more regular orders.

On the digitisation front, increasing memberships and building loyalty will continue to be primary objectives. Correspondingly, the Group will focus on membership recruitment via a series of joint promotions, referral programmes and recruitment booths set up at shops. To promote the organic growth of APP users, improving the user experience will be paramount. Hence, efforts will be taken to enhance various features as well as offer electronic discount coupons to increase downloads and APP usage. As for the JIKA ON ! online platform, special offers for existing JIKA CLUB members will be employed to boost registration for JIKA ON ! and to generate synergies between the two memberships.

As for the Hung Fook Tong food truck, the Tourism Commission announced that the Food Truck Pilot Scheme will end on 1 June 2022. The Group therefore discontinued its food truck operation in January 2022 as the licenses expired.

Wholesale

Hong Kong

In the year ahead, the Group will seek to strengthen the online sales capability of the Hong Kong wholesale business by joining more online channels and rolling out attractive online offers. In achieving higher brand exposure, the Group will launch a number of new products including herbal and dessert-flavoured bottled drinks. Cross-brand collaborations in special edition drinks will also be pursued, along with the introduction of more non-beverage products, such as soup packs and snacks, that target key accounts.

Mainland China

Mainland China retailers are expected to continue promoting and selling their products online as offline events will likely be minimised. In line with such actions, the Group will step up its promotional efforts via online platforms and by leveraging more online or social media channels. A dedicated online shop will also be rolled out in the coming year.

In terms of marketing strategy, the Group will continue to employ the "Hong Kong Brand" and "Old Hong Kong Taste" as edges, as it strives to make further inroads in a highly competitive business environment. Complementing this strategy, the Group will continue to bolster ties with key accounts so that more products are reintroduced to convenience stores and supermarkets. Leveraging links with distributors, the Group will also seek to re-enter second-tier cities in Guangdong Province. At the same time, new products will be introduced, including the new Mango Deluxe products, fruit teas, custom-made drinks, soup packs, etc.

Other Markets

The Group anticipates a gradual recovery in the overseas business as a growing number of countries gradually ease their pandemic restrictions. For its part, the Group will strive to further penetrate the United Kingdom market while continuing to extend its presence to markets such as Japan, South Korea and Singapore.

CONCLUSION

The year 2021 marked the 35th anniversary of Hung Fook Tong's founding and fruitful journey in the wellness food and beverage industries. Over the years, its enthusiasm and dedication to offering products of unrivalled quality have earned the Group strong brand recognition. Looking ahead, Hung Fook Tong will strive to sustain its market leadership while addressing the needs of modern health-conscious consumers. The Group is confident in its ability to navigate through whatever challenges lay ahead and continue to create long-term value for its stakeholders.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's revenue amounted to HK$696.0 million, representing a decrease of 0.9% from HK$702.5 million in 2020. Revenue from Hong Kong retail operation experienced a decline to HK$525.1 million, representing a decrease of 4.3% from HK$548.6 million in 2020 as the pandemic weakened consumption activities and consumer sentiment remained weak despite slow economic recovery. Revenue from wholesale business has increased to HK$170.9 million, representing an increase of 11.0% from HK$153.9 million in 2020 as a result of gradual recovery of the Group's business and operations in Mainland China market.

Cost of Sales

For the year ended 31 December 2021, the Group's cost of sales amounted to HK$278.7 million, representing an increase of 9.5% from HK$254.7 million in 2020. As a percentage of revenue, cost of sales represented 40.0% and 36.3% in 2021 and 2020 respectively. The increase was mainly attributable to the rising cost of materials costs and staff costs.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the Group's gross profit amounted to HK$417.3 million, representing a decrease of 6.8% from HK$447.8 million in 2020. The Group's gross profit margin decreased by 3.7 percentage points to 60.0% as compared to 63.7% in 2020. The decrease was mainly due to increase in price in certain raw materials, appreciation of RMB and higher staff costs mainly impacted by the significant decrease in government grant which led to an increase in production costs.

Staff Costs

For the year ended 31 December 2021, the Group's staff costs amounted to HK$208.9 million, representing an increase of 19.1% from HK$175.5 million in 2020. The increase was mainly due to the significant decrease in receipt of government grant from the Employment Support Scheme. The staff costs-to-revenue ratio is 30.0% as compared to 25.0% in 2020.

Rental Expenses

For the year ended 31 December 2021, rental expenses in relation to its 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$99.7 million, representing an increase of 1.8% from HK$97.9 million in 2020. The increase was mainly due to new shops leased during the year and the increase in rent upon renewal of leases. Rental expenses-to-revenue ratio for the Hong Kong retail shops is 19.0% as compared to 17.8% in 2020.

Advertising and Promotion Expenses

For the year ended 31 December 2021, the Group's advertising and promotion expenses amounted to HK$19.6 million, representing a decrease of 31.7% from HK$28.7 million in 2020. This accounted for 2.8% and 4.1% of revenue in 2021 and 2020 respectively.

Depreciation

For the year ended 31 December 2021, the depreciation of property, plant and equipment of the Group amounted to HK$36.3 million, representing an increase of 4.5% from HK$34.7 million in 2020. The increase was mainly arisen from the depreciation of leasehold improvement for opening of new shops and revamping of existing retail shops. This accounted for 5.2% and 4.9% respectively in percentage to revenue in 2021 and 2020.

Net Profit

Profit attributable to owners of the Company for the year ended 31 December 2021 was HK$8.2 million, representing a decrease of 86.8% from HK$62.5 million in 2020. The net profit margin (calculated as profit for the period as a ratio of revenue) for the year ended December 2021 was 1.2%, as compared to 8.9% in 2020.

Earnings per share for profit attributable to owners of the Company for the year ended 31 December 2021 amounted to HK1.25 cents, as compared to HK9.53 cents in 2020.

Capital Expenditure

During the year ended 31 December 2021, capital expenditure amounted to HK$30.6 million (2020: HK$28.5 million). This amount was mainly used for development of online platform, the opening of new shops, revamping of existing retail shops and acquisition of production facilities in Mainland China and Tai Po plants.

Liquidity and Financial Resources Review

As at 31 December 2021, the Group had bank deposits and cash balance amounted to HK$116.7 million (31 December 2020: HK$134.9 million).

As at 31 December 2021, the gearing ratio of the Group was 0.56 (31 December 2020: 0.65), which was calculated based on total debts including bank borrowings and lease liabilities divided by equity attributable to owners of the Company. Excluding the lease liabilities from total debts, the gearing ratio was 0.12 in both 2021 and 2020.

As at 31 December 2021, the Group had total banking facilities of HK$113.7 million (31 December 2020: HK$135.6 million) of which HK$41.5 million (31 December 2020: HK$43.4 million) had been utilised.

As at 31 December 2021, the Group's current liabilities exceeded its current assets by HK$123.9 million (31 December 2020: HK$136.8 million). Included in current liabilities are receipts in advance relating to sales of prepaid coupons to customers in Hong Kong of HK$177.0 million (31 December 2020: HK$157.3 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$53.1 million (31 December 2020: HK$20.5 million) and current ratio of 1.25 (31 December 2020: 1.09).

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

During the financial year ended 31 December 2021, the Group subscribed for 5,000,000 ordinary shares in HomePlus Holding Limited ("HomePlus Holding"), a company engaged in the provision of e-commerce business in Hong Kong, at a consideration of HK$5,000,000. As at 31 December 2021, the Group has an equity interest of 5% in HomePlus Holding.

Save as disclosed above, were no material acquisitions, disposals and significant investments during the financial year ended 31 December 2021.

Contingent Liabilities

Taclon Industries Limited, a wholly-owned 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 31 December 2021, the Group employed approximately 904 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 year ended 31 December 2021, 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.

Undaunted by the current pandemic situation, the Group has continued to meet its corporate social responsibility ("CSR") by way of engaging in both environmental and social efforts. Besides those outlined in this section, additional information can be obtained from the Group's 2021 Environmental, Social and Governance ("ESG") Report which will be published online by the end of May 2022..

ENVIRONMENTAL

In a move to promote the adoption and development of renewable energy by the industry and Hong Kong at large, the Group installed solar panels on the rooftop of its Tai Po factory back in September 2020. The green electrical energy provided by this technology amounted to approximately 288.5 MWh for the 2021 financial year.

Also mindful of the landfill problem in Hong Kong, the Group has continued its track record of zero food waste disposal. To achieve this, food waste from the Hong Kong Tai Po factory was sent to the Organic Resources Recovery Centre Phase 1 at Siu Ho Wan for processing. In addition, the Group provided food waste, consisting primarily of herbal tea remains, to the Chinese University of Hong Kong for the production of organic fertilizers. Through these initiatives, approximately 1,360 tonnes of food waste were recycled in 2021 (2020: 1,298.7 tonnes), translating to a reduction in carbon dioxide equivalent ("CO_2-e") greenhouse gas emissions of approximately 290 tonnes (2020: 276.6 tonnes). Another waste reduction effort undertaken by the Group involved the upcycling of food waste, the result of which was the launch of herbal soaps made from herbal tea residues handmade by Chingmama Handmade Workshop (晴媽媽手作工房).

The Group's recycling drive also involved plastic bottles during the financial year. In partnership with V Cycle, plastic bottle recycling bins were placed at three selected Hung Fook Tong retail shops. Subsequently, over 240kg of plastic beverage bottles was collected and recycled via these bins. In addition, in 2021, two reverse vending machines for plastic bottle recycling were installed at "HFT Life" café concept stores, located at Cyberport and Fortress Hill, to encourage customers to recycle plastic beverage bottles. These machines led to the recycling of approximately 5,200 plastic bottles in 2021. Also with recycling in mind, the Group continued to sponsor the "Recycle Actions of Returning Plastic Bottles" (「交」樽減碳回收行動) initiative managed by RVM Technology Limited in 2021, by offering discount coupons as an incentive for using the recycling machines found at more than 90 locations across Hong Kong. Consequently, more than 560,000 plastic bottles and aluminium cans were collected through the machines in 2021. The collected bottles were sent to overseas markets for processing and eventually turned into recycled plastic products.

To reduce paper consumption, primarily in the production of coupons and membership cards, the Group has been encouraging the digitisation of relevant operations. This has included promoting the use of the Hung Fook Tong APP, which holds digital membership card and e-coupons, through incentives and special offers.

While large-scale tree planting events could not be held due to social distancing measures during the year, the Group still served as a corporate sponsor of the "Tree Planting Challenge 2021", organised by Friends of the Earth (HK). The campaign aimed to boost biodiversity and the ecological value of the country parks.

SOCIAL

As at 31 December 2021, the Group had approximately 904 employees, comprising some 717 staff members in Hong Kong and around 187 in Mainland China. To safeguard their health and wellbeing, paid leave was provided for staff who received COVID-19 vaccination. In balancing safety with professional development, large-scale training and assessment exercises were suspended due to the pandemic. In their place were in-store training and electronically transmitted programmes. Overall, the Group provided training to about 551 employees, with over 4,000 total training hours.

In 2021, the Group has launched an eLearning mobile application for all staff. The application ensures that employees can learn and thrive at anytime and anywhere, as it contains various learning materials, including customer service skills, English workshops, green lifestyle and health tips, stretching exercises tutorials, etc.

The Group has sought to encourage a safe, productive and healthy workplace. Consequently, it has instituted flexible working hours for office staff. Moreover, fitness equipment, a pool table, a claw machine and other amenities were added to encourage work-life balance in office.

Outside its ecosystem, the Group has also been an active member of the community. For example, the "HFT Life" café concept stores that it recently opened have already served as venues for a series of small-group workshops covering both physical wellbeing and mental health. These were organized via the partnership with social enterprises and Non-governmental Organisations ("NGO"), such as WE+ and Hong Kong Family Welfare Society. In all, 50 hours of programmes were conducted at such locations in 2021, attracting approximately 190 participants in total.

On the volunteering front, the Group partnered with WE+ and Pei Ho Counterparts (北河同行), and donated Chinese New Year pudding to the disadvantaged living in Sham Shui Po. Separately, the Group supported the Hong Kong Young Women's Christian Association ("YWCA") as its volunteer team helped clean up mangrove thickets in Tai O, thus helping restore the natural beauty of the island.

Overall, the Group provided cash, in-kind products and coupon sponsorships valued at more than HK$1.9 million in 2021, supporting more than 100 NGOs, schools and associations.

Over the past year, the Group has wholeheartedly championed efforts for advancing the industry and society, as well as the betterment of its staff. Through these undertakings, which are a reflection of the Group's commitment to fulfilling its corporate social responsibility, it has received numerous awards and accolades, as listed below.

Award	Issuer of Award
In Recognition of Brand Management and Customer Service	
1. The Hong Kong Q-Mark Service Scheme & Q-Mark Elite Brand Awards 2021	The Federation of Hong Kong Industries
2. 2021 Hong Kong Top Brand	Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong
3. GS1 Consumer Caring Scheme 10 years	GS1 Hong Kong
4. Trusted Brands 2021 – Gold Award (Chinese Soup/ Herbal Tea)	Reader's Digest
5. Health Partnership Award 2021 – Outstanding Chinese Herbal Products Corporation with Modern Wellness Concept	ET Net Limited
6. PARKnSHOP Super Brands Award 2020	PARKnSHOP
7. 2020 Outstanding Sales Performance Awards within a category – Beverages	7-Eleven
8. Outlet Anti-Epidemic Measures Recognition	Hong Kong Retail Management Association
In Recognition of Environmental Efforts	
9. Hong Kong Green Organisation	Environmental Campaign Committee
10. Green Office 3+ Label and Eco-Healthy Workplace Label 2021	World Green Organisation
11. CarbonCare® ESG Label (Level 3)	CarbonCare InnoLab
In Recognition of Community Investment	
12. 15 Years plus Caring Company Logo 2006-2021	The Hong Kong Council of Social Service
13. Good Deed 2021	The Evangelical Lutheran Church Social Service – Hong Kong
14. Social Capital Builder Logo Award 2020-2022	Labour and Welfare Bureau – Community Investment and Inclusion Fund
15. 2019/20 Y-Care CSR Scheme (Bronze Partner)	Chinese YMCA of Hong Kong
16. 2020/2021 Award of Distinction	The Community Chest of Hong Kong
17. Social Enterprise Supporter Plus 2021	Fullness Social Enterprises Society
In Recognition of Talent Development	
18. Happiness-at-Work 5 years+	The Hong Kong Productivity Council
19. QF Star Employer	Education Bureau
20. Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme – Inclusive Organisation Logo	Labour and Welfare Bureau
21. ERB Manpower Developer Award Scheme: Manpower Developer (2011-2021)	Employees Retaining Board
22. Inaugural SportsHour Company Scheme – SportsHour Company Logo	InspiringHK Sports Foundation
23. Sport-Friendly Action – Certificate of Appreciation	Chinese YMCA of Hong Kong

EXECUTIVE DIRECTORS

Mr. TSE Po Tat, aged 68, is the chairman and an executive Director of our Company and currently a director of various subsidiaries of the Company. Mr. Tse is one of our founders and responsible for our overall direction, business strategy and corporate communication. He has over 35 years of experience in commerce and the herbal drinks industry. After joining our Group in November 1988, he developed our central production facilities and product delivery logistics and managed our procurement of production equipment and the leasing and renovation of retail shops. Mr. Tse currently is the chairman of the Hong Kong Federation of Restaurants and Related Trades Limited, a member of executive committee of Group 8: Food, Beverages and Tobacco of the Federation of Hong Kong Industries, an elected member of General Committee and a member of Strategic Development Committee of Hong Kong Brand Development Council, a member of HKTDC Mainland Business Advisory Committee as well as a member of Industry Consultative Network of Employees Retraining Board. Mr. Tse had obtained "2016 Honorary Fellow" from The Professional Validation Council of Hong Kong Industries in 2016.

Dr. SZETO Wing Fu, aged 60, is the chief executive officer and an executive Director of our Company, a member of Nomination Committee and the chairman of Strategy and Development Committee. Dr. Szeto currently serves as a director of various subsidiaries of the Company. He is responsible for the day-to-day management of the Group's business, recommending strategies to the Board, and setting and implementing corporate and operational decisions. Prior to joining our Group in October 1999, Dr. Szeto was a deputy manager at Ka Wah Bank Limited and had been an associate professor of the department of business administration of Hong Kong Shue Yan University over 15 years. Dr. Szeto is currently a member of the Hong Kong Tourism Board, a member of the Hospital Governing Committee of MacLehose Medical Rehabilitation Centre, a member of executive committee of the Hong Kong Retail Management Association, the vice-chairperson of the executive committee and the chairperson of the committee on Social Enterprise and Employment of The Hong Kong Society for Rehabilitation, and a professor of practice (finance) and a member of Center for Economic Sustainability and Entrepreneurial Finance Advisory Committee of the School of Accounting and Finance in The Hong Kong Polytechnic University. Dr. Szeto graduated from Hong Kong Shue Yan College with a diploma in economics and obtained a doctor of philosophy in education administration from the University of Southern Mississippi. Dr. Szeto is currently a Fellow FCPA (Aust.) of CPA Australia.

Ms. WONG Pui Chu, aged 62, is an executive Director of our Company, and a member of both Remuneration Committee and Strategy and Development Committee. Ms. Wong currently serves as a director of various subsidiaries of the Company. She is one of our founders and responsible for our market research, retail business development, product development and also oversees production and quality control. She has over 35 years of experience in the herbal drinks industry. After joining our Group in March 1989, she developed our POS system and employee incentives programme and managed our leasing and retail shop operations, then she managed our administration, human resources, staff training, financial management and investment strategy. Ms. Wong is the daughter of the late Mr. Wong Jing Fat who established the first herbal tea shop under "Hung Fook Tong" brand in Kwai Chung, Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KIU Wai Ming, aged 73, was appointed as an independent non-executive Director on 11 June 2014. In addition, he is also the chairman of Nomination Committee, as well as a member of both Audit Committee and Remuneration Committee. Mr. Kiu has extensive experience in retail, banking and finance. Mr. Kiu was an executive director and chief executive officer of Vestate Group Holdings Limited (stock code: 1386), an executive director and the chief executive officer of China Smarter Energy Group Holdings Limited (stock code: 1004), a director, deputy general manager and alternate chief executive of Industrial and Commercial Bank of China (Asia) Limited, a director of Dah Sing Financial Holdings Limited (stock code: 440) and a director and alternate chief executive of Dah Sing Bank Limited, an independent non-executive director of Man Sang International Limited (stock code: 938). Mr. Kiu obtained a Bachelor of Science from Louisiana State University and Agricultural and Mechanical College.

Prof. SIN Yat Ming, aged 66, was appointed as an independent non-executive Director on 11 June 2014. In addition, he is the chairman of Remuneration Committee, and a member of both Audit Committee and Nomination Committee. Prof. Sin had been a member of the Faculty of Business Administration of The Chinese University of Hong Kong ("CUHK") for 35 years. He was a professor of CUHK and an associate director of CUHK's Center for Hospitality and Real Estate Research. He is an advisor to the Hong Kong Institute of Marketing, the Honorary Institute Fellow of The Asia-Pacific Institute of Business and adjunct professor of Department of Management of CUHK Business School, CUHK. Prof. Sin obtained a Doctor of Philosophy in Business Administration from the University of British Columbia, Master of Business Administration from the University of Texas at Arlington and a Bachelor of Business Administration from CUHK. Prof. Sin is currently an independent non-executive director of Bossini International Holdings Limited (stock code: 592).

Mr. Andrew LOOK, aged 57, was appointed as an independent non-executive Director on 11 June 2014. In addition, he is the chairman of Audit Committee and a member of Nomination Committee. Mr. Look holds a bachelor of commerce degree from the University of Toronto and has over 25 years of experience in the equity investment analysis of Hong Kong and China stock markets. Mr. Look served in Union Bank of Switzerland ("UBS") as the head of Hong Kong research, strategy and product. He was rated as the best Hong Kong strategist and best analyst by the Asiamoney magazine, a leading monthly financial and capital markets publication for corporate and finance readers and investors, in 2001, 2002, 2003, 2005, 2006 and 2007. Mr. Look is currently an independent non-executive director of Ka Shui International Holdings Limited (stock code: 822), Citic Resources Holdings Limited (stock code: 1205), EC Healthcare (stock code: 2138, formerly Union Medical Healthcare Limited). He was an independent non-executive director of TCL Communication Technology Holdings Limited (a company delisted on the Hong Kong Stock Exchange on 30 September 2016), Man Sang Jewellery Holdings Limited (stock code: 1466), Cowell e Holdings Inc. (stock code: 1415) and the chief investment officer of the asset management business of Tou Rong Chang Fu Group Limited (stock code: 850, company name changed to Long Well International Holdings Limited in January 2020 and delisted on the Hong Kong Stock Exchange on 28 May 2021).

SENIOR MANAGEMENT

Ms. TULL Shuk Ching, aged 59, is the general manager of retail operations and management division, and is responsible for the division's business development, operations and staff training. She has over 28 years of experience in business operations and administration. Prior to joining our Group in December 1998, Ms. Tull was an operation manager at Gialitti Gelato and Foods (China) Ltd and Wellco Enterprises Ltd. Ms. Tull obtained a Bachelor of Law from Peking University and a Bachelor of Arts from the National Cheungchi University. She also obtained a postgraduate certificate in business administration from The Open University of Hong Kong and passed the 5-S lead auditor training course held by Hong Kong Baptist University Business Research Centre and Hong Kong 5-S Association. She also obtained various qualifications in Chinese medicine, including a Certificate in the Foundations of Acupuncture, Advanced Diploma in the Foundations of Chinese Medicine and Diploma in Chinese Medicine for Beauty Studies from the Hong Kong University School of Professional and Continuing Education, and a Certificate in Dispensing (Practicum) in Chinese Medicine and Foundation Certificate in Chinese Medicine from Hong Kong Baptist University.

Ms. POON Chi Nga, aged 51, is the general manager of bottled drinks development division, and is responsible for the division's business development, and sales and marketing. She has over 28 years of experience in the food and beverage industry. Prior to joining our Group in August 2004, she was a business development manager at RBT International Limited; a product manager and category manager at Swamex Food Service Ltd (formerly known as Lam Soon Food Supply Co. Ltd.); an operations and administrations manager at Lucullus Food and Wines Co. Ltd. Ms. Poon obtained a Master of Business Administration from the University of Leicester and a Higher Diploma in Hotel and Catering Management from The Hong Kong Polytechnic University.

Mr. LEE Bang Lau, aged 64, is the general manager of PRC production division, and responsible for the management of production facilities in Mainland China. Prior to his current position within our Group, he had worked in our logistics, plant production and procurement departments. He has over 33 years of experience in factory management in China. Prior to joining our Group in October 2005, he worked as a production manager at Top Express Telecommunication (China) Ltd, a factory manager and management representative at Yaodong Plastic and Metal Product Co. Ltd, a production manager at Newtech Computer (HK) Ltd, a production manager and production supervisor at Wincotime Co. Ltd, and a production supervisor at Shenzhen Shajing Practical Hardware Factory.

Mr. LO Chi Wang, aged 44, is the group financial controller and the assistant general manager of financial service division. Mr. Lo joined the Group in 2015. He is primarily responsible for the overall financial operations of the Group, including formulating financial strategies and plans, compiling budgets and periodic financial reporting, treasury management and investor relations. Mr. Lo has over 18 years of experience in accounting and finance field. Mr. Lo's experience in auditing and tax advisory services was gained from his various positions in Deloitte Touche Tohmatsu. Mr. Lo was the financial controller of Sino Grandness Food Industry Group Limited (stock code: T4B, a company listed on the Singapore Stock Exchange) and has participated in the preparation of initial public offering project in the private sector.

Mr. Lo received a degree of Bachelor of Arts (Honour) in Accounting from Manchester Metropolitan University in Manchester, United Kingdom. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") and the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and a member of CPA Australia. He has been appointed as a co-opted member of Moderation Sub-groups under Qualification and Examinations Board ("QEB") of HKICPA since 2019 and a board member of QEB since 2021.

Mr. Lo is currently an independent non-executive director of Novacon Technology Group Limited (stock code: 8635, a company listed on Growth Enterprise Market Board of the Stock Exchange) and was an independent non-executive director of Dragon Rise Group Holdings Limited (stock code: 6829, a company listed on Main Board of the Stock Exchange).

Mr. LEUNG Tat Wing, aged 57, is the assistant general manager of director's office, and is responsible for facilitating and coordinating all matters involving treasury, production, trademark, legal and compliance. He has over 25 years of experience in finance and accounting field. Prior to joining our Group in June 1999, he worked in other organizations in the commercial field with certain finance related positions.

Ms. CHOU Siu Wai, Vivian, aged 45, is the assistant general manager of group marketing division, and is responsible for marketing, advertising, visual merchandising and corporate public relations. Ms. Chou has over 18 years of experience in fast-moving consumer goods marketing. Prior to joining our Group in December 2010, she was a senior product manager at Amoy Food Limited. She was a senior marketing executive and assistant product manager at Campbell Soup Asia Limited and a marketing executive at Swire Coca-Cola HK Limited. Ms. Chou obtained a Master of Science in Managerial Leadership from Edinburgh Napier University, a Bachelor of Arts in Language Information Science from City University of Hong Kong and a certification of project management from the International Association of Project and Programme Management.

Ms. TSANG Tsz Yee, Sonia, aged 45, is the assistant general manager of organization and people development division, and is responsible for human resource management, people development and administration. Ms. Tsang has over 22 years of experience in human resource management and people development. Prior to joining our Group in March 2007, she was a human resources and training officer at Laws group. She was an officer II in the training and development department of Christian Action and a counsellor of Hong Kong Church of Christ Company Limited. She has been a fully qualified and accredited administrator of the Myers-Briggs Type Indicator suite of instruments. Ms. Tsang obtained a Bachelor of Business in Management from RMIT University and a Higher Diploma in Manufacturing Engineering from Hong Kong Technical College.

Mr. SUN Man Lung, aged 46, is the senior manager of business development division, and responsible for customer relationship management and institutional sales. Mr. Sun has over 23 years of experience in the marketing of fast-moving consumer goods and health products, and customer relationship management. Prior to joining our Group in April 2007, he worked as an assistant customer relationship manager at Healthy International Limited, and also worked as a marketing supervisor at Maxion International Group Limited and Open Fortune Community (HK) Ltd., and as a sales executive at Longain Watches Manufacturing Ltd. and Ceba Precision Co., Ltd.. Mr. Sun obtained a Professional Diploma in Marketing from Chinese University of Hong Kong and a Certificate in Customer Relationship Management from Hong Kong Baptist University's School of Continuing Education.

Mr. LAU Siu Ki, aged 63, is the company secretary of the Group and was appointed in May 2015. He has over 15 years of experience in the corporate secretarial field providing professional corporate services to Hong Kong listed companies. He is currently the company secretary of Yeebo (International Holdings) Limited (stock code: 259, a company listed on Main Board of the Stock Exchange) and Expert Systems Holdings Limited (stock code: 8319, a company listed on Growth Enterprise Market Board of the Stock Exchange). Mr. Lau is a fellow member of both the ACCA and the HKICPA.

The Board of Directors of the Company is pleased to present to the shareholders of the Company their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the production and sales of Chinese herbal drinks and other drink products, Chinese-style soups, herbal tortoise plastron jelly and other food products under Hung Fook Tong brand. The principal activities of the subsidiaries, an associate and a joint venture of the Company are set out in Note 14 and Note 15 to the consolidated financial statements. The segment information of the operations of the Group for the year ended 31 December 2021 is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

In accordance with schedule 5 of the Companies Ordinance (Cap 622 of the laws of Hong Kong), a fair review of the Group's business and the analysis of the Group's performance for the year ended 31 December 2021 as well as outlook/prospects of the Group's business are provided in the sections "Chairman's Statement" on pages 8 to 10 and "Management Discussion and Analysis" on pages 11 to 18 of this Annual Report.

Principal risks and uncertainties

There are a number of factors affecting the results and business operations of the Group, some of which are inherent in the market and some are due to external environment. Major risks and uncertainties are summarised as follows:

- Outbreak of Novel Coronavirus may affect the spending behaviours of customers

  In view of growing public concern over health and hygiene amidst the outbreak of the Novel Coronavirus, the Group recognises the need to remind its customers of the benefits and importance of a healthy diet. Communications will therefore focus on guiding customers on how to strengthen their health, including their immune system, with the Group's nutritious herbal drinks, soups and food products. Moreover, with work from home and stay at home now a common practice, the Group will bolster its online shopping and delivery services still further so as to serve customers whenever they may be. In addition, the Group will continue to observe rigorous hygiene standards at our shops, factories and workplaces, hence protect the well-being of customers and staff alike.

- Intense competition in food and beverages industry and in the retail market in Mainland China and Hong Kong

  In order to satisfy the high-end customers in Mainland China and Hong Kong in their favour for unique and healthy drinks, the Group is launching more flavours to cope with the changing consumer preference and hence enhance the competitiveness. Meanwhile, as a means of reaching out to its customers, the Group has developed the loyalty program – "JIKA CLUB" which attracts and retains the members through offering them various promotions and discounts. As at 31 December 2021, there are over 1,159,000 JIKA Club members among which included Platinum Members who are highly brand loyal and have significant spending power.

- Volatility of economic climate in Mainland China and Hong Kong, in particular in the midst of the trade disputes between China and the United States of America, which is closely related to consumption sentiment thereto.

  In order to mitigate such impact, the Group is continuing to expand the wholesales business in Taiwan and overseas. The Group continues to take a cautious approach in steering its way forward, and recognises the need to sustain retail sales momentum.

Particulars of important events

No important events affecting the Group have occurred during and subsequent to the end of the financial year under review.

Financial key performance indicators

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in the "Consolidated Financial Statements" and "Financial Review" on pages 59 to 135 and 16 to 18, respectively, of this Annual Report.

Environmental policies and performance, and compliance with relevant laws and regulations

The Group takes its corporate social responsibility to heart, and is fully committed to making a difference for its staff, the community and the common good. During the year under review, there are a wide range of activities and campaigns held to treasure the staff, community and the environment. A brief review is set out in "Corporate Social Responsibility" on pages 19 and 20 of this Annual Report and further details will be disclosed in our 2021 ESG Report to be published in May 2022 under the requirements as set out in Appendix 27 of the Listing Rules.

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and Mainland China while the Company itself was incorporated in the Cayman Islands and is listed on the Main Board of the Stock Exchange.

During the year ended 31 December 2021 and up to the date of this Directors' Report, the Group has complied with all relevant laws and regulations in the above-mentioned jurisdictions.

Relationships with its key stakeholders including employees, customers and suppliers

Employees

Recognising that human resources are one of the greatest assets of the Group, the Group provides a variety of benefits, talent trainings and development for employees. The Group also strives to provide a safe working environment for all its staff members, which is particularly important amidst the outbreak of the Novel Coronavirus.

Customers

It is the Group's mission to satisfy different customers' needs and continue to contribute to the wellbeing of the public by preserving and sharing traditional Chinese herbal culture, as well as promoting modern wellness concepts. In addition, the Group treasures its JIKA Club members and various promotions and discounts have been offered to them during the year. The Group also promoted the use of the Hung Fook Tong mobile application to enhance members' convenience.

Key suppliers

The Group has developed long-standing relationships with a number of suppliers and taken great care to ensure that they share our belief in good quality and ethics.

As we strive to produce healthy, nutritious and delicious products with quality natural ingredients and without addition of any artificial preservatives, artificial colouring or Monosodium Glutamate ("MSG"), we make effort in the selection of raw materials from suppliers and pay attention as to whether any artificial additives are added to such raw materials. The Group prudently selects suppliers and requires all of them to comply with our social and environmental responsibility guidelines.

Details of the above are set out in "Chairman's Statement", "Management Discussion and Analysis", "Corporate Social Responsibility" and "Corporate Governance Report" on pages 8 to 10, 11 to 18, 19 to 20 and 38 to 50, respectively, of this Annual Report, further details will be disclosed in our 2021 ESG Report to be published in May 2022.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on pages 59 to 60 of this Annual Report.

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021.

A final dividend in respect of the year ended 31 December 2021 of HK0.37 cent per ordinary share has been proposed by the Board. In addition, to reward the continuous support of our shareholders the Board proposed a special dividend of HK0.31 cent per ordinary share. The proposed final and special dividends amounted to a total of HK$4,460,000 with dividend payout ratio of 0.55 will be paid out of the Company's share premium account and have to be approved by shareholders in the forthcoming annual general meeting ("AGM") to be held on 1 June 2022. These proposed dividends are not reflected as dividend payable in the consolidated statement of financial position as at 31 December 2021, but will be reflected as an appropriation of share premium for the year ending 31 December 2022.

Subject to the approval of the shareholders at the forthcoming AGM, the final dividend and special dividend will be payable on or about Friday, 8 July 2022 to the shareholders whose name appears on the Register of Members of the Company at the close of business on Friday, 10 June 2022.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in Note 38 to the consolidated financial statements and the consolidated statement of changes in equity on page 63 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to shareholders amounted to approximately HK$305.5 million comprising share premium of approximately HK$196.6 million, other reserves of approximately HK$108.0 million and retained earnings of HK$0.9 million.

Under the Companies Law of the Cayman Islands, subject to the provisions of Articles of Association of the Company, the Company's share premium account may be applied to pay distributions or dividends to shareholders provided that immediately following the date of distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 1 June 2022, the register of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms 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 Thursday, 26 May 2022.

For determining the entitlement to the proposed final dividend and special dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Thursday, 9 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and 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, 8 June 2022.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets, equity and liabilities of the Group for the last five financial years is set out on page 136 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 25 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2021 are set out in Note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2021 amounted to HK$115,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the aggregate sales attributable to the Group's five largest customers were less than 30%. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30%.

None of the Directors or any of their close associates or any shareholders of the Company (who to the knowledge of the Directors own more than 5% of the Company's issued share capital) had an interest in any of the five largest suppliers or customers of the Group.

TAX RELIEF AND EXEMPTION TO HOLDERS OF LISTED SECURITIES

The Directors are not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holdings of the Company's securities.

DIRECTORS

The Directors at the date of this Report are as follows:

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

Pursuant to Article 84(1) and (2) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire by rotation at each AGM. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he/she retires. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself/herself for re-election. In addition, code provision ("Code Provision") A.4.2 of the Corporate Governance Code (the "CG Code") stipulates that each Director should be subject to retirement by rotation at least once every three years. Dr. Szeto Wing Fu and Prof. Sin Yat Ming shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from the three independent non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considers them to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 25 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS/LETTERS OF APPOINTMENT

Each of the executive Directors has respectively entered into a renewed service contract commencing from 11 June 2020 with the Company for a further term of three years. The service contracts may be terminated in accordance with the respective terms of the service contracts.

The three independent non-executive Directors were appointed pursuant to the respective renewed letter of appointment for a further term of three years commencing from 11 June 2020. The letters of appointment may be terminated in accordance with the respective terms of the letters of appointment.

None of the Directors of the Company has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries other than contracts expiring or terminable by the Company within one year.

PERMITTED INDEMNITY PROVISION

During the financial year and up to date of this Report, the Company has in force indemnity provisions as permitted under the relevant statues for the benefit of the Directors of the Company. The permitted indemnity provisions are provided according to the Company's Articles of Associations and the Company has maintained the directors and officers liability insurance in respect of potential liability and costs associated with legal any proceedings which may be brought against the Directors of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, 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 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 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 ordinary shares of the Company ("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

Notes:

(1) Pursuant to the Acting in Concert Confirmation, a deed dated 27 March 2014 executed by Ms. Wong Pui Chu, Mr. Tse Po Tat and the late Mr. Kwan Wang Yung (collectively referred to as the "Controlling Shareholders"), the Controlling Shareholders have agreed to jointly control their respective interests in the Company and decisions as to the business and operations of the Group shall be made in accordance with their unanimous consent. 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 Investments Limited ("Think Expert"). By virtue of her 100% shareholding of Think Expert, Ms. Wong Pui Chu is deemed to be interested in the same number of shares held by Think Expert.

(4) The Company was directly owned as to 16.63% (being 109,122,400 Shares) by YITAO Investments Limited ("YITAO"). By virtue of his 100% shareholding of YITAO, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by YITAO.

(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 31 December 2021, 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 31 December 2021, 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 31 December 2021, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or their respective associates to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2014. As at the date of this Annual Report, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 63,200,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted 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 optimise their performance and efficiency for the benefit of the Group; and (2) attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group. The Board may, at its discretion, grant an option to the eligible participants to subscribe for the shares of the Company at an exercise price (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. As at 31 December 2021, 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 31 December 2021.

Notes:

1. "Eligible Participant" includes: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company ("Affiliate"); 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 adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner or advisor of our 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 quotations 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.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any Director (or an entity connected with any Director) or Controlling Shareholder (or any of its subsidiaries) of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year ended 31 December 2021 or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, 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.

REMUNERATION FOR DIRECTORS

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established a Remuneration Committee to formulate remuneration policies. Directors' remuneration are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the remuneration committee and the performance and results of the Group. Details of the remuneration of the Directors are set out in Note 39 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2021.

DEED OF NON-COMPETITION

Mr. Tse Po Tat and Ms. Wong Pui Chu, have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 13 June 2014. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders and duly enforced during the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 38 to 50 of this Annual Report.

AUDITOR

PricewaterhouseCoopers will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be proposed at the AGM to be held on Wednesday, 1 June 2022 to re-appoint PricewaterhouseCoopers as the Company's auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

RELATED PARTY TRANSACTIONS

Details of related party transactions undertaken in the normal course of business of the Group are provided under Note 34 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2021, the Group had the following continuing connected transaction, details of which are disclosed in compliance with the requirement of Chapter 14A of the Listing Rules.

On 9 June 2021, Taclon Industries Limited (an indirect wholly-owned subsidiary of the Company, "Taclon") entered into the 2021-2023 Framework Agreement with Concentric (HK) Food Limited (a company incorporated in Hong Kong wholly-owned by Mr. Chan Hiu Cheuk, being the son of Ms. Wong Pui Chu, an executive Director and a controlling shareholder of the Company), pursuant to which Taclon will, from time to time, engage Concentric as a supplier of original equipment manufacturer (OEM) products to the Group during the term from 9 June 2021 to 31 December 2023 subject to the following annual caps:

9 June 2021 to 31 December 2021	HK$9,500,000
1 January 2022 to 31 December 2022	HK$9,500,000
1 January 2023 to 31 December 2023	HK$9,500,000

For the year ended 31 December 2021, the aggregate value in respect of engaging Concentric as a supplier of OEM products to the Group under the 2021 Framework Agreement amounted to approximately HK$8,891,000 and did not exceed the annual cap for the year.

Further details of the above continuing connected transaction were disclosed in the announcement of the Company dated 9 June 2021.

Pursuant to Rule 14A.53 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transaction and confirmed that it has been entered into:

(i) in the ordinary and usual course of business of the Group;
(ii) on normal commercial terms or better; and
(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors confirmed that, save as disclosed in the announcement of the Company dated 9 June 2021, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year under review.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

On behalf of the Board

Tse Po Tat
Chairman and Executive Director

Hong Kong, 28 March 2022

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining the highest possible standards of corporate governance, and strives to maintain transparent, responsible and value-driven management practices that will enhance and safeguard the interests of shareholders. The Board believes that effective and high quality corporate governance is an essential platform for creating value for shareholders. It is committed to continuously reviewing and improving the Group's corporate governance practices, and maintaining the highest standards of ethical corporate behaviour within the Group.

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal control and risk management systems and transparency and accountability to all the shareholders.

In the opinion of the Directors, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Code of Conduct") governing securities transactions by its Directors based generally on the Model Code. The Board believes that the code adopted by the Company is equivalent in its effects to the Model Code.

The Company requires any Director wishing to deal in the Company's shares to make a specific written declaration of that intention, and to obtain approval from the Chairman. If the Chairman declares an intention of dealing in the Company's shares, he must first obtain approval from one of the Directors of the Company.

The Company has made specific enquiry of all Directors, and each Director has confirmed that he/she has complied with the standard set out in the Code of Conduct and the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board has multiple responsibilities to the Company, including setting strategic goals, establishing long term strategies, and ensuring that the necessary financial and human resources are in place for the Group to meet its business objectives. It is also tasked with establishing a framework of effective controls for managing risks, with the particular aim of safeguarding the Group's assets and the interests of shareholders. Furthermore, the Board is responsible for reviewing the performance of the Group's management and, more generally, setting and consolidating the Company's values and standards. Directors take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, risk management and internal control, material transactions (in particular those that may involve conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Group are delegated to the management.

Chairman and Chief Executive Officer

The positions of chairman of the Board (the "Chairman") of the Company is Mr. Tse Po Tat ("Mr. Tse") and chief executive officer ("CEO") of the Company is Dr. Szeto Wing Fu ("Dr. Szeto"). Mr. Tse provides leadership and is responsible for effective functioning and leadership of the Board, while Dr. Szeto continues to focus on the Company's business development and daily management and operations generally. There is a clear division of responsibilities in ensuring that there is a balance of power and authority.

Board members

As at the date of this Annual Report, the Board comprises six members, made up of three executive Directors and three independent non-executive Directors. The current Board members are as follows:

Name of Directors	Position
Mr. Tse Po Tat	Chairman and executive Director
Dr. Szeto Wing Fu	CEO and executive Director
Ms. Wong Pui Chu	Executive Director
Mr. Kiu Wai Ming	Independent non-executive Director
Prof. Sin Yat Ming	Independent non-executive Director
Mr. Andrew Look	Independent non-executive Director

Detailed biographies of the Directors are shown on pages 22 and 23 of this Annual Report. All Directors are elected for a term of three years, subject to retirement by rotation and re-election at the Company's AGM.

The Directors bring a good balance of skills and experience to the Company. They have been made fully aware of their collective and individual responsibilities to shareholders.

Independent non-executive Directors

The Company has three independent non-executive Directors, who between them bring a wide range of business and financial experience to the Board. By their active participation in Board and committee meetings and by their services on various Board committees, the independent non-executive Directors contribute in important ways to the effective direction and strategic decision-making of the Group. All of the Company's independent non-executive Directors meet the Listing Rules guidelines for assessing independence, and each of them had signed a declaration confirming independence for the year ended 31 December 2021. Throughout the year under review, the Board at all times fulfilled the requirements of Rules 3.10(1) and 3.10(2) and 3.10A of the Listing Rules relating to the sufficient number of independent non-executive Directors with at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

Directors' induction and continuous professional development

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on appointment to ensure appropriate understanding of the business and governance policies and operations of the Group and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. This understanding is deepened and continued by the Directors' participation in Board meetings and their work on various committees.

During the year ended 31 December 2021, all Directors received regular briefings and updates on the Group's business, operations, risk management, internal controls, corporate governance matters and relevant laws and regulations. Relevant reading materials were provided to the Directors. They also attended courses and seminars organised by external professional bodies on topics relevant to the duties and responsibilities of a director. All Directors have provided the Company with their respective training records pursuant to the CG Code.

Board meetings and attendance

The Company holds at least four Board meetings per year, with special Board meetings being scheduled as required to determine the overall strategic directions and objectives of the Group and approve interim and annual results and other significant matters. Formal notice of at least 14 days will be given in respect of a regular meeting, while for special Board meetings, notice within reasonable time will be given. The Directors' attendance at board meetings and general meeting of the Company during the year ended 31 December 2021 are listed below:

	Board Meetings		General Meeting	
Name of Directors	Number of meetings held during the year	Number of meetings attended	Number of meeting held during the year	Number of meeting attended
Mr. Tse Po Tat	4	4	1	1
Dr. Szeto Wing Fu	4	4	1	1
Ms. Wong Pui Chu	4	4	1	1
Mr. Kiu Wai Ming	4	4	1	1
Prof. Sin Yat Ming	4	4	1	1
Mr. Andrew Look	4	4	1	1

Apart from the regular Board meetings, the Chairman has also held a meeting with all independent non-executive Directors without the presence of other Directors during the year.

BOARD COMMITTEES

The Board has established certain Board committees to oversee specific aspects of the Company's affairs and help it in the execution of its responsibilities. These committees have specific written terms of reference which clearly outline the committees' authority and duties, and which require the committees to report back on their decisions or recommendations to the Board. The committees are described individually below. Independent non-executive Directors play an important role in these committees, ensuring that independent and objective views are expressed.

Audit Committee

The Audit Committee consists of Mr. Andrew Look (Chairman), Mr. Kiu Wai Ming and Prof. Sin Yat Ming, all of whom are independent non-executive Directors.

The role of the Audit Committee is to make recommendations to the Board on the appointment, reappointment and/or removal of the external auditor; review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; review the Company's financial statements; provide the Board with material advice in respect of financial reporting; oversee the Group's financial reporting system, risk management and internal control systems; coordinate with internal and external auditors to ensure the adequacy of resources to internal audit and review and monitor its effectiveness, and oversee the Company's corporate governance functions including reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

The latest version of the terms of reference of the Audit Committee is accessible on the websites of the Stock Exchange and the Company respectively.

The Audit Committee shall meet at least twice a year, and the external auditors may request a meeting if they consider that one is necessary. The secretary of the Audit Committee shall be the company secretary of the Company or his appointed delegate. During the year under review, the committee held three meetings and the attendance of the committee members at the meetings is listed below:

Name of Directors	Number of meetings held during the year	Number of meetings attended
Mr. Andrew Look	3	3
Mr. Kiu Wai Ming	3	3
Prof. Sin Yat Ming	3	3

At the meetings, the Audit Committee had performed the followings:

- reviewed the audited annual financial statements for the year ended 31 December 2020;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2021;
- made recommendations to the Board for approval of the above-mentioned financial statements;
- reviewed and approved the internal audit plans and reviewed reports prepared by the independent internal control consultants engaged by the Company;
- reviewed and approved the audit service memorandum presented by the external auditor;
- discussed with the management and the external auditors on the issues concerning accounting policies and practices which may affect the Group, along with financial reporting matters;
- reviewed the risk management and internal control systems;
- determined the interim review and annual audit fees of the external auditors; and
- reviewed the terms of reference of the committee to consider if any proposed changes that deemed appropriate or advisable.

Apart from the regular Audit Committee meetings, the committee has also held a meeting with external auditors without the presence of the management on during the year.

Remuneration Committee

The Remuneration Committee consists of three members, two of whom are independent non-executive Directors, namely Prof. Sin Yat Ming (Chairman) and Mr. Kiu Wai Ming; and the other member is an executive Director, Ms. Wong Pui Chu.

The role of the Remuneration Committee is to establish a formal and transparent procedure for developing remuneration policy, and in particular to formulate and recommend to the Board policies and structures for the remuneration of Directors and senior management. Specifically, this involves the periodic reviewing and making recommendations to the Board on remuneration packages and discretionary bonuses for Directors and senior management, in the light of remuneration offered by comparable companies in the industry and other relevant factors, and considered different aspects of remuneration with reference to the information and documents provided from time to time by the Company's human resources department.

The latest version of the terms of reference of the Remuneration Committee is accessible on the websites of the Stock Exchange and the Company respectively.

The Remuneration Committee shall meet at least once a year and at such other times as its Chairman shall require. During the year under review, the Remuneration Committee held one meeting, which was attended by all of its members. At the meeting, the Remuneration Committee has reviewed the remuneration policy of executive Directors and senior management; assessed performance of executive Directors and senior management; reviewed the composition of Directors and senior management; discussed and recommended the remuneration packages of the Directors and senior management for the Board's approval; and reviewed the terms of reference of the committee to consider if any proposed changes that deemed appropriate or advisable.

Based on recommendations from the Remuneration Committee, members of senior management (excluding Directors) were remunerated within the following salary bands:

Annual salary bands	Number of individuals
Below HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	5
HK$1,500,001 to HK$2,000,000	2

The details of the fees and other emoluments paid or payable to the Directors are set out in Note 39 to the consolidated financial statements.

Nomination Committee

The Nomination Committee consists of four members, three of whom are independent non-executive Directors, namely Mr. Kiu Wai Ming (Chairman), Prof. Sin Yat Ming and Mr. Andrew Look; and the other member is an executive Director, Dr. Szeto Wing Fu.

The primary role of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board according to the policies. As part of this process, the Nomination Committee is obligated to:

- annually review the structure, size and composition including its mix of skills, knowledge and experience and diversity of perspectives (including but not limited to gender, age, cultural, educational background, profession and industry experience, skills, knowledge and experience) of the Board;
- make recommendations on proposed changes to the Board to complement the Company's corporate strategy;
- make recommendations to the Board on the appointment or re-appointment of Directors;
- assess the independence of independent non-executive Directors;

- implement and review the director nomination policy ("Director Nomination Policy"), including the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship and make recommendations to the Board on the same if any; and

- oversee and review the implementation of the Company's written board diversity policy ("Board Diversity Policy") to ensure diversity of Directors.

The latest version of the terms of reference of the Nomination Committee is accessible on the websites of the Stock Exchange and the Company respectively.

The Nomination Committee shall meet at least once a year and at such other times as its Chairman shall require. During the year under review, the Nomination Committee held one meeting and the attendance of the committee members at the meeting is listed below:

Name of Directors	Number of meetings held during the year	Number of meetings attended
Mr. Kiu Wai Ming	1	1
Dr. Szeto Wing Fu	1	1
Mr. Andrew Look	1	1
Prof. Sin Yat Ming	1	1

At the meeting, the Nomination Committee has reviewed policies, procedures and criteria adopted for the nomination of Directors, assessed the independence of the independent non-executive Directors, recommended to the Board on the re-election of Directors, reviewed the existing structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board, and reviewed the terms of reference of the committee to consider if any proposed changes that deemed appropriate or advisable.

Strategy and Development Committee

As at the date of this Annual Report, the Strategy and Development Committee consists of two members, both of them are Executive Directors, namely Dr. Szeto Wing Fu (Chairman) and Ms. Wong Pui Chu.

The role of the Strategy and Development Committee is to analyse market trends and help to formulate the Group's business strategies and plans from time to time, and make appropriate recommendations to the Board.

During the year under review, the Strategy and Development Committee held one meeting which both members attended. During the meeting, strategies concerning business development and plans relating to the daily operations of the Group and proposed amendments on the terms of reference of the committee were discussed and reviewed.

DIRECTOR NOMINATION POLICY

The Company has adopted the Director Nomination Policy which supplements the terms of reference of the Nomination Committee. The Director Nomination Policy aims at setting out the criteria and process in the nomination and appointment of Directors; ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and ensuring the Board continuity and appropriate leadership at Board level. The policy applies to the Directors and where applicable, senior management with the aim of promoting to the Board positions under the succession planning of the Company.

The Board has delegated its responsibilities and authority for selection of Directors to the Nomination Committee of the Company.

The content of the policy is summarised as follows:

Selection Criteria

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

– character and integrity;

– qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

– any measurable objectives adopted for achieving diversity on the Board;

– requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;

– any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity of perspectives;

– willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

– such other perspectives that are appropriate to the Company's business and succession plan that may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

Nomination Process

Appointment of New Director

– The Nomination Committee and/or the Board should, upon receipt of the proposal of appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out therein to determine whether such candidate is qualified for directorship.

– If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

– The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

– For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

– Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

– The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

– The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

– The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

– Where the board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

The policy has been published on the Company's website for public information.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company has an official written policy, the Board Diversity Policy, relating to the diversity of Board members, which aims to set out the approach to achieve diversity on the Board.

Pursuant to the policy, board diversity has been considered from a number of aspects including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of perspectives of diversity within the Board. Selection of candidates will be based on a range of diversity perspectives appropriate to the requirements of the Company's business operations and environment as well as the industry in which the Company operates. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Regarding the Board's current composition, the Board comprises five male and one female Directors with different age, experience, background and diversity perspectives, which have been disclosed in biographical information shown in "Directors and Senior Management" on pages 22 to 25 of this Annual Report.

The Nomination Committee will continuously monitor and review the implementation and operation of this policy and the progress towards achieving the measurable objectives, and also review this policy to ensure its effectiveness from time to time, as appropriate. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The policy has been published on the Company's website for public information.

Corporate Governance Functions

The Board is responsible for reviewing the Company's corporate governance policies and practices, ensuring adequate and proper training and continuous professional development of Directors and senior management, reviewing the Company's policies and practices on compliance with legal and regulatory requirements, the Code of Conduct, Model Code and CG Code and ensuring the proper disclosure in this Corporate Governance Report.

Risk Management and Internal Control

The Board is responsible for maintaining adequate risk management and internal control systems to safeguard shareholders' investments and the Group's assets, and reviewing its effectiveness annually through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board. Procedures have been put in place to safeguard the Group's assets against unauthorised use or disposal, to ensure proper accounting records are kept so that reliable financial information can be provided when required, and to ensure compliance with all applicable laws and regulations. These procedures have been based on industry norms and are designed to provide reasonable assurance and protection against errors, losses and fraud.

The Company has established an internal audit department whose job is to conduct regular risk assessment and internal audits of the Group. These are risk-based audits designed to review the effectiveness of the Group's risk management and material internal controls so as to provide assurance that key business and operational risks are identified and managed, and to ensure that the risk management and internal control measures are carried out appropriately and are functioning as intended. During the year, the Company has appointed a firm of independent internal control consultants to work closely with the internal audit department to achieve the above mentioned objectives. The independent internal control consultants reports its findings to the Audit Committee and the Board and makes recommendations to optimise the risk management and internal control systems of the Group.

The Group has also established a set of risk management policies and measures, which have been codified in its policies and adopted by it. Such policies and measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The ultimate goal of the Group's risk management policies and measures is to bring focus and effort to the issues in its business operations that create impediments to the Group's success. The Group's risk management process starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. Depending on the likelihood and potential impacts of the relevant risks exposed to the Group, the management will prioritise the risks and will either take immediate mitigating action, devise contingency plan or conduct periodic review in accordance with the contingency plan.

All operating departments are responsible for identifying and analysing the risks associated with their respective function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management. The internal audit department is responsible for coordinating and advising on matters in relation to risk management and corporate governance matters of the Group, while the Audit Committee and ultimately the Board will supervise the implementation of the Group's risk management policies and measures.

The management has confirmed to the Board and the Audit Committee that based on a review of the risk management and internal control systems of the Group performed during the year ended 31 December 2021, they are considered to be effective and adequate. The Board has also reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget and considered that the Group had adequate staff resources with the competence, qualifications and experience necessary for the effective performance of its accounting, internal audit and financial reporting functions.

The Group also has a formal written whistle-blowing policy to enable staff members to communicate their concerns about any aspect of risks and internal operations.

In relation to the handling and dissemination of inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Group has adopted measures including raising awareness of confidentiality in the Group, issuing notices regarding "black-out" period and restrictions on dealings to Directors and employees on a regular basis to ensure compliance when handling and disclosing inside information.

Auditor's Remuneration

The remuneration paid or payable to PricewaterhouseCoopers, independent auditor of the Company, in respect of interim review for the six months ended 30 June 2021 and the audit services for the year ended 31 December 2021 amounted to approximately HK$2.9 million.

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for the preparation of financial statements of the Group which give a true and fair view. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor about its reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report on pages 51 to 58 of this Annual Report.

Company Secretary

Mr. Lau Siu Ki of Hin Yan Consultants Limited, an external service provider, has been engaged by the Company as the company secretary. The primary contact person at the Company, whom Mr. Lau contacts for all matters relating to the duties and responsibilities of the company secretary, is Dr. Szeto Wing Fu, Chief Executive Officer and executive Director. During the year under review, Mr. Lau confirmed that he had taken no less than 15 hours of relevant professional training.

Investor Relations and Shareholders' Rights

The Company is committed to maintaining effective and timely dissemination of the Company's information to its shareholders and the market, and ensuring that shareholders and prospective investors have the available information reasonably required to make informed assessments of the Company's strategy, operations and financial performance. The Company has established a shareholders' communication policy in relation to communicating with its shareholders and potential investors and providing regular communications to its shareholders.

During the year under review, the Company organised various investor relations programs (including briefing meetings with existing and potential institutional investors, media and analysts) aiming at increasing the transparency of the Company, enhancing communication with shareholders and investors, increasing their understanding and confidence of the Group's business and promoting market recognition of and support to the Company. Moreover, the annual shareholders' meeting and other shareholders' meeting(s) of the Company are also forum for communication by the Company with its shareholders, and for shareholder participation. The Company encourages and supports shareholders' participation in shareholders' meetings. In addition, the Company's website (www.hungfooktong.com) contains extensive company information which is easily accessible for investors and shareholders. Mechanisms for enabling shareholder participation will be reviewed on a regular basis by the Board to encourage the highest level of participation.

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be published on the websites of the Stock Exchange and the Company after the relevant meeting.

Dividend Policy

The Company has adopted a dividend policy (the "Dividend Policy"), which aims at setting out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. Under the policy, in recommending or declaring dividends, the Company shall maintain adequate cash reserve for meeting its working capital requirements and future growth as well as its shareholder value.

A summary of Dividend Policy is disclosed as below:

The Company does not have any pre-determined dividend payout ratio.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of the Association of the Company and all applicable laws and regulations and the various factors stipulated.

Regarding the declaration and payment of dividends, the Board considers the Group's financial condition, results of operation and level of cash; statutory and regulatory restrictions; future prospects and any other factors that the Board may consider relevant. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, interim dividend, final dividend, special dividend and any distribution of net profits that the Board may deem appropriate may be proposed and/or declared by the Board for a financial year or period.

Any final dividend for a financial year will be subject to shareholders' approval.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Articles of Association.

The Board will review the Dividend Policy as appropriate from time to time.

The Dividend Policy has been published on the Company's website for public information.

Convening an Extraordinary General Meeting by Shareholders

In accordance with Article 58 of the Articles of Association of the Company, an extraordinary general meeting can be convened at the requisition of any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary, and such meeting for the transaction of any business specified in such requisition shall be held within two months after the deposit of such requisition.

Procedures for Making Proposals at Shareholders' Meetings and Putting Forward Enquiries to the Board

There are no provisions in the Articles of Association or the Companies Law of the Cayman Islands for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholders' meetings to the Board in writing to the Hong Kong office of the Company whose address is as follows or directly by raising questions at the general meetings of the Company.

Address:	Hung Fook Tong Group Holdings Limited 11 Dai King Street Tai Po Industrial Estate Tai Po, New Territories Hong Kong (For the attention to Directors' office)
Telephone:	(852) 3651 2000

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Articles of Association

During the year ended 31 December 2021, the Company has not made any amendment to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

In order to provide flexibility to give shareholders the option of attending general meetings remotely through electronic means if necessary or appropriate, a special resolution for the adoption of a revised set of Articles of Association of the Company (the "New Articles") is proposed for consideration and, if thought fit, approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 1 June 2022. For details of the amendments, please refer to the announcement of the Company dated 28 March 2022 and the circular of the Company which will be despatched together with this Annual Report.

羅兵咸永道

Independent Auditor's Report
To the Shareholders of Hung Fook Tong Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Hung Fook Tong Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 135, which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of trade receivables; and
- Revenue recognition for the sales of goods through pre-paid coupons and credits

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of trade receivables Refer to note 3.1(b), note 4(d) and note 22 to the consolidated financial statements The Group's trade receivables principally derived from its wholesale and distribution of bottled drinks in Hong Kong and other parts of the People's Republic of China (the "PRC"). As at the year end, the Group's gross trade receivables amounted to HK$46.9 million, of which over 42% was past due. The Group is therefore exposed to a risk of default in respect of trade receivables, in particular, those past due and long-aged trade receivable balances. Management applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. In developing the loss allowances of trade receivables, management used judgement in making the assumptions about the risk of default and expected credit loss rate.	We obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as significant judgements involved in determining collectability of trade receivables and selecting data for the calculation of loss allowance. We evaluated and tested management's key controls in respect of management's assessment of expected credit losses of trade receivables, including ageing analysis, review and regular assessment performed on collectability of the receivable balances. We assessed the appropriateness of the impairment methodology in determining the provision for credit loss allowance. We evaluated the outcome of prior period assessment of the estimation of expected credit losses in respect of trade receivables to assess the effectiveness of management's estimation process.

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment assessment of trade receivables (Continued) The trade receivables were grouped based on business segments, geographical locations and credit risk characteristics, and individually and collectively assessed for likelihood of recovery, taking into consideration their credit rating, ageing category and historical credit loss experience. The expected credit loss rates were determined based on historical default rates and were adjusted to reflect forward-looking information on macroeconomic factors. In addition, for receivables related to customers with known financial difficulties or significant doubt in collection of receivables, specific provision was made based on the estimated amount, taking into consideration of the relationship with customers, credit history, business performance and financial capability of those customers and other relevant factors. We focused on this area due to the inherent risk in relation to the estimation of expected credit losses in respect of trade receivables is considered significant due to significant judgements involved in determining collectability of trade receivables and selecting data for the calculation of loss allowance.	We tested the reliability of market and historical data used in the credit loss model, on a sample basis, to relevant supporting evidence. We challenged management for the use of forward-looking information in adjusting the credit loss rates by comparing to external market data or public available information. We tested ageing of trade receivables used in the assessment of the expected credit loss, on a sample basis, to invoices and other relevant documents. We independently assessed the recoverability of a sample of accounts receivable balances, focusing on long overdue balances. We assessed the collectability of the balances by checking the supporting evidence, including subsequent settlements, credit history, business performance and financial capability of these customers. Based on the procedures performed, we considered that the risk assessment of the expected credit losses of trade receivables remained appropriate and the impairment methodology and key data used by management in the assessment of the expected credit losses were supported by the available evidence and procedures performed.

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition for the sales of goods through pre-paid coupons and credits Refer to note 2.27(a) and note 4(g), note 6 and note 32 to the consolidated financial statements Revenue mainly represents income from the sales of goods. Revenue is recognised when control of goods is transferred to a customer and at the amount to which the entity expects to be entitled. As part of the Group's ordinary activities for the retail business, pre-paid coupons and credits are issued, sold and granted to customers, and the receipts in respect of which are deferred and recognised as 'receipts in advance' on the consolidated statement of financial position.	We understood, evaluated and tested management's key controls in respect of revenue recognition for the sales of goods through pre-paid coupons and credits, including the recording of proceeds received from the sales of pre-paid coupons and credits as receipts in advance, the recognition of revenue based on the number of pre-paid coupons and credits redeemed and the recognition of revenue upon the expiry of the pre-paid coupons and credits. We, with the assistance of our internal specialists over information technology ("IT") system, identified and evaluated the relevant IT systems and the design, implementation and operating effectiveness of key automated controls over the recognition of revenue, with particular attention to the controls over capturing and recording transactions for pre-paid coupons and credits.

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition for the sales of goods through pre-paid coupons and credits (Continued) Pre-paid coupons and credits are non-refundable and customers may not utilise all of their contracted rights before the expiry. Such unutilised coupons and credits are referred as "breakage". An expected amount of breakage is estimated by management based on historical experience and is recognised as revenue in proportion to the pattern of coupons and credits redeemed by customers. Any unutilised prepayments are fully recognised in the consolidated statement of comprehensive income upon their expiry. During the year ended 31 December 2021, revenue recognised in the consolidated statement of comprehensive income from the sales of goods through pre-paid coupons and credits relating to the Hong Kong retail business amounted to HK$356,515,000. As at 31 December 2021, the Group had receipts in advance of HK$177,021,000 relating to the Hong Kong retail business. We focused on this area due to the estimation of the breakage and utilisation pattern of pre-paid coupons and credits is inherently subjective and requires significant judgement and estimation which increase the risk of error or potential management bias.	We conducted substantive testing of pre-paid coupons and credits redeemed and expired during the year, on a sample basis, with reference to the underlying records. We also inspected, on a sample basis, cash receipts from customers during the year from pre-paid coupons and credits with reference to the underlying records. We checked the calculation of revenue recognised related to the utilised portion of prepaid coupons and credits by examining the underlying records on a sample basis. We obtained an understanding of the management's internal control and assessment process of the estimation of breakage with respect to pre-paid coupons and credits, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity and the significant judgement and estimation by management. We evaluated the outcome of prior period assessment of the estimation of breakage to assess the effectiveness of management's estimation process. We assessed the reasonableness of the expected breakage estimated by management with reference to the Group's historical data for utilisation of pre-paid coupons and credits. Based upon the above, we found that management had taken reasonable judgements that were supported by the available evidence in respect of the revenue recognition for sales of goods through pre-paid coupons and credits.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Hung Fook Tong Group Holdings Limited 2021 Annual Report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the "Environmental Social and Governance Report", which is expected to be made available to us after that date.

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

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

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

When we read the "Environmental, Social and Governance Report", if we conclude that there is a material misstatement therein, we are required to communicate the matter to audit committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Revenue	5,6	**695,996**	702,473
Cost of sales	8	**(278,723)**	(254,653)
Gross profit		**417,273**	447,820
Other income, net	7	**7,398**	13,412
Selling and distribution costs	8	**(62,998)**	(71,365)
Administrative and operating expenses	8	**(347,908)**	(313,467)
Reversal of/(provision for) impairment loss on financial assets	8	**625**	(2,415)
Operating profit		**14,390**	73,985
Finance income	10	**87**	66
Finance costs	10	**(4,972)**	(7,256)
Finance costs, net	10	**(4,885)**	(7,190)
Share of losses of an associate and a joint venture accounted for using the equity method	15	**(6)**	(19)
Profit before income tax		**9,499**	66,776
Income tax expense	11	**(2,357)**	(5,463)
Profit for the year		**7,142**	61,313
Profit/(loss) attributable to:			
Owners of the Company		**8,223**	62,530
Non-controlling interests		**(1,081)**	(1,217)
		7,142	61,313
Other comprehensive income:			
Item that may be reclassified to profit or loss			
– Currency translation differences		**6,302**	12,941
Other comprehensive income, net of tax		**6,302**	12,941
Total comprehensive income for the year		**13,444**	74,254

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**14,459**	75,328
Non-controlling interests		**(1,015)**	(1,074)
		13,444	74,254
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (HK cents per share)	12	**1.25**	9.53

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**306,324**	310,348
Right-of-use assets	19	**193,454**	213,571
Financial asset at fair value through other comprehensive income	16	**5,000**	–
Intangible assets	18	**2,604**	–
Investments in an associate and a joint venture	15	**30**	36
Prepayments and deposits	23	**29,334**	36,578
Deferred income tax assets	28	**12,207**	14,891
		548,953	575,424
Current assets			
Inventories	20	**53,482**	46,047
Trade receivables	22	**46,345**	42,438
Prepayments, deposits and other receivables	23	**42,691**	32,225
Amount due from a related company	34	**–**	690
Prepaid tax		**5,919**	2,798
Cash and cash equivalents	24	**116,676**	134,905
		265,113	259,103
Total assets		**814,066**	834,527
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**6,559**	6,559
Reserves	26	**330,642**	329,040
		337,201	335,599
Non-controlling interests		**(2,240)**	(991)
Total equity		**334,961**	334,608

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	19	**59,028**	81,077
Provision for reinstatement costs	31	**4,616**	5,268
Deferred income tax liabilities	28	**8,804**	9,457
Bank borrowings	33	**17,631**	8,213
		90,079	104,015
Current liabilities			
Trade payables	29	**36,782**	29,078
Accruals and other payables	30	**57,541**	74,687
Provision for reinstatement costs	31	**3,469**	2,437
Receipts in advance	32	**177,021**	157,298
Lease liabilities	19	**90,521**	94,705
Bank borrowings	33	**22,069**	33,386
Taxation payable		**1,623**	4,313
		389,026	395,904
Total liabilities		**479,105**	499,919
Total equity and liabilities		**814,066**	834,527
Net current liabilities		**(123,913)**	(136,801)
Total assets less current liabilities		**425,040**	438,623

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 59 to 135 were approved by the Board of Directors on 28 March 2022 and were signed on its behalf.

Tse Po Tat	**Wong Pui Chu**
Director	*Director*

HUNG FOOK TONG

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company								
	Share capital (Note 25) HK$'000	Share premium HK$'000	Capital reserve (Note 26) HK$'000	Share based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings (Note 26) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
For the year ended 31 December 2021									
Balance at 1 January 2021	6,559	209,489	8,123	5,421	4,436	101,571	335,599	(991)	334,608
Comprehensive income/(loss)									
Profit/(loss) for the year	–	–	–	–	–	8,223	8,223	(1,081)	7,142
Other comprehensive income									
Currency translation differences	–	–	–	–	6,236	–	6,236	66	6,302
Total comprehensive income/(loss) for the year	–	–	–	–	6,236	8,223	14,459	(1,015)	13,444
Transaction with owners									
2020 final dividend (Note 13)	–	(12,857)	–	–	–	–	(12,857)	–	(12,857)
Dividend paid to a non-controlling interest	–	–	–	–	–	–	–	(234)	(234)
Total transactions with owners	–	(12,857)	–	–	–	–	(12,857)	(234)	(13,091)
Balance at 31 December 2021	6,559	196,632	8,123	5,421	10,672	109,794	337,201	(2,240)	334,961
For the year ended 31 December 2020									
Balance at 1 January 2020	6,559	214,999	8,123	5,421	(8,362)	44,944	271,684	83	271,767
Comprehensive income/(loss)									
Profit/(loss) for the year	–	–	–	–	–	62,530	62,530	(1,217)	61,313
Other comprehensive income									
Currency translation differences	–	–	–	–	12,798	–	12,798	143	12,941
Total comprehensive income/(loss) for the year	–	–	–	–	12,798	62,530	75,328	(1,074)	74,254
Transaction with owners									
2019 final and special dividends (Note 13)	–	(5,510)	–	–	–	–	(5,510)	–	(5,510)
2020 special dividend (Note 13)	–	–	–	–	–	(5,903)	(5,903)	–	(5,903)
Balance at 31 December 2020	6,559	209,489	8,123	5,421	4,436	101,571	335,599	(991)	334,608

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

HUNG FOOK TONG

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**142,700**	221,979
Income tax paid		**(6,043)**	(1,892)
Net cash generated from operating activities		**136,657**	220,087
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(29,352)**	(31,570)
Proceeds from disposal of property, plant and equipment	35(b)	**63**	146
Reinstatement costs paid for shop and office premises		**(208)**	(287)
Investment in an associate		**(5,000)**	–
Repayment from a related party		**690**	–
Interest received		**87**	66
Net cash used in investing activities		**(33,720)**	(31,645)
Cash flows from financing activities			
Payment for lease liabilities (including interest)	19(b)	**(106,010)**	(84,349)
Proceeds from bank borrowings		**10,000**	45,000
Repayment of bank borrowings		**(11,899)**	(97,012)
Dividend paid to the Company's shareholders	13	**(12,857)**	(11,413)
Dividend paid to a non-controlling interest		**(234)**	–
Interest paid on borrowing	10	**(581)**	(2,495)
Net cash used in financing activities		**(121,581)**	(150,269)
Net (decrease)/increase in cash and cash equivalents		**(18,644)**	38,173
Effect of currency translation difference		**415**	1,379
Cash and cash equivalents at beginning of year		**134,905**	95,353
Cash and cash equivalents at end of year	24	**116,676**	134,905

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 set of consolidated financial statements) (the "Business").

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated and have been approved for issue by the Board of Directors on 28 March 2022.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values at the end of each reporting period.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements, are disclosed in note 4.

The Group's current liabilities exceeded its current assets by HK$123,913,000 as at 31 December 2021 (2020: HK$136,801,000). The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 2021. 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 31 December 2021. Accordingly, these consolidated financial statements 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

(a) Amended standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

The Group has adopted HKFRS 16 (Amendments) – Covid-19-Related Rent Concessions retrospectively from 1 January 2021. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has not elected to apply the optional practical expedient to all qualifying COVID-19-related rent concessions, and all the COVID-19-related rent concessions were consistently accounted for as lease modification in accordance with HKFRS 16.

The above newly adopted amendments to existing standards did not have any impact on the results and financial position of the Group.

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

2.2 Summary of significant accounting policies (Continued)

(b) New and amended standards, improvements, interpretation and accounting guideline not yet adopted

The following new standard, amendments to existing standards, improvements, interpretation and accounting guideline have been issued but are not effective for the financial year beginning on or after 1 January 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual Improvements to HKFRSs Standards 2018 – 2020	1 January 2022
Amendments to HKFRS 3, HKAS 16, and HKAS 37	Narrow-scope Amendments	1 January 2022
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK (IFRIC) – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	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, improvements, interpretation and accounting guideline not yet adopted (Continued)

The Group will adopt the above new standard, amendments to existing standards, improvements, interpretation and accounting guideline when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments, improvements, interpretation and accounting guideline, none of which is expected to have to have material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiary

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of financial position and statement of changes in equity respectively.

2.3.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see note 2.3.4 below), after initially being recognised at cost.

2.3.3 Joint arrangement

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has a joint venture only.

Investment in a joint venture is accounted for using the equity method (see note 2.3.4 below), after initially being recognised at cost in the statement of financial position.

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

2.3 Principles of consolidation and equity accounting (Continued)

2.3.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from an associate and a joint venture are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity-accounted investments is tested for impairment in accordance with note 2.11.

2.3.5 Changes in ownership interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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

2.4 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred and the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that makes strategic decisions.

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

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in consolidated statement of comprehensive income. All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income, net'.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a joint venture that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to consolidated statement of comprehensive income during the financial year in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses. Direct and indirect costs relating to the construction in progress, including borrowing costs during the construction period, are capitalised as the costs of the assets. Cost on completed construction work is then transferred to appropriate category of property, plant and equipment.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	50 years or over the unexpired period of lease, whichever is shorter
Leasehold improvements	5 to 10 years or remaining period of the lease, whichever is shorter
Furniture and fixtures	5 to 10 years
Plant and machinery	2 to 14 years
Motor vehicles	3 to 10 years
Office and computer equipment	2 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets and are recognised within 'other income, net' in the consolidated statement of comprehensive income.

2.9 Leasehold land and land use rights

The leasehold land and land use rights have finite useful life and are carried at cost less accumulated amortisation. Amortisation are calculated using the straight-line method to allocate the costs of leasehold land over their terms. Leasehold land and land use rights are presented as right-of-use assets in the consolidated statement of financial position.

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

2.10 Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful live is finite) and impairment losses. Directly attributable costs that are capitalised as part of the software include employee costs.

Intangible assets not yet available for intended used which comprises costs incurred for purchase of software and employee costs are stated at cost less any impairment losses. No amortisation is provided in respect of intangible assets not yet available for intended used until it is completed and ready.

Amortisation of intangible assets with finite useful lives is charged to consolidated statement of comprehensive income on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful lives is amortised from the date it is available for use and its estimated useful lives is as follows:

Software	5 years

Both the period and method of amortisation are reviewed annually.

2.11 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets to be measured subsequently at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL") and at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

2.12 Financial assets (Continued)

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated statement of comprehensive income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The Group classifies all of its debt instruments to be measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statement of comprehensive income and presented in 'other income, net' together with foreign exchange gains and losses.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated statement of comprehensive income as "other income" when the Group's right to receive payments is established.

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

2.12 Financial assets (Continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. There is no offsetting of financial instruments as at 31 December 2021 and 2020.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.12 for further information about the Group's accounting for trade receivables and note 3.1(b) for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

2.20 Deferred revenue

Deferred revenue represents outstanding customer loyalty credits, which are accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the expected award credits redeemed and deferred. This is then recognised as revenue over the period that the award credits are redeemed or upon the expiry date.

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

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

2.22 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefit obligations

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions to the defined contribution retirement scheme are charged to consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension schemes.

The subsidiaries of the Group in Hong Kong elected to contribute to the Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is a defined contribution retirement benefit plan administered by independent trustees. Under the MPF Scheme, both the employer and employees are required to contribute 5% of the employee's monthly salaries (capped at HK$30,000). Contributions from the employer equivalent to the contribution as specified at the rules of the MPF Scheme are 100% vested as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the age of 65, subject to a few exceptions. As to the employer's contribution in excess of the portion vested in the MPF Scheme the employees are entitled to 100% of it after 10 years of completed service or at a reduced scale after completion of 3 to 9 years' service. No forfeited contributions for the Group is available to reduce the contribution payment in the future years.

The contributions to both schemes are not reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions.

The assets of the fund are held separately from those of the Group in the independently administered fund.

(c) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

2.22 Employee benefits (Continued)

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.23 Share based payments

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

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

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

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

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

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

2.24 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Provisions for reinstatement cost

Provision for reinstatement cost represents the present value of the estimated cost for the restoration work of the Group's leased retail shops agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs, upon initial recognition, have been included as right-of-use assets in the consolidated statement of financial position (see note 2.28).

2.26 Contract liabilities

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration. Contract liabilities comprise of "receipts in advance" and "deferred revenue" in the consolidated statement of financial position.

2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of rebates and discounts. Rebates and discounts granted to customers are classified as a reduction of revenue. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below.

(a) Sales of goods – retail

The Group operates a chain of retail stores in Hong Kong selling bottled drinks and other herbal products, soups and snacks. Revenue from the sale of goods is recognised when the Group sells a product to the customer.

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

2.27 Revenue recognition (Continued)

(a) Sales of goods – retail (Continued)

Payment of the transaction price is due immediately when the customer purchases the products. As part of the Group's ordinary activities for the retail business, pre-paid coupons and credits are issued, sold and granted to customers, and the receipts in respect of which are deferred and recognised as 'receipts in advance' on the consolidated statement of financial position. Any non-redeemed pre-paid coupons and credits are referred to as breakage. An expected breakage amount in receipts in advance is determined by historical experience and is recognised as revenue in proportion to the pattern of redemption by the customers.

(b) Sales of goods – wholesale

The Group is engaged in the wholesale and distribution of bottled drinks in Hong Kong and the PRC. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

The Group has various sales rebates and discounts programmes with third party customers and wholesalers in Hong Kong and the PRC. Sales rebates and discounts are estimated and reassessed at the end of each reporting period with reference to the latest available sales contracts and accumulated experience, using the most likely amount method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Sales rebates and discounts granted to customers are deducted from gross sales in arriving at revenue.

(c) Sales of goods – customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire after the initial sale.

A contract liability is recognised until the points are redeemed or expire, which is included in "accruals and other payables" on the consolidated statement of financial position.

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

2.28 Leases

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and makes adjustments specific to the lease.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- any restoration cost.

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

2.28 Leases (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise vending machines and small items of office furniture.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

2.29 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as interest income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in “interest income”.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.30 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders or directors, where appropriate.

2.31 Government grant

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 consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Financial risk management is carried out by the finance department under the supervision of the board of directors. The board provides principles for overall risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities.

As at 31 December 2021, if RMB had strengthened/weakened by 5% (2020: 5%) against Hong Kong dollar with all other variables held constant, post-tax profit for the year would have been approximately HK$221,000 higher/lower (2020: HK$327,000 higher/lower), respectively, mainly as a result of foreign exchange gains/losses on translation of RMB denominated bank deposits and cash and cash equivalents.

(ii) Cash flow interest rate risk

The Group's cash flow interest rate risk arises from bank balances and bank borrowings at floating interest rates.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2021, if interest rates had been 50 basis points higher/lower and all other variable were held constant, the Group's post-tax profit for the year would have been approximately HK$355,000 higher/lower (2020: HK$198,000 higher/lower), respectively, mainly attributable to the Group's exposure to interest rates on its variable rate bank balances and bank borrowings.

(b) Credit risk

(i) Risk management

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, amount due from a related company, and cash and cash equivalents.

Management considers that the Group has limited credit risk with its banks which are leading and reputable with investment grade credit rating (Moody's: Baa3 or above; Standard & Poor's: BBB- or above; Fitch: BBB- or above). The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as at 31 December 2021.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

Majority of the Group's revenue is received from individual customers in relation to sales of bottled drinks and other herbal products, soups and snacks for the retail business and are transacted in cash or credit cards. The Group's trade receivables arise primarily from sales of bottled drinks to wholesalers and distributors. As at 31 December 2021, top five customers of the Group accounted for approximately 53% (2020: 65%) to the total trade receivables of the Group. The Group has set up long-term cooperative relationship with these customers.

In view of the history of business dealings with the customers and the collection history of these receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers saved for the debtor related to the impaired trade receivable disclosed below. Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors, relationship with counterparties, and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in these consolidated financial statements.

(ii) Impairment of financial assets

The Group has three main types of financial assets that are subject to the expected credit loss model:

– trade receivables;

– cash and cash equivalents; and

– other financial assets measured at amortised costs (including deposits and other receivables, amount due from a related company).

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are grouped by business segments, geographical locations and credit risk characteristics. The Group measures the expected credit losses of respective groups on a combination of both individual basis and collective basis for likelihood of recovery, taking into consideration their credit rating, ageing category and historical credit loss experience.

The Group divided trade receivables into four categories. Category 1 is for customers conducting wholesale business in the Hong Kong and other regions; Category 2 is for customers conducting wholesale business in PRC; Category 3 is for corporate customers in Hong Kong retail segment; and Category 4 is for receivables from electronic payment service providers in Hong Kong retail segment. With different types of customers, the Group calculated the expected loss rate respectively.

Measurement of expected credit loss – Individual basis

To measure the expected credit losses, the management assessed the credit risk of listed customers individually with reference to the credit rating report in the market and also the default history of the customers. The loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product growth and the money supply in Hong Kong while Gross Domestic Product growth and merchandise trade balance in PRC to be the most relevant factors, and accordingly adjust the default rate based on expected changes in these factors. As those customers are classified as investment grade with credit rating between Baa2 and Aa3 with reference to the Moody's credit agency report, the Directors of the Company are of the opinion that the expected credit loss of these customers is not significant.

In addition to the individual assessment of the listed customers, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for separate provision for impairment allowance.

Measurement of expected credit loss – collective basis

To measure the expected credit losses, the management assessed the credit risk of non-listed customers collectively with reference to the general industrial default risk and also the default history of those customers. The loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product growth and the money supply in Hong Kong while Gross Domestic Product growth and merchandise trade balance in PRC to be the most relevant factors, and accordingly adjust the default rate based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

The loss allowance in respect of individual and collective basis are summarised as follows:

31 December 2021	Lifetime expected credit loss rate HK$'000	Gross carrying amount HK$'000	Lifetime Expected credit loss HK$'000	Net carrying amount HK$'000
Customers conducting wholesales business in Hong Kong and other regions:				
Provision for individual basis	**0%**	**21,463**	**–**	**21,463**
Provision for collective basis	**2.8%**	**9,634**	**(273)**	**9,361**
Customers conducting wholesales business in PRC				
Provision for collective basis	**2.4%**	**2,909**	**(70)**	**2,839**
Corporate customers in Hong Kong retail segment				
Provision for individual basis	**0%**	**6,465**	**–**	**6,465**
Provision for collective basis	**3.8%**	**5,210**	**(200)**	**5,010**
Receivable from electronic payment service providers in Hong Kong retail segment				
Provision for individual basis	**0%**	**1,207**	**–**	**1,207**
Total		**46,888**	**(543)**	**46,345**
31 December 2020				
Customers conducting wholesales business in Hong Kong:				
Provision for individual basis	0%	19,904	–	19,904
Provision for collective basis	0%	7,058	–	7,058
Customers conducting wholesales business in PRC				
Provision for individual basis	100%	2,218	(2,218)	–
Provision for collective basis	0%	1,732	–	1,732
Corporate customers in Hong Kong retail segment				
Provision for individual basis	5.6%	8,641	(480)	8,161
Provision for collective basis	11.7%	4,656	(543)	4,113
Receivable from electronic payment service providers in Hong Kong retail segment				
Provision for individual basis	0%	1,470	–	1,470
Total		45,679	(3,241)	42,438

Movements on the Group's provision for impairment of trade receivables are disclosed in note 22.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

Trade receivables are written off where there is no reasonable expectation of recovery indicators that, amongst others, the failure of a debtor to engage a repayment plan with the Group, and a failure to make contractual payments for a period.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised costs

Management considers that the credit risk of other financial assets have not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is close to zero.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

Maturity Analysis – Bank borrowings with cash settlement subject to repayment on demand clauses based on scheduled repayments including interest payables.

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Within one year	**22,544**	12,038
Between 1 and 2 years	**18,046**	12,274
Between 2 and 5 years	**–**	18,232
	40,590	42,544

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Maturity Analysis – Undiscounted cash outflows

For the borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2021				
Trade payables	**36,782**	**–**	**–**	**36,782**
Accruals and other payables	**34,330**	**–**	**–**	**34,330**
Bank borrowings	**22,544**	**18,046**	**–**	**40,590**
Lease liabilities	**92,793**	**46,935**	**12,996**	**152,724**
	186,449	**64,981**	**12,996**	**264,426**
As at 31 December 2020				
Trade payables	29,078	–	–	29,078
Accruals and other payables	42,641	–	–	42,641
Bank borrowings	34,177	5,106	3,261	42,544
Lease liabilities	98,362	63,244	19,289	180,895
	204,258	68,350	22,550	295,158

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses bank borrowings to finance its operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is defined as total debts which include bank borrowings and lease liabilities, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position, plus net debt, where applicable.

The Group's strategy was to maintain optimal gearing ratio which the gearing ratio is not higher than 60% as at each balance sheet date.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Bank borrowings (Note 33)	**39,700**	41,599
Lease liabilities (Note 19(b))	**149,549**	175,782
Less: Cash and cash equivalents (Note 24)	**(116,676)**	(134,905)
Net debt	**72,573**	82,476
Total equity	**334,961**	334,608
Total capital	**407,534**	417,084
Gearing ratio	**17.8%**	19.8%

3.3 Fair value estimation

(i) Financial instruments not measured at fair value

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.

(ii) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(ii) Financial instruments measured at fair value (Continued)

Fair value hierarchy (Continued)

The following table presents the Group's financial asset that is measured at fair value as of 31 December 2021.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset at fair value through other comprehensive income	–	–	5,000	5,000

There were no transfers between levels 1, 2 and 3 during the year (2020: Nil). There are no changes in valuation techniques during the year (2020: Nil).

Information about Level 3 fair value measurement

Financial assets at FVOCI comprise unlisted equity investment which was valued by AVISTA Valuation Advisory Limited, an independent firm of professional valuer, using market approach to determine the fair value.

The following table shows the significant unobservable inputs used in the valuation model.

Financial instruments	31 December 2021 HK$'000	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investment	5,000	Market approach	Enterprise value to sales multiple	0.5 to 5.5 times	The higher of sales multiple, the higher of fair value

The movements of Level 3 instruments during the year are as follows:

	2021 HK$'000
At 1 January	–
Addition (Note 16)	5,000
At 31 December	5,000

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives and depreciation and amortisation of property, plant and equipment and intangible assets

Management determines the estimated useful lives and depreciation and amortisation charges for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives are different to previous estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of an asset's fair value less costs of disposal and value-in-use calculations prepared on the basis of management's assumptions and estimates.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each statement of financial position date.

(d) Provision for impairment of trade and other receivables

The Group follows the guidance of HKFRS 9 to determine when trade and other receivables are impaired. This determination requires significant judgement and estimation based on assumptions about risk of default and expected loss rates. In making this judgement and estimation, the Group evaluates, among other factors, the duration of receivables and the financial health and collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macroeconomic indicators etc. Details of the assumptions and inputs used are discussed in note 3.1(b).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Income taxes

The Group is subject to income taxes in Hong Kong and in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are difference from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

(f) Provision for reinstatement costs

Provision for reinstatement costs is estimated and reassessed at the end of each reporting period with reference to the recent actual reinstatement cost incurred for shops of similar attributes and latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises.

(g) Estimation of breakage with respect to pre-paid coupons and credits

Revenue recognition on sales of goods through pre-paid coupons and credits is dependent on the estimation of the breakage and utilisation pattern of coupons and credits. Based on the Group's historical experience, the Group makes estimations of an expected amount of breakage. Actual breakage and utilisation may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue and profit recognised in future year.

5 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 these consolidated financial statements.

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, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. They exclude amount due from a related company, investments in an associate and a joint venture, financial assets at FVOCI, prepaid tax, deferred income tax assets and assets used for corporate functions.

Capital expenditure comprises additions to property, plant and equipment and intangible assets for the years ended 31 December 2021 and 2020.

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, share of losses of an associate and a joint venture accounted for using the equity method, (reversal of)/provision for impairment on loan to an associate and amount due from a non-controlling interest, finance income and costs and income tax expense are not included in segment results.

5 SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the years ended 31 December 2021 and 2020 is as follows:

	Year ended 31 December 2021		
	Hong Kong Retail HK$'000	Wholesale HK$'000	Total HK$'000
Segment revenue	534,656	179,030	713,686
Less: Inter-segment revenue	(9,532)	(8,158)	(17,690)
Revenue from external customers	525,124	170,872	695,996
Segment results	31,090	23,668	54,758
Corporate expenses			(40,993)
Share of losses of an associate and a joint venture accounted for using the equity method			(6)
Reversal of impairment on loan to an associate			625
Finance costs, net			(4,885)
Profit before income tax			9,499
Income tax expense			(2,357)
Profit for the year			7,142
Other segment items:			
Capital expenditure	22,311	8,316	30,627
Depreciation and amortisation	118,906	14,531	133,437
Losses on disposal of property, plant and equipment	127	10	137

5 SEGMENT INFORMATION (Continued)

	Year ended 31 December 2020		
	Hong Kong Retail HK$'000	Wholesale HK$'000	Total HK$'000
Segment revenue	554,948	157,857	712,805
Less: Inter-segment revenue	(6,370)	(3,962)	(10,332)
Revenue from external customers	548,578	153,895	702,473
Segment results	109,793	8,093	117,886
Corporate expenses			(42,276)
Share of losses of an associate and a joint venture accounted for using the equity method			(19)
Impairment on loan to an associate			(625)
Impairment on amount due from a non-controlling interest			(1,000)
Finance costs, net			(7,190)
Profit before income tax			66,776
Income tax expense			(5,463)
Profit for the year			61,313
Other segment items:			
Capital expenditure	15,888	12,657	28,545
Depreciation and amortisation	116,044	13,088	129,132
Losses/(gains) on disposal of property, plant and equipment	96	(2)	94
Provision for impairment on trade receivables	446	344	790

5 SEGMENT INFORMATION (Continued)

The segment assets as at 31 December 2021 and 2020 are as follows:

	Hong Kong Retail HK$'000	Wholesale HK$'000	Elimination HK$'000	Total HK$'000
As at 31 December 2021				
Segment assets	**501,114**	**271,449**	**(392)**	**772,171**
Investment in a joint venture				**30**
Financial asset at fair value through other comprehensive income				**5,000**
Prepaid tax				**5,919**
Deferred income tax assets				**12,207**
Corporate assets				**18,739**
Total assets				**814,066**
As at 31 December 2020				
Segment assets	526,938	281,100	(429)	807,609
Amount due from a related company				690
Investments in an associate and a joint venture				36
Prepaid tax				2,798
Deferred income tax assets				14,891
Corporate assets				8,503
Total assets				834,527

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

The Company is domiciled in the Cayman Islands while the Group operates its business primarily in Hong Kong and the PRC. For the year ended 31 December 2021, no revenue was generated from the Cayman Islands and no assets were located in the Cayman Islands (2020: Nil).

5 SEGMENT INFORMATION (Continued)

The Group's revenue by geographical locations (as determined by the area or country in which the customer is operated) is analysed as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**656,348**	669,443
The PRC	**26,596**	21,808
Other areas or countries	**13,052**	11,222
	695,996	702,473

There is no single external customer contributing more than 10% to the Group's revenue for the years ended 31 December 2021 and 2020.

The following is an analysis of the carrying amounts of the Group's segment assets analysed by geographical area in which the assets are located:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**555,269**	574,416
The PRC	**216,902**	233,193
	772,171	807,609

Non-current assets, other than deferred income tax assets, investments in an associate and a joint venture and financial asset at FVOCI, by geographical areas are as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**355,561**	379,872
The PRC	**176,155**	180,625
	531,716	560,497

6 REVENUE

The Group's revenue recognised at point in time during the year is as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Sale of goods	**695,996**	702,473

(a) Revenue recognition in relation to contract liabilities

As at 31 December 2021 and 2020, contract liabilities included receipts in advance and deferred revenue amounting to HK$177,021,000 (2020: HK$157,298,000) and HK$1,765,000 (2020: HK$3,011,000) respectively.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward receipts in advance and deferred revenue:

	2021	2020
	HK$'000	HK$'000
Revenue recognised that was included in the receipts in advance and deferred revenue balance at the beginning of the year	**160,309**	164,737

There is no revenue recognised during the current year (2020: same) related to performance obligations that were satisfied in prior year.

(b) Unsatisfied long-term contracts

The Group selected to choose a practical expedient and omit disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

7 OTHER INCOME, NET

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Government grants (Note (a))	**1,400**	10,300
Insurance claim	**216**	58
Management income from an associate (Note 34(b))	**723**	627
Service income (Note (b))	**4,267**	1,059
Exchange difference	**(146)**	343
Losses on disposal of property, plant and equipment	**(137)**	(94)
Others	**1,075**	1,119
Total other income	**7,398**	13,412

7 OTHER INCOME, NET (Continued)

Notes:

(a) Government subsidies of HK$1,400,000 were granted from the Catering Business Subsidy Scheme (2020: HK$10,300,000 from the one-off Retail Sector Subsidy Scheme and the 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 the respective period end date and recognised in consolidated statement of comprehensive income.

(b) The Group has entered into a cooperation agreement with an independent third party for the provision of marketing distribution services for year ended 31 December 2021 at HK$4,000,000 (2020: nil). The service income is recognised when the related services are rendered.

8 EXPENSES BY NATURE

		Year ended 31 December	
		2021	2020
	Note	**HK$'000**	HK$'000
Cost of inventories sold		**215,666**	199,261
Lease rental in respect of retail outlets (Note (a))			
– Contingent rental		**447**	394
Lease rental in respect of storage spaces and office premises (Note (a))		**11,688**	10,613
Advertising and promotional expenditure		**19,627**	28,724
Depreciation of property, plant and equipment	17	**36,294**	34,744
Depreciation of right-of-use assets	19(a)	**97,143**	94,388
Communication and utilities		**29,193**	25,324
Employee benefit expenses (including directors' emoluments)	9	**208,935**	175,500
(Reversal of)/provision for obsolete inventories	20	**(19)**	2
(Reversal of)/provision for impairment on loan to an associate		**(625)**	625
Provision for impairment on amount due from a non-controlling interest		**–**	1,000
Provision for impairment on trade receivables	22	**–**	790
Legal and professional fees		**4,418**	4,368
Auditors' remuneration			
– Audit services		**2,861**	2,850
– Non-audit services		**–**	34
Tools, repair and maintenance expenses		**11,300**	12,582
Transportation and distribution expenses		**31,716**	29,145
Others		**20,360**	21,556
Total cost of sales, selling and distribution costs, administrative and operating expenses and reversal of/(provision for) impairment loss on financial assets		**689,004**	641,900

8 EXPENSES BY NATURE (Continued)

Note:

(a) These expenses included short-term leases expenses of HK$1,112,000 (2020: HK$1,175,000), variable leases payment expenses of HK$2,226,000 (2020: HK$2,600,000), and other rental-related expenses of HK$8,797,000 (2020: HK$7,232,000) for the year ended 31 December 2021.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Wages, salaries and bonuses (Note)	**192,382**	159,287
Medical and other employee benefits	**9,148**	9,684
Retirement benefit costs – defined contribution plans	**7,405**	6,529
	208,935	175,500

Note:

For the year ended 31 December 2020, wage subsidies of HK$35,246,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to November 2020 has been received. The amounts of HK$5,165,000 and HK$30,081,000 were recognised in "cost of sales" and "administrative and operating expenses" respectively and had been offset against with employee benefit expenses.

(a) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include three directors (2020: three directors), whose emoluments are reflected in the analysis shown in note 39. The emoluments paid/payable to the remaining two individuals (2020: two individuals) are as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Wages, salaries and bonuses and benefits in kind	**2,419**	2,296
Bonuses	**940**	479
Retirement benefit costs – defined contribution plans	**36**	36
	3,395	2,811

No emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Five highest paid individuals (Continued)

The emoluments of these two highest paid individuals fall within the following band:

	Number of individuals	
	2021	2020
Emolument band		
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**2**	–

10 FINANCE COSTS, NET

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Finance income:		
– Interest income	**87**	66
Finance costs:		
– Interest expenses on borrowings	**(581)**	(2,495)
– Interest and finance charges paid/payable for lease liabilities (Note 19(b))	**(4,391)**	(4,761)
	(4,972)	(7,256)
Finance costs, net	**(4,885)**	(7,190)

11 INCOME TAX EXPENSE

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% for the year ended 31 December 2021 (2020: 16.5%) on the estimated assessable profit for the year.

PRC Corporate Income Tax

Group entities incorporated in the PRC are subject to Corporate Income Tax ("CIT") in accordance with the Law of the PRC on Corporate Income Tax (the "CIT Law"). Under the CIT Law, the income tax rate applicable to these subsidiaries is 25% (2020: 25%).

11 INCOME TAX EXPENSE (Continued)

The amount of income tax expense represents:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax for the year	**–**	2,062
PRC CIT for the year	**1,207**	956
Over-provision in prior years	**(987)**	–
Deferred income tax (Note 28)	**2,137**	2,445
Income tax expense	**2,357**	5,463

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the Group's subsidiaries as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Profit before income tax	**9,499**	66,776
Tax calculated at 16.5% (2020: 16.5%)	**1,567**	11,018
Effect of different tax rates applicable to subsidiaries in the respective locations	**455**	991
Income not subject to tax	**(484)**	(7,581)
Expenses not deductible for tax purposes	**985**	2,332
Tax loss not recognised	**855**	1,125
Utilisation of previously unrecognised tax loss	**(34)**	(2,422)
Over-provision of income tax expense in prior years	**(987)**	–
Income tax expense	**2,357**	5,463

12 EARNINGS PER SHARE

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (HK$'000)	**8,223**	62,530
Weighted average number of ordinary shares for the calculation of basic earnings per share (thousands)	**655,944**	655,944
Earnings per share for profit attributable to owners of the Company		
– Basic earnings per share (HK cents)	**1.25**	9.53
– Diluted earnings per share (HK cents)	**1.25**	9.53

(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 year.

(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 year ended 31 December 2021 and 2020 equal basic earnings per share as there were no potentially dilutive ordinary shares as at both years end.

13 DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends attributable to the year		
Proposed final dividend of HK0.37 cent (2020: HK1.96 cents) per ordinary share	**2,427**	12,850
Proposed special dividend of HK0.31 cent (2020: nil) per ordinary share	**2,033**	–
Special dividend of nil (2020: HK0.90 cent) per ordinary share paid	**–**	5,903
	4,460	18,753
Dividends paid during the year		
2019 final and special dividends totalling HK0.84 cent per ordinary share	**–**	5,510
2020 special dividend of HK0.90 cent per ordinary share	**–**	5,903
2020 final dividend of HK1.96 cents per ordinary share	**12,857**	–
	12,857	11,413

A final dividend and a special dividend of HK0.37 cent and HK0.31 cent per ordinary share, respectively amounting to a total of HK$4,460,000 were proposed by the Board of Directors which have to be approved by shareholders in the forthcoming annual general meeting. These proposed dividends are not reflected as a dividend payable in the consolidated statement of financial position as at 31 December 2021, but will be reflected as an appropriation of share premium for the year ending 31 December 2022.

14 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Company:

Name	Country/place and date of incorporation/ establishment	Principal activities	Type of legal status	Issued and paid up/registered capital	Effective interest held as at 2021	2020
Directly held by the Company						
Hung Fook Tong Group Limited	British Virgin Islands 17 January 2014	Investment holding	Limited liability company	US$1	**100%**	100%
Indirectly held by the Company						
Apace Logistics and Supply Company Limited	Hong Kong, 26 April 2017	Logistics and trading	Limited liability company	HK$10,000	**60%**	60%
Speedy Pro Supply Chain Limited	Hong Kong, 17 December 2020	Logistics and trading	Limited liability company	HK$10,000	**60%**	60%
Hung Fook Tong Holdings Limited	Hong Kong, 6 May 1993	Investment holding	Limited liability company	HK$111,111	**100%**	100%
Hung Fook Tong Franchise System Management Limited	Hong Kong, 19 November 1992	Wholesaling and retailing of herbal products	Limited liability company	HK$10,000	**100%**	100%
Hung Fook Tong (Herbal Tea) Limited	Hong Kong, 13 January 1989	Manufacturing and trading of snacks	Limited liability company	HK$300,000	**100%**	100%
Hung Fook Tong Trading Company Limited	Hong Kong, 23 May 2006	Trading of bottled drinks	Limited liability company	HK$1	**100%**	100%
Hung Fook Tong (China) Development Limited	Hong Kong, 29 April 1993	Importing, wholesaling and distribution of bottled herbal drinks	Limited liability company	HK$6,000,000	**100%**	100%
Hung Fook Tong Property Leasing Limited	Hong Kong, 20 April 1993	Administration of group rental leases	Limited liability company	HK$2	**100%**	100%
Hung Fook Tong Online Limited	Hong Kong, 20 April 1993	E-commerce	Limited liability company	HK$2	**100%**	100%
Hung Fook Tong Herbal Tea Holdings Limited	Hong Kong, 10 January 2007	Investment holding	Limited liability company	HK$100	**100%**	100%

14 SUBSIDIARIES (Continued)

Name	Country/place and date of incorporation/ establishment	Principal activities	Type of legal status	Issued and paid up/registered capital	Effective interest held as at 2021	2020
Indirectly held by the Company (Continued)						
Quality of Life Products Company Limited	Hong Kong, 21 July 1992	Wholesaling of coupons and catering	Limited liability company	HK$10,000	100%	100%
Hung Fook Tong Management Institute Limited	Hong Kong, 17 December 2005	Provision of training courses	Limited liability company	HK$1	100%	100%
Hong Kong Hung Fook Tong Herbal Tea Holdings Limited	Hong Kong, 24 December 2007	Inactive	Limited liability company	HK$1	100%	100%
Hung Fook Hong Health Food (Shenzhen) Company Limited 鴻福行保健食品(深圳)有限公司#	PRC, 3 November 1998	Manufacturing of bottled drinks	Limited liability company	HK$20,100,000	100%	100%
Hung Fook Tong (Guangzhou) Trading Company Limited 鴻福堂(廣州)貿易有限公司#	PRC, 9 December 2011	Trading of bottled drinks	Limited liability company	RMB8,500,000	100%	100%
Hung Fook Tong Services Limited	Hong Kong, 4 October 1994	Licence holding for Hung Fook Tong (Herbal Tea) Limited and Hung Fook Tong Franchise System Management Limited	Limited liability company	HK$3	100%	100%
Gold Work Limited	Hong Kong, 1 April 2010	Investment holding	Limited liability company	HK$10,000	100%	100%
Goldmark Plastic Bottle Manufacturing Limited	Hong Kong, 11 October 2002	Investment holding	Limited liability company	HK$100,000	51%	51%
Gaoda Plastic Bottle (Dongguan) Company Limited 高達塑膠瓶(東莞)有限公司#	PRC, 3 May 2012	Manufacturing of plastics bottles	Limited liability company	HK$8,000,000	51%	51%
Gao Bi Da Plastic Bottle (Kaiping) Co., Ltd 高必達塑膠瓶(開平)有限公司#	PRC, 15 March 2018	Manufacturing of plastics bottles	Limited liability company	RMB10,000,000	51%	51%
Hung Fook Tong International Limited	Hong Kong, 20 July 1993	Investment holding	Limited liability company	HK$10,000	100%	100%
Hung Fook Tong Herbal Tea (Guangdong) Company Limited 鴻福堂涼茶(廣東)有限公司#	PRC, 13 March 2008	Wholesaling and retailing of herbal products	Limited liability company	RMB13,000,000	100%	100%

14 SUBSIDIARIES (Continued)

Name	Country/place and date of incorporation/ establishment	Principal activities	Type of legal status	Issued and paid up/registered capital	Effective interest held as at 2021	2020
Indirectly held by the Company (Continued)						
Taclon Industries Limited	Hong Kong, 15 December 1972	Manufacturing & wholesaling of herbal products and lease of a production facility at Tai Po Inducted Estate	Limited liability company	HK$100,700,100	**100%**	100%
Hung Fook Tong Food (Suzhou) Co. Limited 鴻福堂食品(蘇州)有限公司#	PRC, 6 August 2014	Wholesaling, import and export of food products	Limited liability company	RMB10,000,000	**100%**	100%
Luck Access Investment Develop Limited	Hong Kong, 3 December 2013	Holding company of the joint venture business in Shanghai	Limited liability company	HK$1	**100%**	100%
Gold Medal Development Limited	Hong Kong, 20 December 2013	Shop operations management for retail shop business in Shanghai	Limited liability company	HK$6,500,000	**100%**	100%
Hung Fook Tong (Kaiping) Health Food Company Limited 鴻福堂(開平)保健食品有限公司#	PRC, 7 November 2016	Manufacturing and wholesaling of herbal products and snacks	Limited liability company	RMB130,000,000	**100%**	100%
Handmade Bakery Development Co., Limited 手作烘焙發展有限公司	Hong Kong, 13 July 2018	Retailing of bakery products	Limited liability company	HKD510,000	**75%**	75%

The English names of certain subsidiaries represent the best effort by the management of the Company in translating their Chinese names as they do not have official English names.

Wholly foreign-owned enterprise established in the PRC.

Non-controlling interests

The total non-controlling interests as at 31 December 2021 are related to Goldmark Plastic Bottle Manufacturing Limited and its wholly-owned subsidiaries, including Gaoda Plastic Bottle (Dongguan) Company Limited and Gao Bi Da Plastic Bottle (Kaiping) Co., Ltd, Apace Logistics and Supply Company Limited, Speedy Pro Supply Chain Limited and Handmade Bakery Development Co., Limited, which the directors consider not material to the Group.

15 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Investments in an associate and a joint venture	**30**	36

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
As 1 January	**36**	55
Capital injection (Note 16)	**5,000**	–
Share of losses of an associate and a joint venture	**(6)**	(19)
Transfer to financial assets at FVOCI (Note 16)	**(5,000)**	–
As 31 December	**30**	36

Nature of investments in an associate and a joint venture as at 31 December 2021:

Name	Interest held indirectly	Nature of relationship	Place of Incorporation	Principal activities
HomePlus (Hong Kong) Limited (Note (c))	5% (2020: 10%)	Financial asset at FVOCI (2020: Associate)	Hong Kong	Provision of retail and telecommunication services in Hong Kong
Nova FinTech Limited	37.5% (2020: 37.5%)	Joint venture (2020: Same)	Hong Kong	Provision of financial technology services in Hong Kong

The associate and joint venture are currently considered not material to the Group. The summarised financial information for the associate and joint venture is set out below:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Total assets	**90**	39,371
Total liabilities	**(11)**	(44,455)

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Total profits less losses	**(16)**	(5,706)

15 INVESTMENTS IN AN ASSOCIATE AND A JOINT VENTURE (Continued)

Notes:

(a) The Group's associate and joint venture are unlisted corporate entities whose quoted market prices are not available.

(b) There are no contingent liabilities relating to the Group's investments in the associate and the joint venture and these entities also had no material contingent liabilities.

(c) During the year ended 31 December 2021, HomePlus (Hong Kong) Limited has completed the restructuring and become a wholly-owned subsidiary of HomePlus Holding Limited. After the restructuring, the Group directly owns 5% equity interests in HomePlus Holding Limited and classifies it as financial asset at FVOCI, see Note 16 for details.

16 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at fair value through other comprehensive income

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Unlisted equity investment	**5,000**	–

As at 31 December 2020, the Group has entered into a joint venture and shareholders agreement with other investors for the formation of HomePlus Holding Limited, a Hong Kong incorporated company which engaged in the provision of e-commerce business in Hong Kong. The investee is incorporated on 30 March 2021 and the Group shall subscribe 10,000,000 ordinary shares in the investee at a cash consideration of HK$10,000,000 with initial subscription being 5,000,000 ordinary shares at HK$5,000,000. However, the Group is entitled to elect to subscribe less than 10,000,000 shares after the initial subscription and in which case, the Group's shareholding in the investee will be diluted accordingly. Management has taken into consideration of the Group's representative on the board of directors in the investee and considered that the Group has significant influence in the investee. Therefore, it was classified as an associate since the initial subscription.

On 4 May 2021, the Group's representative resigned from the board of directors of the investee, and management confirmed to the co-investors and the co-investors have acknowledged that the Group will not appoint any replacement after the resignation of its representative. In addition, the Group has exercised its rights of dilution and elected not to subscribe to the second subscription. Management considered that the Group ceased to have significant influence over the investee and the investment is not held for trading, the Group has irrevocably elected to recognise the investment as FVOCI since 4 May 2021.

The Group has engaged AVISTA Valuation Advisory Limited, an independent professional qualified valuer, to assist management to determine the fair value of the equity investment as at 4 May 2021, being the date of initial recognition, and 31 December 2021. The fair value of the financial asset at FVOCI was measured at level 3 of fair value hierarchy, see note 3.3 for details.

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in Progress HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and computer equipment HK$'000	Total HK$'000
Year ended 31 December 2021								
Opening net book amount	172,140	22,423	22,482	4,487	78,368	2,616	7,832	310,348
Additions	–	4,710	14,022	2,206	5,111	–	1,974	28,023
Disposals (Note 35(b))	–	–	–	(60)	(130)	–	(10)	(200)
Transfer	21,038	(21,727)	–	–	295	–	394	–
Depreciation (Note 8)	(7,289)	–	(10,091)	(1,121)	(14,009)	(879)	(2,905)	(36,294)
Exchange difference	2,027	672	(8)	13	1,673	11	59	4,447
Closing net book amount	187,916	6,078	26,405	5,525	71,308	1,748	7,344	306,324
At 31 December 2021								
Cost	225,841	6,078	128,503	17,072	171,883	5,536	31,443	586,356
Accumulated depreciation and impairment	(37,925)	–	(102,098)	(11,547)	(100,575)	(3,788)	(24,099)	(280,032)
Net book amount	187,916	6,078	26,405	5,525	71,308	1,748	7,344	306,324

	Buildings HK$'000	Construction in Progress HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and computer equipment HK$'000	Total HK$'000
Year ended 31 December 2020								
Opening net book amount	174,439	13,698	22,873	5,060	83,923	1,643	7,512	309,148
Additions	–	9,172	10,501	411	4,723	1,608	2,130	28,545
Disposals (Note 35(b))	–	–	–	–	(240)	–	–	(240)
Transfer	–	(1,185)	–	11	567	23	584	–
Depreciation (Note 8)	(6,031)	–	(10,803)	(1,020)	(13,746)	(673)	(2,471)	(34,744)
Exchange difference	3,732	738	(89)	25	3,141	15	77	7,639
Closing net book amount	172,140	22,423	22,482	4,487	78,368	2,616	7,832	310,348
At 31 December 2020								
Cost	204,095	22,423	114,468	15,312	165,161	5,520	28,982	555,961
Accumulated depreciation and impairment	(31,955)	–	(91,986)	(10,825)	(86,793)	(2,904)	(21,150)	(245,613)
Net book amount	172,140	22,423	22,482	4,487	78,368	2,616	7,832	310,348

Depreciation of HK$11,747,000 (2020: HK$11,730,000) has been charged in 'cost of sales' and HK$24,547,000 (2020: HK$23,014,000) in 'administrative and operating expenses'.

18 INTANGIBLE ASSETS

	Software HK$'000
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Addition	2,604
At 31 December 2021	2,604

During the year ended 31 December 2021, the intangible assets are not available for intended used and no amortisation has been charged in consolidated statement of comprehensive income.

19 LEASES

(a) Right-of-use assets

	Leasehold land and land use rights HK$'000	Store properties and office HK$'000	Total HK$'000
At 1 January 2020	54,617	149,399	204,016
Inception of lease contracts	–	132,137	132,137
Depreciation (Note 8)	(1,633)	(92,755)	(94,388)
Modification of lease contracts	–	(29,724)	(29,724)
Exchange difference	1,530	–	1,530
At 31 December 2020	54,514	159,057	213,571
At 1 January 2021	**54,514**	**159,057**	**213,571**
Inception of lease contracts	**–**	**89,833**	**89,833**
Depreciation (Note 8)	**(1,674)**	**(95,469)**	**(97,143)**
Modification of lease contracts	**–**	**(13,647)**	**(13,647)**
Exchange difference	**840**	**–**	**840**
At 31 December 2021	**53,680**	**139,774**	**193,454**

The Group obtains right to control the use of various retail outlets for a period of time through lease arrangements. Lease arrangement are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 3 years.

The Group also obtained the leasehold land and land use rights through lease contracts with local governments in Hong Kong and the PRC with 50 years term.

19 LEASES (Continued)

(a) Right-of-use assets (Continued)

Some of the property leases which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable lease terms are used to link lease payments to store cash flows and reduce fixed cost. The Group's lease expenses (see note 8) are primarily for short-term leases and low-value leases; expenses relating to variable lease payments are relatively insignificant. The Group expects this pattern to remain stable in future years. The variable lease payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next few years, variable lease payments are expected to continue to present a similar proportion of store sales in future years.

(b) Lease liabilities

	2021 **HK$'000**	2020 HK$'000
At 1 January	**175,782**	153,457
Inception of lease contracts	**89,033**	131,637
Interest expenses on lease liabilities (Note 10)	**4,391**	4,761
Payment for lease liabilities (including interest)	**(106,010)**	(84,349)
Modification of lease contracts	**(13,647)**	(29,724)
At 31 December	**149,549**	175,782

	2021 **HK$'000**	2020 HK$'000
Amount due for settlement within 12 months (shown under current liabilities)	**90,521**	94,705
Amount due for settlement after 12 months	**59,028**	81,077
As at 31 December	**149,549**	175,782

The total cash outflow for leases, including the payments made in relation to lease liabilities and expenses relating to short-term lease, variable lease and other rental-related payments during the year ended 31 December 2021 was HK$118,145,000 (2020: HK$95,356,000).

The maturity analysis of lease liabilities is disclosed in note 3.1(c).

19 LEASES (Continued)

(c) Short-term leases, low-value leases and not yet commenced lease

As at 31 December 2021, the total future lease payments for short-term leases and low value leases amounted to HK$394,000 (2020: HK$89,000). As at 31 December 2021, leases committed but not yet commenced are relatively insignificant (2020: same).

20 INVENTORIES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Raw materials	**20,026**	16,545
Work in process	**3,667**	3,153
Finished goods	**30,190**	26,769
	53,883	46,467
Less: Provision for obsolete inventories	**(401)**	(420)
	53,482	46,047

Movements on the Group's provision for impairment of inventories are as follows:

	2021	2020
	HK$'000	HK$'000
At 1 January	**420**	418
(Reversal of)/provision for obsolete inventories (Note 8)	**(19)**	2
At 31 December	**401**	420

The cost of inventories recognised as expenses and included in 'cost of sales' amounted to HK$210,728,000 (2020: HK$194,255,000).

21 FINANCIAL INSTRUMENTS BY CATEGORIES

The Group holds the following financial instruments:

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
Financial assets			
Financial assets at amortised cost			
– Trade receivables	22	**46,345**	42,438
– Deposits and other receivables (excluding prepayments and value-added tax recoverable)		**46,541**	40,379
– Amount due from a related company	34(a)	**–**	690
– Cash and cash equivalents	24	**116,676**	134,905
Financial asset at fair value through other comprehensive income	16	**5,000**	–
Financial liabilities			
Liabilities at amortised cost			
– Trade payables	29	**36,782**	29,078
– Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)		**34,330**	42,641
– Bank borrowings	33	**39,700**	41,599
– Lease liabilities	19(b)	**149,549**	175,782

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

22 TRADE RECEIVABLES

	As at 31 December 2021 HK$'000	2020 HK$'000
Trade receivables from third parties	**46,512**	44,699
Trade receivables from a related party and an associate (Note 34(a))	**376**	980
	46,888	45,679
Less: Provision for impairment of trade receivables	**(543)**	(3,241)
Trade receivables, net	**46,345**	42,438

22 TRADE RECEIVABLES (Continued)

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days (2020: 30 to 105 days). As at 31 December 2021 and 2020, the aging analysis of the trade receivables, based on invoice date, is as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Less than 30 days	**19,001**	17,156
31-90 days	**23,280**	21,561
Over 90 days	**4,064**	3,721
	46,345	42,438

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. The trade receivables have been grouped based on the business segments, geographical locations and credit risk characteristics to provide the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for separate provision for impairment allowance.

Movements on the Group's provision for impairment of trade receivables are as follows:

	2021	2020
	HK$'000	HK$'000
At 1 January	**3,241**	2,451
Provision for impairment of trade receivables (Note 8)	**–**	790
Receivables written off during the year as uncollectible	**(2,698)**	–
At 31 December	**543**	3,241

The Group does not hold any collateral as security.

22 TRADE RECEIVABLES (Continued)

The carrying amounts of the trade receivables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**43,598**	40,798
RMB	**2,747**	1,640
	46,345	42,438

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Non-current portion		
Prepayments for property, plant and equipment	**9,409**	13,452
Rental and other deposits	**19,925**	23,126
Total	**29,334**	36,578
Current portion		
Prepayments	**7,930**	5,375
Rental and other deposits	**19,214**	15,155
Value-added tax recoverable	**8,145**	9,597
Receivable from a related party (Note 34(a))	**1,428**	1,654
Other receivables	**5,974**	444
Total	**42,691**	32,225

The carrying amounts of the Group's deposits and other receivables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**44,892**	38,757
RMB	**1,649**	1,622
	46,541	40,379

24 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Cash at bank and cash in hand	**116,676**	134,905

Notes:

(a) The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**101,096**	108,131
USD	**21**	977
RMB	**14,860**	25,337
Others	**699**	460
	116,676	134,905

(b) **Significant restrictions**

Cash and cash equivalents of HK$9,564,000 (2020: HK$17,507,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends. Under the regulations, the Group is also permitted to exchange RMB in the PRC for other currencies through banks authorised to conduct foreign exchange business in the PRC.

25 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	**1,000,000,000**	**10,000**

	Number of shares	Nominal value of ordinary shares HK$'000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	**655,944,000**	**6,559**

26 RESERVES

Capital reserve

Capital reserve of the Group represents the difference between the share capital of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

Statutory surplus reserve

According to the provisions of the Articles of Association of the Group's subsidiaries located in the PRC ("PRC subsidiaries"), the PRC subsidiaries shall first set aside 10% of its profit attributable to equity holders after tax as indicated in their statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the entity's registered share capital) in each year. The PRC subsidiaries may also make appropriations from its profit attributable to shareholders to a discretionary surplus reserve, provided it is approved by a resolution passed in a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without the prior approval obtained from the shareholders in a shareholders' general meeting under specific circumstances.

When the statutory surplus reserve is not sufficient to make good for any losses of the PRC subsidiaries from previous years, the current year profit attributable to the equity holders shall be used to make good the losses before any allocations are set aside for the statutory surplus reserve. The statutory surplus reserve, the discretionary surplus reserve and the share premium of the PRC subsidiaries account may be converted into share capital of the PRC subsidiaries provided it is approved by a resolution passed in a shareholders' general meeting and meets other regulatory requirements with the provision that the ending balance of the statutory surplus reserve does not fall below 25% of the registered share capital amount.

As at 31 December 2021, retained earnings comprised statutory reserves fund amounting to HK$1,733,000 (2020: HK$1,380,000).

27 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 of Directors 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 during the year ended 31 December 2021 (2020: nil), and there was no outstanding share option as at 31 December 2021 (2020: nil).

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Deferred income tax assets		
– to be recovered after more than 12 months	**32,822**	35,493
– to be recovered within 12 months	**3,364**	6,465
	36,186	41,958
Deferred income tax liabilities		
– to be recovered after more than 12 months	**32,783**	36,524

Deferred income tax assets and liabilities are offset when taxes related to the same taxation authority and where offsetting is legally enforceable. The analysis of deferred income tax assets and deferred income tax liabilities after offsetting is presented in the consolidated statement of financial position as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Deferred income tax assets – net	**12,207**	14,891
Deferred income tax liabilities – net	**8,804**	9,457

The net movement on the deferred income tax account is as follows:

	HK$'000
At 1 January 2020	7,501
Charged to consolidated statement of comprehensive income (Note 11)	(2,445)
Exchange difference	378
At 31 December 2020	5,434
At 1 January 2021	**5,434**
Charged to consolidated statement of comprehensive income (Note 11)	**(2,137)**
Exchange difference	**106**
At 31 December 2021	**3,403**

28 DEFERRED INCOME TAX (Continued)

The gross movement in deferred income tax assets and liabilities during the financial years, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Decelerated tax depreciation HK$'000	Lease liabilities HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2020	5,093	25,320	12,759	43,172
Credited/(charged) to consolidated statement of comprehensive income	247	3,684	(5,523)	(1,592)
Exchange difference	–	–	378	378
At 31 December 2020	5,340	29,004	7,614	41,958
At 1 January 2021	**5,340**	**29,004**	**7,614**	**41,958**
Credited/(charged) to consolidated statement of comprehensive income	**405**	**(4,328)**	**(1,955)**	**(5,878)**
Exchange difference	**–**	**–**	**106**	**106**
At 31 December 2021	**5,745**	**24,676**	**5,765**	**36,186**

Deferred income tax liabilities

	Right-of-use assets HK$'000	Accelerated tax depreciation and others HK$'000	Total HK$'000
At 1 January 2020	(24,514)	(11,157)	(35,671)
Credited to consolidated statement of comprehensive income	(1,602)	749	(853)
At 31 December 2020	(26,116)	(10,408)	(36,524)
At 1 January 2021	**(26,116)**	**(10,408)**	**(36,524)**
Credited to consolidated statement of comprehensive income	**3,176**	**565**	**3,741**
At 31 December 2021	**(22,940)**	**(9,843)**	**(32,783)**

Deferred income tax assets are recognised for tax losses carry forward purposes only to the extent that realisation of the related tax benefits through future taxable profit is probable.

The Group did not recognise deferred income tax assets of HK$8,604,000 (2020: HK$7,581,000) as at 31 December 2021 in respect of tax losses in Hong Kong and in the PRC.

28 DEFERRED INCOME TAX (Continued)

The Group has unrecognised tax losses of HK$12,707,000 (2020: HK$8,351,000) as at 31 December 2021, to carry forward against future profit in Hong Kong. These tax losses aforementioned are subject to final approval by the Inland Revenue Department in Hong Kong and can be carried forward indefinitely.

The Group has unrecognised tax losses of HK$26,030,000 (2020: HK$24,813,000) as at 31 December 2021, to carry forward against future profit in the PRC. These tax losses expire in the following years:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Expiry in year:		
2022	**378**	366
2023	**7,292**	7,061
2024	**15,785**	15,418
2025	**2,031**	1,968
2026	**544**	–
	26,030	24,813

As at 31 December 2021 management is of the view that undistributed earnings of certain subsidiaries in the PRC totalling HK$3,303,000 (2020: HK$2,199,000), are for re-investment in the PRC and not for distribution. Accordingly, deferred income tax liabilities of HK$165,000 (2020: HK$110,000) have not been recognised as at 31 December 2021, for the withholding tax that would be payable on the undistributed profits of subsidiaries in the PRC.

The Group is able to control the timing of reversal of the temporary differences and the temporary differences are not expected to be reversed in the foreseeable future.

29 TRADE PAYABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Trade payables	**36,782**	29,078

29 TRADE PAYABLES (Continued)

As at 31 December 2021 and 2020, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
0 to 30 days	**19,082**	19,232
31 to 60 days	**10,502**	8,069
61 to 90 days	**4,469**	591
Over 90 days	**2,729**	1,186
	36,782	29,078

The carrying amounts of the trade payables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**21,380**	20,745
RMB	**15,402**	8,333
	36,782	29,078

30 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Accruals for employee benefit expenses	**17,898**	24,886
Accruals for marketing and promotional expenses	**2,256**	1,173
Refund liabilities for sales rebate	**3,548**	4,149
Rental and related expenses payable	**2,917**	2,554
Office and utilities expenses payable	**3,539**	1,834
Deferred revenue	**1,765**	3,011
Consideration payable for property, plant and equipment acquired	**6,890**	9,659
Accruals for transportation and delivery charges	**2,571**	2,780
Accruals for audit fee	**2,287**	2,923
Other accruals and other payables	**13,870**	21,718
	57,541	74,687

30 ACCRUALS AND OTHER PAYABLES (Continued)

The carrying amounts of the Group's accruals and other payables are denominated in the following currencies:

	As at 31 December 2021 HK$'000	2020 HK$'000
HK$	**43,923**	53,163
RMB	**13,618**	21,524
	57,541	74,687

31 PROVISION FOR REINSTATEMENT COSTS

	As at 31 December 2021 HK$'000	2020 HK$'000
Non-current		
Provision for reinstatement costs	**4,616**	5,268
Current		
Provision for reinstatement costs	**3,469**	2,437
	8,085	7,705

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

	2021 HK$'000	2020 HK$'000
At 1 January	**7,705**	7,354
Additional provision during the year	**800**	500
Utilisation	**(420)**	(149)
At 31 December	**8,085**	7,705

32 RECEIPTS IN ADVANCE

	As at 31 December 2021 HK$'000	2020 HK$'000
Receipts in advance	**177,021**	157,298

32 RECEIPTS IN ADVANCE (Continued)

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

	2021 HK$'000	2020 HK$'000
At 1 January	**157,298**	162,044
Receipts from sales of pre-paid coupons and credits during the year	**376,238**	345,000
Revenue recognised upon the redemption of products by customers	**(356,515)**	(350,104)
Exchange differences	**–**	358
At 31 December	**177,021**	157,298

33 BANK BORROWINGS

	As at 31 December 2021 HK$'000	2020 HK$'000
Unsecured bank borrowings:		
Portion due for repayment within 1 year	**22,069**	33,386
Portion due for repayment after 1 year but within 5 years	**17,631**	8,213
	39,700	41,599

Bank loans due for repayment, based on the scheduled repayment dates set out in the loan agreements are as follows:

	As at 31 December 2021 HK$'000	2020 HK$'000
Unsecured bank borrowings:		
Within 1 year	**22,069**	11,778
Between 1 and 2 years	**17,631**	12,008
Between 2 and 5 years	**–**	17,813
	39,700	41,599

The carrying amounts of bank borrowings approximate their fair values.

The weighted average interest rate is 1.4% as at 31 December 2021 (2020: 3.7%).

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

34 RELATED PARTIES BALANCES AND TRANSACTIONS

The Company is controlled by Think Expert Investments Limited, Prestigious Time Limited and YITAO Investments Limited (all incorporated in the British Virgin Islands), which collectively owns 60.76% (2020: 60.76%) of the Company's shares as at 31 December 2021. The remaining 39.24% (2020: 39.24%) of the shares are widely held. The ultimate controlling parties of Think Expert Investments Limited, Prestigious Time Limited and YITAO Investments Limited are Ms. Wong Pui Chu, the late Mr. Kwan Wang Yung (deceased on 1 October 2018) and Mr. Tse Po Tat, respectively.

For the purposes of these consolidated financial statements, 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 companies were related parties that had transactions or balances with the Group:

- Aqua Pure Distilled Water Company Limited
- HomePlus (Hong Kong) Limited
- Concentric (HK) Food 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 balance due from the related parties:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Amount due from a related company	**–**	690
Trade and other receivables (Note 22 and 23)	**1,804**	980

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

34 RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

(b) Transactions with related parties

The following is a summary of transactions with related parties, which were carried out in the normal course of the Group's business at price and terms mutually agreed by the respective parties:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Sales of goods	**551**	251
Purchase of goods	**165**	–
Management income	**723**	627
Management fee expense	**–**	844
Purchase of original equipment manufacturer (OEM) products	**8,891**	3,876

(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:

	Year ended	
	2021	2020
	HK$'000	HK$'000
Fees	**774**	765
Salaries, allowances and benefits in kind	**20,108**	16,555
Pension costs	**180**	180
	21,062	17,500

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Profit before income tax		**9,499**	66,776
Adjustments for:			
Interest income		**(87)**	(66)
Interest expenses		**4,972**	7,256
Losses on disposal of property, plant and equipment	35(b)	**137**	94
Depreciation of property, plant and equipment	17	**36,294**	34,744
Depreciation of right-of-use assets	19	**97,143**	94,388
Provision for reinstatement costs		**(212)**	138
(Reversal of)/provision for obsolete inventories	20	**(19)**	2
Share of loss of a joint venture accounted for using the equity method		**6**	19
(Reversal of)/provision for impairment of financial assets	8	**(625)**	2,415
		147,108	205,766
Changes in working capital:			
Increase in inventories		**(6,789)**	(840)
(Increase)/decrease in trade receivables		**(3,834)**	5,118
(Increase)/decrease in prepayments, deposits and other receivables		**(5,980)**	14,623
Increase/(decrease) in trade payables		**7,320**	(6,174)
Increase in accruals and other payables and receipts in advance		**4,875**	3,486
Cash generated from operations		**142,700**	221,979

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Disposal of property, plant and equipment

		Year ended 31 December	
		2021	2020
	Note	**HK$'000**	HK$'000
Property, plant and equipment			
Net book value	17	**200**	240
Losses on disposal of property, plant and equipment	7	**(137)**	(94)
Proceeds from disposal of property, plant and equipment		**63**	146

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Year ended 31 December	
	2021	2020
Net debt	**HK$'000**	HK$'000
Cash and cash equivalents	**116,676**	134,905
Borrowings – repayable within one year	**(22,069)**	(33,386)
Borrowings – repayable after one year	**(17,631)**	(8,213)
Lease liabilities	**(149,549)**	(175,782)
Net debt	**(72,573)**	(82,476)
Cash and liquid investments	**116,676**	134,905
Gross debt – variable interest rates	**(39,700)**	(41,599)
Gross debt – fixed interest rates	**(149,549)**	(175,782)
Net debt	**(72,573)**	(82,476)

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(c) Net debt reconciliation (Continued)

	Other assets	Liabilities from financing activities			
	Cash HK$'000	Borrowing due within 1 year HK$'000	Borrowing due after 1 year HK$'000	Lease liabilities HK$'000	Total HK$'000
Net cash/(debt) as at 1 January 2020	95,353	(34,732)	(58,879)	(153,457)	(151,715)
Non-cash movement on leases – net	–	–	–	(101,913)	(101,913)
Reclassification	–	(21,608)	21,608	–	–
Cash flows	38,173	22,954	29,058	79,588	169,773
Foreign exchange adjustments	1,379	–	–	–	1,379
Net cash/(debt) as at 31 December 2020	**134,905**	**(33,386)**	**(8,213)**	**(175,782)**	**(82,476)**
Non-cash movement on leases – net	**–**	**–**	**–**	**(75,386)**	**(75,386)**
Reclassification	**–**	**9,418**	**(9,418)**	**–**	**–**
Cash flows	**(18,644)**	**1,899**	**–**	**101,619**	**84,874**
Foreign exchange adjustments	**415**	**–**	**–**	**–**	**415**
Net cash/(debt) as at 31 December 2021	**116,676**	**(22,069)**	**(17,631)**	**(149,549)**	**(72,573)**

36 CONTINGENT LIABILITIES

Taclon Industries Limited, a wholly-owned 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.

37 COMMITMENTS

Capital commitments

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

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
Contracted but not provided for property, plant and equipment	**7,986**	8,967
Equity investment (Note 16)	**–**	5,000

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

	As at 31 December 2021 HK$'000	2020 HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**31,927**	31,927
Amounts due from subsidiaries	**285,988**	298,774
	317,915	330,701
Current assets		
Prepayments, deposits and other receivables	**258**	232
Cash and cash equivalents	**208**	630
	466	862
Total assets	**318,381**	331,563
EQUITY		
Share capital	**6,559**	6,559
Reserves (Note 38(a))	**310,909**	323,818
Total equity	**317,468**	330,377
LIABILITIES		
Current liabilities		
Accruals and other payables	**913**	1,186
Total equity and liabilities	**318,381**	331,563

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2022 and were signed on its behalf.

Tse Po Tat
Director

Wong Pui Chu
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Reserve movement of the Company

	Share premium HK$'000	Capital reserve HK$'000	Share based compensation reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000
At 31 December 2019 and 1 January 2020	214,999	107,992	5,421	(111,152)	217,260
Total comprehensive income					
Profit for the year	–	–	–	117,971	117,971
Transaction with owners					
2019 final and special dividends	(5,510)	–	–	–	(5,510)
2020 special dividend	–	–	–	(5,903)	(5,903)
At 31 December 2020	209,489	107,992	5,421	916	323,818
At 31 December 2020 and 1 January 2021	209,489	107,992	5,421	916	323,818
Total comprehensive loss					
Loss for the year	–	–	–	(52)	(52)
Transaction with owners					
2020 final dividend	(12,857)	–	–	–	(12,857)
At 31 December 2021	196,632	107,992	5,421	864	310,909

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the Directors is set out below respectively:

For the year ended 31 December 2021

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiaries undertaking:				
	Fees HK$'000	Basic salaries, housing allowances, other allowances and benefit-in-kind HK$'000	Discretionary bonuses HK$'000	Employer's Contribution of a retirement benefit scheme HK$'000	Total HK$'000
Executive directors					
Ms. Wong Pui Chu	–	2,036	784	18	2,838
Mr. Tse Po Tat	–	2,443	941	–	3,384
Dr. Szeto Wing Fu	–	2,776	1,070	18	3,864
	–	7,255	2,795	36	10,086
Independent non-executive directors					
Mr. Kiu Wai Ming	258	–	–	–	258
Prof. Sin Yat Ming	258	–	–	–	258
Mr. Andrew Look	258	–	–	–	258
	774	–	–	–	774

39 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2020

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiaries undertaking:				
	Fees HK$'000	Basic salaries, housing allowances, other allowances and benefit-in-kind HK$'000	Discretionary bonuses HK$'000	Employer's Contribution of a retirement benefit scheme HK$'000	Total HK$'000
Executive directors					
Ms. Wong Pui Chu	–	1,936	363	18	2,317
Mr. Tse Po Tat	–	2,323	435	–	2,758
Dr. Szeto Wing Fu	–	2,640	495	18	3,153
	–	6,899	1,293	36	8,228
Independent non-executive directors					
Mr. Kiu Wai Ming	255	–	–	–	255
Prof. Sin Yat Ming	255	–	–	–	255
Mr. Andrew Look	255	–	–	–	255
	765	–	–	–	765

There was no arrangement during the years ended 31 December 2021 and 2020 under which a Director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

39 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' termination benefits

None of the Directors received any termination benefits during the years ended 31 December 2021 and 2020.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2021 and 2020, the Company did not pay consideration to any third parties for making available Directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

As at 31 December 2021 and 2020, there are no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such Directors.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the 31 December 2021 and 2020 or at any time during the years ended 31 December 2021 and 2020.

40 SUBSEQUENT EVENT

Subsequent to the outbreak of Omicron, in early 2022, a series of tightened precautionary and control measures have been implemented in Hong Kong and China. Management will pay close attention to the outbreak of Omicron and evaluate the impacts to the financial performance of the Group. As at the date of this report, management is not aware of any material adverse effect to the financial statements as a result of this Omicron outbreak.

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years is as follows.

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**695,996**	702,473	775,789	783,383	729,776
Profit before income tax	**9,499**	66,776	13,670	9,857	10,520
Income tax (expense)/credit	**(2,357)**	(5,463)	(3,268)	2,888	(149)
Profit for the year from continuing operations	**7,142**	61,313	10,402	12,745	10,371
Loss for the year from discontinued operation	**–**	–	–	(4,437)	(2,369)
Profit for the year	**7,142**	61,313	10,402	8,308	8,002
Profit/(loss) attributable to:					
Owners/equity holders of the Company	**8,223**	62,530	10,012	9,374	8,106
Non-controlling interests	**(1,081)**	(1,217)	390	(1,066)	(104)
	7,142	61,313	10,402	8,308	8,002

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Non-current assets	**548,953**	575,424	549,299	384,330	331,923
Current assets	**265,113**	259,103	239,823	252,987	231,771
Total assets	**814,066**	834,527	789,122	637,317	563,694
Equity and liabilities					
Total equity	**334,961**	334,608	271,767	271,694	267,251
Non-current liabilities	**90,079**	104,015	134,591	62,531	37,094
Current liabilities	**389,026**	395,904	382,764	303,092	259,349
Total liabilities	**479,105**	499,919	517,355	365,623	296,443
Total equity and liabilities	**814,066**	834,527	789,122	637,317	563,694

HUNG FOOK TONG

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