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## CORPORATE INFORMATION

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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**  
17th Floor, Far East Finance Centre  
16 Harcourt Road  
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](http://www.hungfooktong.com)

## STOCK CODE

1446



# MANAGEMENT DISCUSSION AND ANALYSIS

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## BUSINESS REVIEW

Over the past six months ended 30 June 2023 (“1H2023” or the “Review Period”), Coronavirus Disease 2019 (“COVID-19”) pandemic restrictions have at last been lifted. Despite of this, the anticipated economic recovery has been slow in Hong Kong, as the city like many other parts of the world was affected by other global challenges including a high interest rate environment, sluggish equity and property markets, rising inflation and heightened geopolitical tensions. Such factors have had a direct and negative effect on consumer sentiment, which invariably impacted the Group during the Review Period. During 1H2023, the Group’s total revenue amounted to HK\$331.7 million, down 2.4% from HK\$340.0 million recorded for the six months ended 30 June 2022 (“1H2022”).

Gross profit slid 4.1% to HK\$193.9 million (1H2022: HK\$202.2 million), while gross profit margin declined modestly to 58.5% (1H2022: 59.5%), mainly due to the decline in revenue, rise in raw material costs, wages and utility expenses. Furthermore, operating expenses rose, primarily due to higher staff costs, higher utility expenses and higher rental costs. In addition, government grants and subsidies received by the Group as part of pandemic relief measures in 1H2022, comprising funds from the Employment Support Scheme and the Catering Business Subsidy Scheme, were no longer offered during the Review Period. Consequently, the Group incurred a loss attributable to owners of the Company of HK\$9.6 million in 1H2023 (1H2022: profit of HK\$8.1 million).

Despite the challenging market, the Group remains in a healthy financial position with stable operating cash flows. It has sufficient cash and cash equivalents and unutilised banking facilities amounting to approximately HK\$90.9 million and HK\$53.7 million, respectively, as at 30 June 2023 (31 December 2022: HK\$103.9 million and HK\$64.2 million, respectively).

## BUSINESS SEGMENT ANALYSIS

### Hong Kong Retail

The Hong Kong retail business remained the largest revenue contributor for the Group in 1H2023, generating HK\$251.7 million (1H2022: HK\$262.9 million) in revenue – down 4.3% year-on-year, and accounting for 75.9% of total revenue. This came as the pace of recovery in the Hong Kong economy, particularly in the food and beverage sector, was slower than expected. Store traffic and same-store sales had yet to revive despite the removal of COVID-19-related restrictions. In particular, local consumption was lacklustre as more Hong Kong people began traveling overseas once again, while the rebound in inbound visitors was slow. Segment profit also fell – down 82.1% to HK\$3.8 million (1H2022: HK\$21.3 million), mainly due to a combination of factors, including an increase in raw material, labour and rental costs; a rise in utility expenses; and the absence of government grants received or receivable as part of pandemic relief measures.



The Group has adopted a more prudent shop opening strategy in view of the relatively fragile local economy, converting one Hung Fook Tong shop into an “HFT Life” café during 1H2023. With a total of 119 self-operated shops in the city, including 11 HFT Life cafés that target the wellness-conscious and younger generations, the Group has maintained its position as the largest herbal retailer in Hong Kong in terms of retail network size. In addition, the management has given high priority to controlling costs by way of streamlining the Group’s supply chain and keeping a tight rein on promotional discounts.

At the same time, the management recognises the importance of tapping more revenue streams through the careful launch of new products. The Group saw a notable rise in ginger trotter category sales following the launch of the premium ginger trotter (至尊豬腳小黃薑醋) in December 2022. To further capitalise on the dietary needs of pregnant women and new mothers, the Group has launched diet packages as well as new roasted rice tea and soup products suitable for pregnant women and those requiring postpartum confinement. As for accessing more sales channels, the Group has actively participated in various physical and online exhibitions, even though footfall has yet to recover. The Group has also introduced new catering services for seizing opportunities relating to weddings, banquets and other large-scale events.

On the marketing front, the Group has sought to capitalise on the Hong Kong Government’s 2023 Consumption Voucher Scheme. In line with the first disbursement in mid-April, the Group launched various package offers that achieved satisfactory, though temporary, boost in sales. Separately, the Group has continued to build loyalty to and increase membership of JIKA CLUB (自家 CLUB) through a wide range of exclusive discounts and privileges. Consequently, total membership exceeded 1,320,000 as at 30 June 2023, or an increase of approximately 62,000 members during 1H2023. The Hung Fook Tong mobile application (“APP”) has also achieved progress during the Review Period, with downloads increasing by 40% year-on-year, and over 34% of total member transactions were completed via the APP.

With regard to the Group’s expansion into the e-commerce arena, the development of its “JIKA ON!” (自家 ON!) online marketplace was in full swing. To boost registrations from existing JIKA CLUB members and other consumers, special offers and promotions were introduced. JIKA ON! also launched a member bonus points programme to strengthen customer loyalty and actively expanded its offerings to include more organic, low-calorie healthy food and vegetarian options.

## Wholesale

The wholesale segment achieved a 3.8% year-on-year increase in revenue to HK\$80.0 million (1H2022: HK\$77.1 million), as both the Hong Kong and Mainland China wholesale markets gradually recovered, albeit at a slower-than-expected pace. Moreover, with the depreciation of the Renminbi, production costs fell at the Group’s plant in Kaiping City, Guangdong, which in turn contributed to an increase in segment profit of 19.4% to HK\$9.4 million (1H2022: HK\$7.9 million).





# MANAGEMENT DISCUSSION AND ANALYSIS

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## Hong Kong

The Group's Hong Kong wholesale segment achieved 3.7% growth in revenue to HK\$66.6 million (1H2022: HK\$64.2 million), largely due to greater sales from several key accounts on the back of new beverage product launches, as well as the expansion of sales channels. During the Review Period, the Group has further bolstered the wholesale product portfolio. This has included the introduction of new drink flavours and new packaging for existing products that adopt a Chinese palace theme. The Group has also continued its partnership with PARKnSHOP, which involved the launch of more nutritional herbal drinks and herbal teas in a squeezable aluminium packaging. In addition, the Group has tapped more sales channels, extending the segment's reach to additional e-retailers, O2O shops and restaurants.

## Mainland China

In Mainland China, the domestic economy was still in a recovery mode in 1H2023, leading to a more subdued performance by the Group's wholesale operation. Still, with consumer sentiment gradually reviving, revenue rose 4.4% to HK\$13.4 million (1H2022: HK\$12.9 million), mainly from sales in Southern China, including Guangzhou and Shenzhen. The increase can be attributed to the Group's close partnerships with key accounts and a major distributor, leading to greater availability of its products. As at 30 June 2023, long shelf-life and fresh beverage products were available at over 11,000 convenience stores in cities such as Guangzhou, Dongguan, Shenzhen and Shanghai, as well as various supermarkets and department stores. The Group has also been able to access more wholesale channels, including local supermarkets, restaurants and e-commerce platforms.

Among the popular online platforms that the Group has dedicated greater resources for promoting sales include JD.com (京東), Taobao (淘寶), Tmall (天貓), Meituan (美團), Douyin (抖音) and Xiao Hong Shu (小紅書) online stores.

## Other Markets

During the Review Period, the Group's performance in other markets has been reasonably satisfactory given the volatility of many global economies which are still recovering from the lingering effects of COVID-19. Sales in overseas markets such as the United States, Canada, Australia, the United Kingdom, Malaysia and Singapore, have been consistent and stable. The Group remains keen to expand its geographical footprint, and negotiation are already underway to tap new markets.

## PROSPECTS

Despite a gradually improving retail market, the general consensus among the industry is that there remains a long way to go before a full economic recovery can be achieved. Both local and international challenges such as interest rate hikes, rising inflation and escalating operating costs are also sources of concern for all retailers.

Faced with these challenges, the Group will exercise extreme financial prudence, streamlining its supply chain and seeking to reduce production costs by consolidating the production capacity at its Hong Kong and Mainland China factories. The Group is confident about maintaining healthy operating cash flows.

Still, healthy food and drink are intrinsic desires that the Group has been committed to satisfying since its inception. Therefore, it will actively seize opportunities that emerge from the rising demand for healthy food products by bolstering its market presence. Correspondingly, the Group will engage in product development, cross-brand collaboration, sales channel development and geographical expansion.



## Hong Kong Retail

In view of the slow retail recovery, the Group will be focusing on maintaining a stable and effective retail network, hence it targets opening between two and three stores in the second half of 2023. Presently, one new shop is set to open at an MTR station in the fourth quarter of this year. To control rental costs, the Group will maintain close communication with landlords to seek more favourable terms, having already secured certain reductions during the Review Period.

Given the “New Retail” era, the ability to innovate will be paramount, and this includes product innovation. The Group will therefore promote more co-branded products, including those appropriate for pregnant women and those requiring postpartum care. More ambient temperature products are also in the pipeline that will be easy to consume and give as gifts, such as mango deluxe drinks. With regard to HFT Life cafés, the Group will continue to leverage this business as it has followed a steady upward growth trajectory, hence more baked goods, dessert items and special coffees (such as herbal espresso) will be made available.

Increasing membership of JIKA CLUB will remain a key objective of the Group as well. To recruit and retain members, the Group will introduce exclusive offers, initiate joint promotions and leverage referral programmes. As for accelerating digitisation, the Group will further promote the use of its APP via customised member promotions.

## Wholesale

With respect to the wholesale operation in **Hong Kong**, the Group will further promote cross-brand partnerships on both the product development and marketing fronts. This will include bringing more healthy drinks to the shelves to cater for the health-conscious trend. In addition, the Group will be launching new products and new packaging, spanning canned herbal teas as well as food products.

In **Mainland China**, the Group anticipates consumers to adopt a cautious approach amid a lukewarm economy, which, combined with fierce market competition, will result in a business environment that mimics the first half year. To shield the Group from such conditions, the management will seek to strengthen ties with key accounts and distributors as the Group introduces more herbal teas and healthy beverages to convenience stores and supermarkets. Moreover, it will employ online platforms to place more products for sale, and leverage social platforms to promote its products.

Concerning **other markets**, the Group will seek to strengthen its footholds in the United States, Canada and the United Kingdom. It will also direct greater effort to tapping overseas markets to create new revenue streams. Already, the management is in discussions with distributors in South Korea and Japan to achieve this objective.

## CONCLUSION

The Group recognises that the road to recovery will be paved with operational and economic uncertainties. Nonetheless, it will maintain its efforts at delivering products of the highest quality and strive for overall operational excellence. With its numerous competitive edges, including mature sales channels, depth of industry experience amassed over three decades, and professional management, the Group is confident in its ability to weather the ups and downs of business cycles and achieve long-term sustainable development that benefits all stakeholders.





# MANAGEMENT DISCUSSION AND ANALYSIS

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## FINANCIAL REVIEW

### Revenue

In 1H2023, the Group's revenue amounted to HK\$331.7 million, representing a decrease of 2.4% from HK\$340.0 million in 1H2022. Revenue from Hong Kong retail operations declined to HK\$251.7 million, representing a decrease of 4.3% from HK\$262.9 million in 1H2022. It was negatively impacted by the overall economic conditions and the slower than expected pace of economic recovery in Hong Kong which have affected consumer spending. However, revenue from wholesale business has increased to HK\$80.0 million, representing an increase of 3.8% from HK\$77.1 million in 1H2022 due to greater sales from several key accounts on the back of new products launches.

### Cost of Sales

The Group's cost of sales amounted to HK\$137.8 million in both 1H2023 and 1H2022. As a percentage of revenue, cost of sales was 41.5% and 40.5% in 1H2023 and 1H2022 respectively. The increase was mainly due to rising costs of materials, wages and utility expenses.

### Gross Profit and Gross Profit Margin

In 1H2023, the Group's gross profit amounted to HK\$193.9 million, representing a decrease of 4.1% from HK\$202.2 million in 1H2022. The Group's gross profit margin decreased by 1.0 percentage point to 58.5% as compared to 59.5% in 1H2022, mainly attributable to higher materials costs, wages and utility expenses.

### Staff Costs

In 1H2023, the Group's staff costs amounted to HK\$104.8 million, representing an increase of 5.7% from HK\$99.2 million in 1H2022. The increase was mainly due to the absence of non-recurrent government grant from the Employment Support Scheme which were received in 1H2022. The staff costs-to-revenue ratio was 31.6% in 1H2023 as compared to 29.2% in 1H2022.

### Rental Expenses

In 1H2023, rental expenses in relation to the Group's retail shops in Hong Kong (being the aggregate of lease rental in respect of retail outlets, depreciation of right-of-use assets for shop properties and the interest expense arisen from lease liabilities) amounted to HK\$51.7 million, representing an increase of 4.1% from HK\$49.6 million in 1H2022 due to less rental concessions granted by certain landlords. Rental expenses-to-revenue ratio for the Hong Kong retail shops was 20.5% as compared to 18.9% in 1H2022.

### Advertising and Promotion Expenses

In 1H2023, the Group's advertising and promotion expenses amounted to HK\$5.8 million, representing an increase of 3.3% from HK\$5.6 million in 1H2022. This accounted for 1.8% and 1.7% respectively in percentage to revenue in 1H2023 and 1H2022.



## Depreciation

The depreciation of property, plant and equipment of the Group amounted to HK\$18.7 million in both 1H2023 and 1H2022. The depreciation-to-revenue ratio was 5.7% as compared to 5.5% in 1H2022.

## (Loss)/Profit Attributable to Owners of the Company

Loss attributable to owners of the Company for the six months ended 30 June 2023 was HK\$9.6 million, a decline from a profit of HK\$8.1 million in 1H2022.

Loss per share for loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to HK1.47 cents, as compared to earnings per share for profit attributable to owners of the Company amounted to HK1.23 cents in 1H2022.

## Capital Expenditure

Capital expenditure incurred during 1H2023 amounted to HK\$6.6 million (1H2022: HK\$15.9 million), primarily for revamping of existing retail shops, acquiring production facilities in Tai Po plants and acquiring equipment in retail shops.

## Liquidity and Financial Resources Review

As at 30 June 2023, the Group had bank deposits and cash balance amounted to HK\$90.9 million (31 December 2022: HK\$103.9 million).

As at 30 June 2023, the gearing ratio of the Group was 0.64 (31 December 2022: 0.53), 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 0.14 (31 December 2022: 0.11).

As at 30 June 2023, the Group had total banking facilities of HK\$97.9 million (31 December 2022: HK\$103.2 million) of which HK\$44.2 million (31 December 2022: HK\$39.0 million) had been utilised.

As at 30 June 2023, the Group's current liabilities exceeded its current assets by HK\$123.2 million (31 December 2022: HK\$107.1 million). Included in current liabilities are receipts in advance relating to sales of prepaid coupons and credits to customers in Hong Kong of HK\$150.2 million (31 December 2022: HK\$164.6 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\$27.0 million (31 December 2022: HK\$57.5 million) and current ratio of 1.12 (31 December 2022: 1.28).

The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable it to continue its business in a manner consistent with its short-term and long-term financial strategies.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## Foreign Currency Risk

The Group operates mainly in Hong Kong and Mainland China and conducts its business primarily in Hong Kong dollars and Renminbi (“RMB”). We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. The Group will continue to take proactive measures and monitor closely of its exposure to such currency movement.

## Material Acquisitions, Disposals and Significant Investments

There were no material acquisitions, disposals and significant investments during the six months ended 30 June 2023.

## 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 30 June 2023, the Group employed approximately 896 employees. Remuneration was based on market price, individual qualification and experience, and there was discretionary bonus based on years of service and performance appraisal.

During the six months ended 30 June 2023, various training activities, such as orientation on retail shop and back office operations, customer services and sales skills, product knowledge and retail operations, have been conducted to improve the quality of frontline services, as well as enhance customer experience and to ensure the smooth and effective operation of the Point-of-Sales (“POS”) system. A supervisor trainee program was also implemented to attract production talents, enhancing the leadership skills of the participants including their professional and managerial techniques as well as their knowledge in machinery monitoring and production processes.



The Group is committed to excellence in all of its pursuits. In contributing to industry and society through various efforts during the Review Period, it has earned a number of accolades, including the following:

Award		Issuer of Award
1.	GS1 Consumer Caring Scheme 10 Years+ Award	GS1 Hong Kong
2.	Hong Kong Green Organisation	Environmental Campaign Committee
3.	Green Office 5+ Label and Eco-Healthy Workplace Label 2023	World Green Organisation
4.	15 Years Plus Caring Company Logo 2006-2023	The Hong Kong Council of Social Service
5.	Sport-Friendly Action – Awarded Corporate	Chinese YMCA of Hong Kong
6.	PARKnSHOP Super Brands Award 2022 – Healthy Drinks	PARKnSHOP Supermarket

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

With the lifting of COVID-19-related restrictions during 1H2023, social activities have gradually resumed. The Group has taken this opportunity to fulfil its ESG obligations by supporting different stakeholders.

### Environmental

In respect of plastic reduction, the Group has started phasing out the use of plastic tableware from 1 January 2023, which are replaced with paper or wooden utensils, including paper soup cups and meal boxes, wooden spoons, wooden or bamboo forks. The initiative, implemented across all of its 110 plus Hung Fook Tong and HFT Life stores, is expected to reduce the use of 40 tonnes of single-use plastics this year – equivalent to a 94% year-on-year reduction in plastic consumption after the implementation of the new policy.

In addition, the Group has continued to support plastic recycling by installing two reverse vending machines (“RVM”) and three plastic bottle recycling bins at selected retail shops to encourage customers to clean and recycle plastic beverage bottles. More than 173 kg of plastic beverage bottles were recycled through the above means during the Review Period.

The Group has also continued its commitment to food waste recycling. During 1H2023, it did not dispose any food waste into landfills. This was once again achieved through the processing and transferring of food waste to the Organic Resources Recovery Centre Phase 1 (“O·Park 1”) for recycling and conversion into biogas and compost. The Group also sent some of its herbal tea residues to the green social enterprise FoodCycle+ for the local production of organic compost, i.e. “MixO’ Plus”. Through the aforementioned initiatives, approximately 391.9 tonnes of food waste were recycled during 1H2023 (1H2022: 515.9 tonnes), translating into a reduction in carbon dioxide equivalent (“CO<sub>2</sub>-e”) greenhouse gas emissions of approximately 83.5 tonnes (1H2022: 109.9 tonnes).

As a means of reducing its carbon footprint still further, the Group has been employing renewable energy since 2020. Via solar panels installed on the rooftop of the Hong Kong factory, the system has contributed approximately 87 MWh of renewable energy to CLP’s Feed in Tariff (FiT) Scheme in 1H2023. In Mainland China, the solar panel system installed at the Group’s Kaiping factory generated 1,432 MWh of electricity during the Review Period, which was partly used by the facility.





### Social

The Group is an advocate of social welfare, both at home and abroad. In the wake of the February 2023 earthquake in Turkey, the Group promptly organised an emergency supply donation drive that utilised all 118 Hung Fook Tong shops in Hong Kong. The two-day event attracted tremendous support from the general public, with over 5,600 boxes of materials received to help the Turkish people.

Back in Hong Kong, the Group also sought to help those in need by supporting the Community Chest of Hong Kong Skip Lunch Day for the 14<sup>th</sup> consecutive year. The Group donated over 17,000 food coupons, which led to the raising of over HK\$1.1 million for the Community Chest of Hong Kong.

Also concerned about the wellbeing of staff, the Group has continued to promote a family-friendly culture during the Review Period. Among its efforts have included organising a kid and pet fun day during the Easter season, allowing office employees to bring their kids and furry friends to the office.

The lifting of social distancing restrictions allowed the return of Oxfam Trailwalker event in its traditional physical format in February 2023. Similar to previous years, Hung Fook Tong provided food and soup sponsorship for the walkers and volunteers during the event. Hung Fook Tong team also participated in this charitable sports event to demonstrate the Group's dedication to enhancing employee wellness.

At HFT Life, fostering the wellness of both mind and body remains a top priority. During the Review Period, a Chinese New Year floral workshop was held, while a number of family-focused workshops will be arranged during the second half of the year.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME



FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	(Unaudited)	
		Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
			(Restated)
<b>Revenue</b>	5, 6	<b>331,678</b>	339,998
Cost of sales	7	<u>(137,771)</u>	<u>(137,848)</u>
<b>Gross profit</b>		<b>193,907</b>	202,150
Other income and other gains, net	6	<b>2,890</b>	2,871
Selling and distribution costs	7	<b>(26,268)</b>	(28,759)
Administrative and operating expenses	7	<b>(182,070)</b>	(170,240)
Reversal of impairment loss on financial assets		<b>961</b>	–
<b>Operating (loss)/profit</b>		<b>(10,580)</b>	6,022
Finance income		<b>58</b>	38
Finance costs		<b>(3,223)</b>	(2,111)
Finance costs, net		<b>(3,165)</b>	(2,073)
<b>(Loss)/profit before income tax</b>		<b>(13,745)</b>	3,949
Income tax expense	8	<b>(159)</b>	(1,021)
<b>(Loss)/profit for the period</b>		<b>(13,904)</b>	2,928
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		<b>(9,649)</b>	8,074
Non-controlling interests		<b>(4,255)</b>	(5,146)
		<b>(13,904)</b>	2,928



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		(Unaudited)	
		Six months ended 30 June	
	Note	2023	2022
		HK\$'000	HK\$'000
			(Restated)
<b>Other comprehensive (loss)/income:</b>			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(4,134)	(7,937)
<i>Items that will not be reclassified to profit or loss</i>			
– Change in fair value of financial asset at fair value through other comprehensive income	13	–	(1,729)
– Remeasurements of employee benefit obligations		75	–
<b>Other comprehensive loss, net of tax</b>		<b>(4,059)</b>	<b>(9,666)</b>
<b>Total comprehensive loss for the period</b>		<b>(17,963)</b>	<b>(6,738)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(13,633)	(1,513)
Non-controlling interests		(4,330)	(5,225)
		<b>(17,963)</b>	<b>(6,738)</b>
<b>(Loss)/earnings per share for (loss)/profit attributable to owners of the Company</b>			
– Basic and diluted (HK cents)	9	(1.47)	1.23

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



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION



AS AT 30 JUNE 2023

	Note	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11(a)	270,707	285,637
Right-of-use assets	11(b)	193,844	177,173
Intangible assets	12	2,386	2,707
Prepayments and deposits		19,905	21,311
Deferred income tax assets		7,784	7,645
		<u>494,626</u>	<u>494,473</u>
<b>Current assets</b>			
Inventories		45,539	55,064
Trade receivables	14	63,753	58,426
Prepayments, deposits and other receivables		44,354	39,751
Prepaid tax		708	8,168
Cash and cash equivalents		90,866	103,906
		<u>245,220</u>	<u>265,315</u>
<b>Total assets</b>		<u>739,846</u>	<u>759,788</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	6,559	6,559
Reserves		296,594	314,294
		<u>303,153</u>	<u>320,853</u>
<b>Non-controlling interests</b>		<u>(18,538)</u>	<u>(14,208)</u>
<b>Total equity</b>		<u>284,615</u>	<u>306,645</u>





# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Restated)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		69,118	55,927
Provision for reinstatement costs	19	5,981	6,024
Deferred income tax liabilities		8,109	8,106
Bank borrowings	21	–	7,323
Employee benefit obligations		3,583	3,348
		<u>86,791</u>	<u>80,728</u>
<b>Current liabilities</b>			
Trade payables	17	38,544	41,101
Accruals and other payables	18	51,609	55,433
Provision for reinstatement costs	19	3,311	3,356
Receipts in advance	20	150,246	164,584
Lease liabilities		81,455	77,549
Bank borrowings	21	42,463	28,867
Tax payable		812	1,525
		<u>368,440</u>	<u>372,415</u>
<b>Total liabilities</b>		<u>455,231</u>	<u>453,143</u>
<b>Total equity and liabilities</b>		<u>739,846</u>	<u>759,788</u>
<b>Net current liabilities</b>		<u>(123,220)</u>	<u>(107,100)</u>
<b>Total assets less current liabilities</b>		<u>371,406</u>	<u>387,373</u>

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



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY



FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share based compensation reserve HK\$'000	Other reserves HK\$'000	Financial asset at FVOCI reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2023 (audited)	6,559	192,171	8,123	5,421	2,394	(5,000)	(4,138)	117,266	322,796	(14,208)	308,588
Change in accounting policy (note 2.3)	-	-	-	-	-	-	-	(1,943)	(1,943)	-	(1,943)
Restated total equity at 1 January 2023	6,559	192,171	8,123	5,421	2,394	(5,000)	(4,138)	115,323	320,853	(14,208)	306,645
<b>Comprehensive loss</b>											
Loss for the period	-	-	-	-	-	-	-	(9,649)	(9,649)	(4,255)	(13,904)
<b>Other comprehensive (loss)/income</b>											
Currency translation differences	-	-	-	-	-	-	(4,059)	-	(4,059)	(75)	(4,134)
Remeasurements of employee benefit obligations	-	-	-	-	-	-	-	75	75	-	75
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	-	(4,059)	(9,574)	(13,633)	(4,330)	(17,963)
<b>Transaction with owners</b>											
Dividend	-	(4,067)	-	-	-	-	-	-	(4,067)	-	(4,067)
Balance at 30 June 2023 (unaudited)	6,559	188,104	8,123	5,421	2,394	(5,000)	(8,197)	105,749	303,153	(18,538)	284,615
Balance at 1 January 2022 (audited)	6,559	196,632	8,123	5,421	-	-	10,672	109,794	337,201	(2,240)	334,961
<b>Comprehensive income/(loss)</b>											
Profit/(loss) for the period as previously reported	-	-	-	-	-	-	-	10,165	10,165	(5,146)	5,019
Change in accounting policy (note 2.3)	-	-	-	-	-	-	-	(2,091)	(2,091)	-	(2,091)
<b>Profit/(loss) for the period (restated)</b>	-	-	-	-	-	-	-	8,074	8,074	(5,146)	2,928
<b>Other comprehensive loss</b>											
Currency translation differences	-	-	-	-	-	-	(7,858)	-	(7,858)	(79)	(7,937)
Change in fair value of financial asset at fair value through other comprehensive income ("FVOCI")	-	-	-	-	-	(1,729)	-	-	(1,729)	-	(1,729)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	-	(1,729)	(7,858)	8,074	(1,513)	(5,225)	(6,738)
<b>Transaction with owners</b>											
Dividend	-	(4,461)	-	-	-	-	-	-	(4,461)	-	(4,461)
Balance at 30 June 2022 (restated)	6,559	192,171	8,123	5,421	-	(1,729)	2,814	117,868	331,227	(7,465)	323,762

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



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		(Unaudited)	
		Six months ended 30 June	
	Note	2023	2022
		HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		41,500	57,207
Income tax refunded/(paid)		6,520	(2,453)
Net cash generated from operating activities		48,020	54,754
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(5,696)	(11,800)
Payment for acquisition of right-of-use assets		(1,392)	–
Proceeds from disposal of property, plant and equipment		24	–
Reinstatement costs paid for shop and office premises	19	(114)	(433)
Return of capital from a joint venture upon deregistration		–	30
Interest received		58	38
Net cash used in investing activities		(7,120)	(12,165)
<b>Cash flows from financing activities</b>			
Payment for lease liabilities (including interest)		(54,128)	(48,020)
Dividend paid to the Company's shareholders		(4,067)	(4,461)
Proceeds from bank borrowings		48,500	30,000
Repayment of bank borrowings		(42,227)	(36,001)
Interest paid on borrowings		(1,224)	(309)
Net cash used in financing activities		(53,146)	(58,791)
<b>Net decrease in cash and cash equivalents</b>		<b>(12,246)</b>	<b>(16,202)</b>
Effect of currency translation differences		(794)	(1,287)
Cash and cash equivalents at beginning of the period		103,906	116,676
<b>Cash and cash equivalents at end of the period</b>		<b>90,866</b>	<b>99,187</b>

The above condensed consolidated interim 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 condensed consolidated interim financial information).

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

These unaudited condensed consolidated interim financial information (the “**interim financial information**”) are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These unaudited interim financial information have been approved for issue by the Board of Directors (the “**Board**”) of the Company on 30 August 2023.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Group’s current liabilities exceeded its current assets by HK\$123,220,000 as at 30 June 2023 (31 December 2022: HK\$107,100,000). The directors of the Company have reviewed the Group’s cash flow projections, which covers a period of 12 months from 30 June 2023. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operations as well as the possible changes in its operating performance and the continued availability of the Group’s banking facilities, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from 30 June 2023. Accordingly, these condensed consolidated interim financial information have been prepared on a going concern basis.





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

### 2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

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

#### 2.2.1 Adoption of new accounting policy in the current interim period

(a) *New and amended standards adopted by the Group*

The following new standard and amendments to existing standards are effective to the Group for accounting periods beginning on or after 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts

The above newly adopted new standard and amendments to existing standards did not have any material 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)

#### 2.2.1 Adoption of new accounting policy in the current interim period (Continued)

(b) *Amended standards and interpretation have been issued but not yet adopted*

The following amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 January 2023 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liabilities in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
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

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### 2.2 Summary of significant accounting policies (Continued)

##### 2.2.2 Employee benefits

###### (a) *Defined benefit obligation – long service payment*

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The long service payment liabilities are assessed by using the projected unit credit method by a qualified actuary. The cost of providing the long service payment liabilities is charged to profit or loss so as to spread the costs over the service lives of employees.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements by employees accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group as deemed employee contributions. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period in which they arise, respectively. As a result of plan amendment, a past service cost, arising from the change in the present value of the defined benefit obligation for employee service in prior periods on the date of plan amendment, is recognised as an expense.



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

### 2.3 Change in accounting policy on long service payments

In June 2022, the Government of the Hong Kong Special Administrative Region (“HKSAR”) gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the Mandatory Provident Fund (“MPF”) System to offset severance payment (“SP”) and long service payment (“LSP”) (the “**Abolition**”). In April 2023, the HKSAR Chief Executive John Lee announced that the Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). The Amendment Ordinance has two effects: (i) the accrued benefits derived from an employer’s mandatory MPF contributions may no longer be used to offset LSP/SP in respect of the employment period after the Transition Date (the “**post-transition LSP**”); and (ii) the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP/SP in respect of the employment period before the Transition Date (the “**pre-transition LSP**”).

In July 2023, the HKICPA issued an “Educational Guidance on the Accounting Implications of the Abolition of the MPF-LSP Offsetting Mechanism in Hong Kong” (the “**Guidance**”). The Guidance provides clarification on the accounting for the offsetting mechanism, in particular the interaction between the employer’s MPF contributions (which have attributes of a defined contribution plan) and the entity’s LSP obligation (which has attributes of a defined benefit plan). The Guidance provides that following the enactment of the Amendment Ordinance, the amended LSP scheme is no longer a ‘simple type of contributory plans’ to which the International Accounting Standards Board (the “**IASB**”) had intended the practical expedient in HKAS 19.93(b) to apply. This is because the contributions are no longer ‘linked solely to the employee’s service in that period’ since mandatory employer MPF contributions after the Transition Date can still be used to offset pre-transition LSP. As such, it would no longer be appropriate to view the contributions as ‘independent of the number of years of service’ which is the qualifying criterion for the practical expedient in HKAS 19.93(b). In addition, as the Amendment Ordinance was enacted in June 2022, the ‘year of enactment of the Amendment Ordinance’ is the financial year that includes June 2022.

Prior to 1 January 2023, the Group accounted for the offsetting mechanism by applying the practical expedient in HKAS 19.93(b). The Group has changed its accounting policy having regard to the Guidance. In applying the requirements in HKAS 19.93(a) following the Abolition and taking into consideration of the two effects of the Amendment Ordinance, management re-measures the projected negative service cost, which represents the deemed employee contributions, over the entire expected service period of the employees and reattribute the net cost of the LSP obligation on a straight-line basis from the date when services by employees first lead to benefits in terms of the LSP legislation, with a catch-up adjustment for past service cost and a corresponding increase in the LSP obligation in the year of enactment of the Amendment Ordinance. The adjustment is recognised as a past service cost in profit or loss in accordance with HKAS 19.94(a) as the Abolition was not contemplated in the original LSP legislation.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### 2.3 Change in accounting policy on long service payments (Continued)

The change in accounting policy has been applied by restating the balances as at 31 December 2022, and the results for the six months ended 30 June 2022:

	As previously reported HK\$'000	Effect of change HK\$'000	As restated HK\$'000
<b>Condensed Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2022</b>			
Cost of sales	(137,206)	(642)	(137,848)
Administrative and operating expenses	(168,378)	(1,862)	(170,240)
Profit before tax	6,453	(2,504)	3,949
Income tax expenses	(1,434)	413	(1,021)
Profit after tax	5,019	(2,091)	2,928
Profit attributable to owners of the Company	10,165	(2,091)	8,074
<b>Consolidated Statement of Financial Position as at 31 December 2022</b>			
<b>ASSETS</b>			
Deferred income tax assets	7,210	435	7,645
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employee benefit obligations	–	3,348	3,348
<b>Current liabilities</b>			
Accruals and other payables	56,403	(970)	55,433
<b>EQUITY</b>			
Reserves	316,237	(1,943)	314,294



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

### 2.3 Change in accounting policy on long service payments (Continued)

The change in accounting policy affected the following items in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2023 and the condensed consolidated interim statement of financial position as at 30 June 2023:

	Under previous accounting policy HK\$'000	Effect of change HK\$'000	As reported HK\$'000
<b>Condensed Consolidated Interim Statement of Comprehensive Income</b>			
Cost of sales	(137,674)	(97)	(137,771)
Administrative and operating expenses	(181,917)	(153)	(182,070)
Finance costs	(3,163)	(60)	(3,223)
Loss before tax	(13,435)	(310)	(13,745)
Income tax expenses	(210)	51	(159)
Loss after tax	(13,645)	(259)	(13,904)
Loss attributable to owners of the Company	(9,390)	(259)	(9,649)
Other comprehensive income	–	75	75
<b>Condensed Consolidated Interim Statement of Financial Position</b>			
<b>ASSETS</b>			
Deferred income tax assets	7,298	486	7,784
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employee benefit obligations	–	3,583	3,583
<b>Current liabilities</b>			
Accruals and other payables	52,579	(970)	51,609
<b>EQUITY</b>			
Reserves	298,721	(2,127)	296,594



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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## 3 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2022.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no significant changes in the risk management or in any risk management policies since the Group's annual financial statements for the year ended 31 December 2022.

### 4.2 Liquidity risk

Compared to the position as at 31 December 2022, there was no material change in the contractual undiscounted cash outflows for financial liabilities except for the increase in bank borrowings from HK\$36,190,000 as at 31 December 2022 to HK\$42,463,000 as at 30 June 2023. Of these borrowings, the Group expects HK\$32,513,000 will be settled within 1 year, HK\$5,670,000 in 1 to 2 years and HK\$4,280,000 in 2 to 5 years. Also, lease liabilities increased from HK\$133,476,000 as at 31 December 2022 to HK\$150,573,000 as at 30 June 2023. Of these liabilities, the Group expects HK\$81,455,000 will be settled within 1 year and HK\$49,283,000 in 1 to 2 years and the remaining HK\$19,835,000 in 2 to 5 years.

### 4.3 Fair value estimation

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, and cash and cash equivalents, and financial liabilities, including trade payables, accruals and other payables, lease liabilities and bank borrowings, approximate their fair values.



## 5 REVENUE AND SEGMENT INFORMATION

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

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

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. They exclude 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 six months ended 30 June 2023 and 2022.

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, finance income and costs and income tax expense are not included in segment results.

There is no single external customer that contributed more than 10% revenue to the Group's revenue for the six months ended 30 June 2023 and 2022 respectively.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the six months ended 30 June 2023 and 2022 are as follows:

	(Unaudited)		
	Six months ended 30 June 2023		
	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Total HK\$'000
<b>Segment revenue</b>	<b>257,379</b>	<b>81,272</b>	<b>338,651</b>
Less: Inter-segment revenue	<u>(5,696)</u>	<u>(1,277)</u>	<u>(6,973)</u>
Revenue from external customers	<u>251,683</u>	<u>79,995</u>	<u>331,678</u>
<b>Segment results</b>	<b>3,824</b>	<b>9,444</b>	<b>13,268</b>
Corporate expenses (Note (a))			(23,848)
Finance costs, net			<u>(3,165)</u>
Loss before income tax			(13,745)
Income tax expense			<u>(159)</u>
<b>Loss for the period</b>			<u>(13,904)</u>
<b>Other segment items:</b>			
Capital expenditure	5,950	659	6,609
Depreciation and amortisation (excluding depreciation of right-of-use assets)	13,509	4,993	18,502
Depreciation of right-of-use assets	49,952	298	50,250
Loss on disposal of property, plant and equipment	17	–	17





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 5 REVENUE AND SEGMENT INFORMATION (Continued)

	(Unaudited)		
	Six months ended 30 June 2022		
	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Total HK\$'000 (Restated)
<b>Segment revenue</b>	269,811	79,810	349,621
Less: Inter-segment revenue	(6,880)	(2,743)	(9,623)
Revenue from external customers	262,931	77,067	339,998
<b>Segment results</b>	21,342	7,911	29,253
Corporate expenses (Note (a))			(23,231)
Finance costs, net			(2,073)
Profit before income tax			3,949
Income tax expense			(1,021)
<b>Profit for the period</b>			2,928
<b>Other segment items:</b>			
Capital expenditure	10,948	4,969	15,917
Depreciation and amortisation (excluding depreciation of right-of-use assets)	12,764	5,604	18,368
Depreciation of right-of-use assets	47,490	317	47,807
Loss on disposal of property, plant and equipment	31	–	31



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment assets as at 30 June 2023 and 31 December 2022 are as follows:

	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>As at 30 June 2023 (Unaudited)</b>				
<b>Segment assets</b>	<b>475,666</b>	<b>236,592</b>	<b>(562)</b>	<b>711,696</b>
Prepaid tax				708
Deferred income tax assets				7,784
Corporate assets (Note (b))				<u>19,658</u>
<b>Total assets</b>				<u><b>739,846</b></u>
<b>As at 31 December 2022 (Restated)</b>				
<b>Segment assets</b>	<b>490,114</b>	<b>246,691</b>	<b>(513)</b>	<b>736,292</b>
Prepaid tax				8,168
Deferred income tax assets				7,645
Corporate assets (Note (b))				<u>7,683</u>
<b>Total assets</b>				<u><b>759,788</b></u>

Notes:

- Corporate expenses mainly included employee benefit expenses, depreciation of right-of-use assets and property, plant and equipment of headquarter office and auditors' remuneration for the six months ended 30 June 2023 and 2022.
- Corporate assets mainly included cash and cash equivalents, prepayment, deposits and other receivables, and right-of-use assets and property, plant and equipment of headquarter office as at 30 June 2023 and 31 December 2022.

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 six months ended 30 June 2023 and 2022, no revenue was generated from the Cayman Islands. As at 30 June 2023 and 31 December 2022, no assets were located in the Cayman Islands.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 6 REVENUE, OTHER INCOME AND OTHER GAINS, NET

The Group's revenue, other income and other gains, net recognised during the six months ended 30 June 2023 and 2022 are as follows:

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
<b>Revenue recognised at a point in time</b>		
Sale of goods	<b>331,678</b>	339,998
<b>Other income</b>		
Government grants (Note (a))	–	1,880
Service income	<b>2,080</b>	305
Others	<b>703</b>	565
	<b>2,783</b>	2,750
<b>Other gains, net</b>		
Exchange differences	<b>124</b>	152
Losses on disposal of property, plant and equipment	<b>(17)</b>	(31)
	<b>107</b>	121
<b>Other income and other gains, net</b>	<b>2,890</b>	2,871

Note:

- (a) During the six months ended 30 June 2022, government subsidies of HK\$1,880,000 were granted from the Catering Business Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
		(Restated)
Cost of inventories sold	106,925	107,804
Lease rental in respect of retail outlets (Note (a))		
– Contingent rental	337	213
Lease rental in respect of storage spaces and office premises (Note (a))	6,255	5,947
Advertising and promotional expenditure	5,819	5,632
Depreciation of property, plant and equipment (Note 11(a))	18,745	18,723
Depreciation of right-of-use assets (Note 11(b))	51,294	48,778
Amortisation of intangible assets (Note 12)	327	260
Communication and utilities	15,527	15,405
Employee benefit expenses (including directors' emoluments) (Note (b))	104,836	99,191
Provision for impairment loss on right-of-use assets	2,191	–
Legal and professional fees	2,153	2,109
Auditor's remuneration		
– Audit services	1,400	1,855
Tools, repair and maintenance expenses	5,712	4,911
Transportation and distribution expenses	15,239	15,982
Others	9,349	10,037
	<hr/>	<hr/>
Total cost of sales, selling and distribution costs and administrative and operating expenses	346,109	336,847

#### Notes:

- (a) These expenses included short-term leases expenses of HK\$435,000 (2022: HK\$548,000), variable lease payment expenses of HK\$124,000 (2022: HK\$417,000) and other rental-related expenses of HK\$6,033,000 (2022: HK\$5,195,000) for the six months ended 30 June 2023.
- (b) During the six months ended 30 June 2022, government subsidies of HK\$10,404,000 were granted from the Employment Support Scheme under Anti-Epidemic Fund which had been offset against with the employee benefit expenses.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 8 INCOME TAX EXPENSE

Hong Kong Profits Tax and PRC Corporate Income Tax ("CIT") have been provided at the rate of 16.5% and 25% respectively (2022: Same).

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

	(Unaudited) Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000 (Restated)
<b>Current income tax</b>		
– Current income tax	257	132
– Under-provision in prior years	39	286
<b>Deferred income tax</b>	(137)	603
<b>Income tax expense</b>	159	1,021

## 9 (LOSS)/EARNINGS PER SHARE

	(Unaudited) Six months ended 30 June	
	2023	2022 (Restated)
(Loss)/profit attributable to owners of the Company (HK\$'000)	(9,649)	8,074
Weighted average number of ordinary shares for the calculation of basic (loss)/earnings per share (thousands)	655,944	655,944
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company		
– Basic (loss)/earnings per share (HK cents)	(1.47)	1.23
– Diluted (loss)/earnings per share (HK cents)	(1.47)	1.23

### (a) Basic

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

### (b) Diluted

Diluted (loss)/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 (loss)/earnings per share for the six months ended 30 June 2023 and 2022 equal basic (loss)/earnings per share as there were no potentially dilutive ordinary shares as at both period ends.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10 DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

### 11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

#### (a) Property, plant and equipment

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	285,637	306,324
Additions	6,603	15,917
Disposals	(41)	(31)
Depreciation	(18,745)	(18,723)
Exchange difference	(2,747)	(5,218)
At 30 June	270,707	298,269

Depreciation of HK\$5,389,000 (2022: HK\$5,849,000) has been charged in 'cost of sales' and HK\$13,356,000 (2022: HK\$12,874,000) in 'administrative and operating expenses' for the six months ended 30 June 2023.

#### (b) Right-of-use assets

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	177,173	193,454
Inception of lease contracts	69,565	39,555
Depreciation (Note 7)	(51,294)	(48,778)
Modification of lease contracts	1,113	(7,461)
Provision for impairment loss on right-of-use assets	(2,191)	–
Exchange difference	(522)	(983)
At 30 June	193,844	175,787



## 12 INTANGIBLE ASSETS

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	2,707	2,604
Addition	6	–
Amortisation	(327)	(260)
At 30 June	2,386	2,344

Amortisation of HK\$327,000 (2022: HK\$260,000) has been charged in 'administrative and operating expenses' for the six months ended 30 June 2023.

## 13 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unlisted equity investment	–	–

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	–	5,000
Change in fair value recognised in other comprehensive income	–	(1,729)
At 30 June	–	3,271

The business operations of the investee gradually scaled back in the second half of 2022. In late December 2022, members of the investee have decided to cease the business operations in March 2023 which is approved by a written resolution. Considering its financial position and minimal operations before the cessation of business in early 2023, the valuation of the investee is assessed to be nil as at 31 December 2022. The business operation of the investee was officially ceased on 3 March 2023 and hence the valuation of the investee is remained at nil as at 30 June 2023.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 TRADE RECEIVABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Trade receivables from third parties	64,269	58,896
Trade receivables from a related party	–	428
	<b>64,269</b>	59,324
Less: Provision for impairment on trade receivables	(516)	(898)
Trade receivables, net	<b>63,753</b>	58,426

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days (31 December 2022: Same). As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Less than 30 days	22,342	19,413
31 to 90 days	35,450	30,517
Over 90 days	5,961	8,496
	<b>63,753</b>	58,426

### 15 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK\$'000
<b>Authorised:</b> At 31 December 2022, 1 January 2023 and 30 June 2023 (Unaudited)	<b>1,000,000,000</b>	<b>10,000</b>
<b>Issued and fully paid:</b> At 31 December 2022, 1 January 2023 and 30 June 2023 (Unaudited)	<b>655,944,000</b>	<b>6,559</b>



## 16 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 period ended 30 June 2023 (2022: Nil), and there was no outstanding share option as at 30 June 2023 (31 December 2022: Nil).

## 17 TRADE PAYABLES

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
0 to 30 days	20,782	17,886
31 to 60 days	14,257	15,940
61 to 90 days	3,475	4,519
Over 90 days	30	2,756
	<b>38,544</b>	<b>41,101</b>

## 18 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Restated)
Accruals for employee benefit expenses	10,606	16,572
Accruals for marketing and promotional expenses	1,449	2,281
Refund liabilities for sales rebate	2,065	1,728
Rental and related expenses payable	2,561	1,926
Office and utilities expenses payable	4,228	4,048
Deferred revenue	1,682	3,459
Consideration payable for property, plant and equipment acquired	7,412	7,302
Accruals for transportation and delivery charges	3,312	2,147
Accruals for audit fee	1,664	2,264
Other accruals and other payables	16,630	13,706
	<b>51,609</b>	<b>55,433</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19 PROVISION FOR REINSTATEMENT COSTS

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Non-current	5,981	6,024
Current	3,311	3,356
	<b>9,292</b>	<b>9,380</b>

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

	(Unaudited) Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
At 1 January	9,380	8,085
Additional provision during the period	26	2,879
Utilisation	(114)	(433)
At 30 June	<b>9,292</b>	<b>10,531</b>

### 20 RECEIPTS IN ADVANCE

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Receipts in advance	150,246	164,584

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

	(Unaudited) Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
At 1 January	164,584	177,021
Receipt from sales of pre-paid coupons and credits during the period	147,447	172,153
Revenue recognised upon the redemption of products by customers	(161,785)	(177,038)
At 30 June	<b>150,246</b>	<b>172,136</b>



## 21 BANK BORROWINGS

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Unsecured bank borrowings:		
Portion due for repayment within 1 year or on demand	42,463	28,867
Portion due for repayment after 1 year but within 5 years without repayment on demand clause	–	7,323
	<u>42,463</u>	<u>36,190</u>

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

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Unsecured bank borrowings:		
Within 1 year	32,513	23,000
Between 1 and 2 years	5,670	8,923
Between 2 and 5 years	4,280	4,267
	<u>42,463</u>	<u>36,190</u>

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

## 22 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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 23 RELATED PARTY BALANCES AND TRANSACTIONS

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

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

- HomePlus (Hong Kong) Limited

#### (a) Amount due from a related party

The amount due from a related party is unsecured, interest-free and repayable on demand.

The Group had the following material balance due from a related party, net of impairment allowances:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Trade and other receivables	–	510

The amount due from a related party is denominated in HK\$.

#### (b) Transactions with related party

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

	(Unaudited) Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
Service income	–	305





## 23 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

### (c) Key management compensation

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

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	9,126	8,820
Pension costs	99	90
	<u>9,225</u>	<u>8,910</u>

## 24 COMMITMENTS

### Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracted but not provided for:		
Property, plant and equipment	<u>13,308</u>	<u>13,017</u>



## OTHER INFORMATION

### DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the interests and short positions of the Directors of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which had been notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be disclosed, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") and the "Code of Conduct for Securities Transactions by Directors of the Company" adopted by the Company (the "Code of Conduct") were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary shares of the Company ("Shares")	Approximate percentage of total issued Shares (%)
Ms. Wong Pui Chu (Notes 1, 2, 3 & 4)	Interests held jointly with other persons; beneficial owner; interest of controlled corporation	404,052,600 (Long position)	61.59
Mr. Tse Po Tat (Notes 1, 5 & 6)	Interests held jointly with other persons; interest of controlled corporation	404,052,600 (Long position)	61.59
Dr. Szeto Wing Fu (Notes 7 & 8)	Beneficial owner; interest of controlled corporation	26,554,600 (Long position)	4.04



Notes:

- (1) Pursuant to a deed of confirmation 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 the 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 29.21% (being 191,638,200 Shares) by Think Expert. By virtue of her 100% shareholding of Think Expert, Ms. Wong Pui Chu is deemed to be interested in the same number of Shares held by Think Expert.
- (4) The Company was directly owned as to 0.83% (being 5,500,000 shares) by Action Rich Investment Limited (“Action Rich”). By virtue of her 60% shareholding of Action Rich, Ms. Wong Pui Chu is deemed to be interested in the same number of Shares held by Action Rich.
- (5) The Company was directly owned as to 16.63% (being 109,122,400 Shares) by YITAO. By virtue of his 100% shareholding of YITAO, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by YITAO.
- (6) The Company was directly owned as to 0.83% (being 5,500,000 shares) by Action Rich. By virtue of his 40% shareholding of Action Rich, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by Action Rich.
- (7) The Company was directly owned as to 0.28% (being 1,850,000 Shares) by Dr. Szeto Wing Fu.
- (8) The Company was directly owned as to 3.76% (being 24,704,600 Shares) by Aolong Limited (“Aolong”). By virtue of his 100% shareholding of Aolong, Dr. Szeto Wing Fu is deemed to be interested in the same number of Shares held by Aolong.

Save as disclosed above, as at 30 June 2023, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and the Code of Conduct.

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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	404,052,600 (Long position)	61.59
Think Expert (Note 2)	Interests held jointly with other persons; beneficial owner	404,052,600 (Long position)	61.59



## OTHER INFORMATION

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%)
YITAO (Note 3)	Interests held jointly with other persons; beneficial owner	404,052,600 (Long position)	61.59
Ms. Chan Suk Hing Comita (Note 4)	Interest of spouse	404,052,600 (Long position)	61.59
Mr. Kwan Wang Yung (deceased)	Interests held jointly with other persons; interest of controlled corporation	404,052,600 (Long position)	61.59
Mrs. Kwan Chan Lai Lai (Note 5)	Interest of spouse	404,052,600 (Long position)	61.59

### Notes:

- (1) The Company was directly owned as to 13.88% (being 91,086,000 Shares) by Prestigious Time. By virtue of his 100% shareholding of Prestigious Time, the late Mr. Kwan Wang Yung (the former managing Director and an executive Director of the Company) is deemed to be interested in the same number of Shares held by Prestigious Time.
- (2) The interest of Think Expert was disclosed as the interest of Ms. Wong Pui Chu in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares".
- (3) The interest of YITAO was disclosed as the interest of Mr. Tse Po Tat in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares".
- (4) Ms. Chan Suk Hing Comita is the spouse of Mr. Tse Po Tat and is therefore deemed to be interested in the Shares that Mr. Tse Po Tat is interested in under the SFO.
- (5) Mrs. Kwan Chan Lai Lai is the spouse of the late Mr. Kwan Wang Yung and is therefore deemed to be interested in the Shares that the late Mr. Kwan Wang Yung is interested in under the SFO.

Save as disclosed above, as at 30 June 2023, 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' INTERESTS IN COMPETING BUSINESS

As at 30 June 2023, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.



### SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2014. As at 30 June 2023, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 63,200,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commenced on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted to each eligible participant (Note 1) under the Share Option Scheme and any other schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants to (1) motivate the eligible participants to 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 own discretion, grant an option to the eligible participants to subscribe for the shares of the Company at an exercise price (Note 2) and subject to the other terms of the Share Option Scheme.

The Share Option Scheme will remain in force for a period of ten years from its effective date (i.e. will expire on 10 June 2024). Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including but not limited to those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

The Board confirms that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. During the six months ended 30 June 2023, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme. A total of 63,200,000 Shares are available for issue under the Share Option Scheme, representing approximately 9.63% of the total issued capital of the Company as at 30 June 2023.

#### Notes:

1. "Eligible Participant" includes: (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or advisor of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliates"), or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or advisor of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, advisor of or contractor to the Group or an Affiliate.
2. The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under effects of alterations to capital.

Further details of the shares options are set out in Note 16 to the condensed consolidated interim financial information.



## OTHER INFORMATION

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### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2023.

### CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2023.

### MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Code of Conduct based on the required standard set out in the Model Code. For the six months ended 30 June 2023, all of the Directors confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct.

### AUDIT COMMITTEE

The Company has established an audit committee (“Audit Committee”) which currently consists of all three independent non-executive Directors of the Company with written terms of reference which deal clearly with its authority and duties. Amongst the Audit Committee’s principal duties are to review and supervise the Group’s financial reporting process, risk management and internal control systems, including the review of the unaudited interim financial information of the Group for the six months ended 30 June 2023.

PricewaterhouseCoopers, the external auditors of the Company, have reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

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

Hong Kong, 30 August 2023





**HUNG FOOK TONG**

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

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