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

2023 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 *(resigned on 25 March 2024)*
Prof. SIN Yat Ming
Mr. Andrew LOOK
Mr. YEUNG Chu Kwong *(appointed on 25 March 2024)*

AUDIT COMMITTEE

Mr. Andrew LOOK *(Chairman)*
Mr. KIU Wai Ming *(resigned on 25 March 2024)*
Prof. SIN Yat Ming
Mr. YEUNG Chu Kwong *(appointed on 25 March 2024)*

REMUNERATION COMMITTEE

Prof. SIN Yat Ming *(Chairman)*
Mr. KIU Wai Ming *(resigned on 25 March 2024)*
Ms. WONG Pui Chu
Mr. YEUNG Chu Kwong *(appointed on 25 March 2024)*

NOMINATION COMMITTEE

Mr. KIU Wai Ming *(Chairman)*
(resigned on 25 March 2024)
Mr. YEUNG Chu Kwong *(Chairman)*
(appointed on 25 March 2024)
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

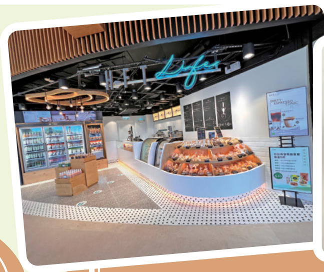
COMPANY WEBSITE

www.hungfooktong.com

STOCK CODE

1446

JAN – FEB



Switched to paper or wooden tableware to reduce plastic consumption at all stores

JIKA 自家ON!

Promoted registrations for "JIKA ON!" online marketplace via expanding offering of family-oriented health products

MAR – APR

Supported the Community Chest Skip Lunch Day for 14 consecutive years

Partnered with PARKnSHOP to roll out new herbal Konjac jelly in portable squeezing packaging

Organized "Easter Holiday at Office x PAWsome Pet-friendly Day" to enhance wellbeing of employee

Received the 15 Years Plus Caring Company Logo 2006-2023

15 years+ 商界展關懷 caringcompany

MAY – JUN

SUPER MD MANPOWER DEVELOPER An ERB Credit

Received the ERB Manpower Developer Award Scheme: Super MD (2023-2028)

Launched new confinement and pregnancy meals or food items

Rolled out new drinks flavors and new packaging for existing flavors with Chinese royal theme

JUL – AUG

Launched Hung Fook Tong x Miffy product collaboration

Presented a selection of Mid-Autumn Festival gifts to enhance product diversification in the gift-giving market

SEP – OCT

Opened a new shop at Kai Tak MTR Station

Launched a series of food items with Chinese royal theme with PARKnSHOP

Received the 2023 Hong Kong ESG Awards

Celebrated the 15th anniversary of "JIKA CLUB" which has over 1.3 million members

NOV – DEC

Introduced a new line of pet food and health products

Adopted rPET materials in the bottle production for Iced Lemon Tea drinks, reducing carbon emissions by about 38 tonnes during the year

Joined the Hong Kong Brands and Products Expo

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 2023.

Even though the post-pandemic era and the reopening of borders has become a reality, the highly anticipated economic recovery has yet to materialise during 2023. The overall business environment in Hong Kong has remained lacklustre, hampered by factors such as high interest rates and slow growth in Mainland China. Local consumer sentiment has consequently weakened, and further aggravated by the slump in the stock and property markets. For the retail sector, it was heavily impacted by a surge in outbound tourism – as people travelled overseas and to neighbouring Mainland cities for shopping, while inbound arrivals were only 65% of their 2018 level[1].

[1] Source: Hong Kong SAR Government – Hong Kong Economy website

DOUBLING DOWN AMID ADVERSITY

For the Group, the unfavourable conditions, coupled with rising operating costs and the halt of COVID-related subsidies, weighed on our operating results during the review year. Still, we have faced adversity in the past and are unwavering in our commitment to drive sustainable development and business growth over the long term. We have consequently embraced innovation and seized new opportunities as means for adapting to the changing times. We have also reinforced our market leading position while optimising the retail network in Hong Kong. As at 31 December 2023, our network of self-operated shops in the city totalled 111, hence remaining the largest herbal retailer based on network size.

As for our "HFT Life" brand, it has developed steadily under the stewardship of management. By further enhancing its product offerings, including the introduction of specialty coffees, vegetarian choices, and a variety of new bakery and dessert items, the innovative café concept store has been able to cater for the needs of the younger, wellness-conscious generations. Also understanding the importance of meeting the evolving needs of Hung Fook Tong consumers as a whole, the Group has made it a priority to continuously innovate its product portfolio, from healthy products for the entire family and new mothers to their beloved pets.

With 2023 heralding the 15th anniversary of our "JIKA CLUB" (自家CLUB) loyalty programme, we redoubled efforts on building loyalty and attracting new members during the past year. As a consequence, we saw memberships rise to over 1.3 million. Our efforts in promoting digitalisation have also produced encouraging results, as the download and use of the Hung Fook Tong mobile application ("APP") have increased appreciably. Moreover, by capitalising on the synergies generated between our Hung Fook Tong retail business and the existing "JIKA CLUB" member base, our "JIKA ON!" online marketplace has been achieving healthy growth, spurred by an expanding range of products and rise in registrations.

EXPANDING OUR FOOTPRINT NEAR AND FAR

As for the wholesale operation, we have further expanded our reach outside of Hong Kong. In Mainland China we were able to make inroads with key accounts, hence our long-shelf-life and fresh beverage products are now available at over 13,000 convenience stores in 13 provinces, as well as various supermarkets and department stores. Though our wholesale business in Mainland China performed erratically as consumer confidence was affected by the rocky property market and fears of deflation, among other factors, we trust that expanding our footprint will be to the Group's advantage as the business conditions gradually improve.

Still further afield, we have continued to develop our overseas wholesale business. Despite the anaemic economic growth around the world and changes in import restrictions, our sales performance in overseas markets such as Australia, Canada, Malaysia, Singapore, the United Kingdom and the United States were all relatively stable. What is more, we have established a new presence in Mexico during the review year.

EXISTING CHALLENGES EXISTING COMMITMENT

A respite from the challenging conditions is not expected in 2024, as high operating costs, high interest rates, weak consumer sentiment and intense competition from neighbouring Mainland retailers are likely to persist, directly impacting on the performance of the Hong Kong retail sector. Hence the sector will possibly need a longer recovery period before achieving pre-COVID levels of performance.

The management will therefore exercise financial prudence, which includes employing robust cost control measures. At the same time, it will actively pursue new sources of revenue and enhance the Group's market presence, with new product development, cross-brand collaboration and sales channel expansion among its efforts. With regard to product innovation, we remain optimistic about the health and wellness segment and its long-term growth potential, hence the logic behind the roll out of more convenient options that leverage our existing hero products, such as new ginger trotter and herbal tea concentrate. We will also capitalise on cross-brand partnerships for facilitating product development, including the co-branding of beverage products, as well as engage in partnerships for seizing online and offline opportunities that increase customer access to our products. In addition, we will continue to tap new segment such as the pet food market, which is is anticipated to experience growth.

Aside from product development, we will seek to optimise our retail and wholesale networks in the coming year. In the case of the former, our self-operated shop network will comprise between 100 and 110 locations in 2024, placing emphasis on cost and operation efficiency. As for the wholesale network, we will seek to tap more sales points within the Guangdong-Hong Kong-Macao Greater Bay Area, which would allow us to achieve the dual objectives of bolstering our brand equity and seizing opportunities arising from Hong Kong's integration into the national development. We will also maintain efforts in tapping the overseas markets so as to create new revenue streams, as well as to better insulate us should any turbulence occur in the local market.

As it is fundamental and essential that we strengthen our ties with customers, we will continue to introduce more exclusive discounts and offers to JIKA CLUB members. At the same time, we will also continue with our digitisation drive via the introduction of more tailored promotions to encourage the download and use of our APP.

APPRECIATION

I would like to express my sincere gratitude to our employees for their hard work and dedication, which have been instrumental in enabling the Group to overcome the enormous challenges of the past year. I am also deeply grateful to our valued customers, business partners and shareholders for their unwavering support and trust. From our founding to now, we have developed tremendous resilience and the agility to manage through the highs and the lows. While the year ahead will present its own challenges, we are confident that through our concerted effort and with the competitive strengths that we have amassed over the years, the Group will be able to overcome these testing times and emerge even stronger.

Tse Po Tat
Chairman and Executive Director
Hong Kong, 25 March 2024

BUSINESS REVIEW

Even though COVID-related restrictions were lifted and borders reopened in early 2023, the anticipated economic recovery was hindered by a raft of concerns, including high interest rates, contracting stock and property markets around the world, and lacklustre trade. Locally, the retail upturn was further thwarted by poor consumer sentiment, and increasingly more Hong Kong people chose to head to neighbouring cities in Mainland China to spend. The combination of the aforementioned developments resulted in an unprecedentedly challenging operating environment for the retail and food and beverage sectors. The Group's business was inevitably impacted, with total revenue declining by 2.0% to HK$672.7 million (2022: HK$686.7 million).

Gross profit contracted by 3.0% to HK$393.5 million (2022: HK$405.6 million), while gross profit margin was 58.5% (2022: 59.1%), which was 0.6 percentage point lower than the previous financial year. This was primarily due to the decline in revenue, compounded by the rise in raw material and labour costs.

With the increase in staff, utility and rental costs, operating expenses crept upward. The cost of financing also rose in tandem with interest rate hikes. In addition, the government grants and subsidies that the Group had received as part of pandemic relief measures in 2022, comprising funds from the Employment Support Scheme and the Catering Business Subsidy Scheme, were no longer offered during the review year. Consequently, the Group incurred a loss attributable to owners of the Company of HK$34.6 million in 2023 (2022: profit of HK$5.3 million).

Despite the said challenges, the Group is in sound financial health and has stable operating cash flows. As at 31 December 2023, it held sufficient cash and cash equivalents as well as unutilised banking facilities totalling approximately HK$88.5 million and HK$44.7 million, respectively (31 December 2022: HK$103.9 million and HK$64.2 million, respectively).

BUSINESS SEGMENT ANALYSIS

Hong Kong Retail

Constituting the Group's largest revenue contributor, the Hong Kong retail business recorded revenue of HK$503.8 million (2022: HK$517.4 million) during the review year – down 2.6% year-on-year, and accounted for 74.9% of total revenue. The decline reflects the change in consumption habits of many Hong Kong people who, with the reopening of borders, have chosen to travel to Mainland China or overseas for leisure spending. This trend has had a direct impact on the Group's store traffic and same-store sales. In addition, the Group had slightly fewer stores in operation compared with 2022.

Segment loss recorded for the year ended 31 December 2023 of HK$5.3 million (2022: profit of HK$29.1 million), mainly attributable to an increase in raw material, staff and rental costs; rise in utility expenses; and the absence of pandemic-related government relief grants.

While the Group has maintained its position as the largest herbal retailer in Hong Kong in terms of retail network size, it has strategically optimised its store network and closed several underperforming shops during the review year. Consequently, there were 111 self-operated shops in the city as at 31 December 2023, including 10 HFT Life café concept stores. Also, in response to the challenging retail landscape, the Group has placed significant importance on cost control, directing focus on streamlining its supply chain and logistics arrangement.

To expand revenue streams, the Group has continued to develop and launch new products, as well as extended its sales channels. In the case of the former, it has further tapped the dietary needs of pregnant and postpartum women by launching relevant diet packages, including new roasted rice tea and soup products for nourishing and strengthening bodily functions during pregnancy and post-delivery. As for the ginger trotter category – also part of the Group's postpartum food offering, a premium product (至尊豬腳小黃薑醋) has greatly helped drive trotter sales since its launch in late 2022.

In regard to the Group's HFT Life cafés, which target aspirational young consumers, the Group rolled out more bakery items during the review year in view of positive feedback. Moreover, specialty coffees and drinks such as a new Herbal Espresso Series were introduced to cater for this customer segment.

To raise awareness of the Group among Hong Kong consumers and the market, it has resumed its participation in various exhibitions, such as the Hong Kong Brands and Products Expo, and by opening corporate booths. It has also continued to exert effort on marketing to encourage spending and bolster the Group's brand equity. When the Hong Kong Government implemented its 2023 Consumption Voucher Scheme in April and July, the Group launched various package offers to capitalise on the disbursements, resulting in satisfactory, though temporary, boost in sales. Special promotions were also initiated to celebrate and leverage holiday spending during the National Day and Golden Week. Furthermore, the Group has sought to increase its exposure in the Guangdong-Hong Kong-Macao Greater Bay Area and attract more Mainland tourists by employing social media platforms such as Xiao Hong Shu (小紅書).

On the JIKA CLUB (自家 CLUB) membership front, the Group has continued its efforts to build loyalty as well as attract new members by offering a wide variety of exclusive discounts and privileges. This has included giving away up to HK$150,000 worth of e-vouchers to members in celebration of the 15th anniversary of JIKA CLUB. In addition, it has collaborated with the licensor of Miffy the cartoon character in launching a series of member-exclusive products so as to stimulate membership registrations and spending. As a consequence of such endeavours, JIKA CLUB memberships have surpassed the 1.3 million mark as at 31 December 2023, or rising by approximately 99,500 members during the review year.

As in past years, the Group has continued to promote digitisation as a means of enhancing engagement with customers and encouraging digital transactions. It has made further progress as reflected by a 17% year-on-year increase in the download of the Hung Fook Tong mobile application ("**APP**"), and over 40% of member transactions were completed via the APP. The Group has also further developed the JIKA ON! (自家 ON!) online marketplace, resulting in more new members. Such results can be attributed to the effective use of special offers and promotions via the online marketplace, as well as a greater variety of merchandise, including Hung Fook Tong pet care products, and healthy food and ready-to-eat items.

Wholesale

The wholesale segment continued to perform in a stable manner, with revenue of HK$168.9 million (2022: HK$169.3 million) recorded for the review year, thus accounting for 25.1% of total revenue. Even though the Group's wholesale business in Mainland China experienced a decline, this was offset by growth achieved in the Hong Kong market. Segment profit declined by 14.5% to HK$17.5 million (2022: HK$20.4 million), mainly due to the increase in operating expenses.

Hong Kong

Despite the generally tepid local consumer market, the Group's wholesale business in Hong Kong has nonetheless managed to achieve a 1.1% rise in revenue to HK$144.5 million (2022: HK$142.9 million). This can be attributed to dedicated promotional efforts that effectively tapped sales channels such as supermarkets, convenience stores, e-retailers and restaurants; and the ability to capitalise on fruitful ties with key accounts to facilitate greater sales. One such collaboration has been with PARKnSHOP Supermarket which, during the review year, witnessed the introduction of a series of fresh food products (禦茶膳房), including soups, congee, rice, desserts, and ginger trotter that enjoyed both higher brand visibility and catered for today's health-conscious customers. Taking into consideration the growing awareness among pet owners of the wellness of their furry companions, the Group has also partnered with PARKnSHOP in launching a new line of pet food and health products, constituting its first foray into the burgeoning pet care market. The series features a variety of natural fresh meal packs, fish essence and chicken essence, made from human-grade ingredients.

Still other collaborative efforts include the launch of Hung Fook Tong x Ajisen Lemongrass Ginger Tea (香茅薑茶) that is available at Ajisen restaurants in Hong Kong and Mainland China. As for some existing products, the Group has introduced new flavours as well as adopted a "Chinese palace" theme in the packaging to attract consumers.

An advocate of environmental sustainability, the Group has been using rPET ("**Recycled Polyethylene Terephthalate**") in the production of beverage bottles for its Iced Lemon Tea since 2022. This practice has allowed the Group to take a step forward in reducing carbon emissions.

Mainland China

The post-COVID rebound of the Chinese economy during the 2023 financial year has not been as notable as anticipated, which has adversely affected employment and consumer confidence. Consequently, the Group's wholesale business in Mainland China fell below expectations, with revenue declining by 7.7% to HK$24.4 million (2022: HK$26.4 million) as the Group's performance in the Guangzhou and Shenzhen markets weakened, though the Shenzhen business did record improvements.

In its commitment to continuously develop the wholesale business, the Group has launched more herbal tea and healthy beverages during the review year, and to a broader network of convenience stores and supermarkets. This was achieved by forging closer ties with key accounts and a major distributor. As a result, the Group's long shelf-life and fresh beverage products are now available at over 13,000 convenience stores in 13 provinces, as well as various supermarkets and department stores. In addition, the Group has tapped new channels, including CR Vanguard supermarkets, RT-Mart hypermarkets and more e-commerce platforms. Also, the Group has deployed greater resources to drive sales on popular online platforms such as JD.com (京東), Taobao (淘寶), Tmall (天貓), Meituan (美团), Douyin (抖音) and Xiao Hong Shu (小紅書) online stores.

Other Markets

Amid weak global economic growth and changes to import policies and duties, the Group's overseas wholesale performance was invariably affected. Still, it was able to sustain stable sales from existing markets such as the United States, Canada, Australia, the United Kingdom, Malaysia and Singapore. Moreover, the Group has for the first time entered the Mexico market.

PROSPECTS

A tough business environment is expected to persist in 2024. In addition to high interest rates and geopolitical tensions, other developments that will weigh heavily on the Hong Kong economy will include inflationary pressure and the ongoing mass movement of local residents to the Mainland China or overseas for shopping and leisure, thus creating stiff headwinds for retailers. Also, on the horizon is the roll out of the plastic products bill and Municipal Solid Waste Charging Scheme in April and August, respectively, which will result in additional cost pressure on various industries. Across the border, expectations of an economic upturn remain restrained as consumer and business confidence will continue to be weak.

Against this bleak outlook, the Group will adopt a highly cautious approach and prioritise financial prudence, hence it will optimise relevant cost and capital structures, seek to maintain healthy cash flows and a stable gearing ratio to minimise interest costs. To tackle production costs, the Group will seek to further optimise its supply chain and secure more favourable logistics arrangements, as well as consolidate its manufacturing capacity in Hong Kong and Mainland China. Ultimately, the management's principal objective is to gather growth momentum, which it aims to achieve by actively securing new sources of revenue and by enhancing the Group's market presence through the development of new products, cross-brand collaborations, further expansion of sales channels, and seizing new opportunities in Mainland China especially by further integrating into the Greater Bay Area, and in the overseas markets.

Hong Kong Retail

In view of the slow retail recovery in Hong Kong, the Group will maintain a stable and effective retail network, targeting to open approximately two shops and closing several underperforming shops in 2024. Furthermore, to control rental costs, the Group will maintain close communication with landlords and negotiate for more favourable terms as leases expire, having already secured certain reductions during 2023. The management will also consider making price adjustments to its products to reflect rising costs.

On the product front, it will seek to boost the sales of signature products such as Chinese-style soups and Nourishing Deluxe drinks while at the same time innovate key products lines. In the pipeline for 2024 will include new products for the Joyous Series and postpartum confinement. HFT Life will also introduce more baked goods that boast their natural content, such as the use of multi-grain ingredients and organic fresh milk.

In terms of boosting top-line performance, the Group will launch a catering service in the first half of 2024, as well focus on recruiting more JIKA CLUB members – the latter involving the launch of exclusive offers and joint promotions. For high-spending members, more VIP benefits will be presented so as to retain and build such memberships. In maintaining the digitisation drive, the management will seek to expedite the process through ongoing technological innovation. It will continue to promote the download and use of the Hung Fook Tong mobile application by introducing customised member offers, and adopt a similar strategy to boost registrations for the JIKA ON! online marketplace.

Wholesale

Hong Kong

To tackle the Hong Kong wholesale market, the Group will continue to nurture cross-brand partnerships on product development and marketing campaigns so as to introduce more healthy drink and food options to the shelves. It will also seek to offer more new products or new packaging that capture the hearts of local consumers.

In its commitment to environmental protection, the Group will be expanding the use of rPET materials in the bottle production for more of its beverage products in the coming year.

Mainland China

With the pace of economic recovery expected to remain slow in Mainland China, intense competition among beverage and tea brands is anticipated, which invariably involves the offer of deep discounts to attract customers. In such an uncompromising environment, the Group will give top priority to meeting the needs of consumers, hence more products which cater to health-conscious individuals will be introduced. Similarly, it will strengthen ties with key accounts and distributors, so that more herbal teas and healthy beverages are available at convenience stores and supermarkets. Mindful of the importance of the online realm, the Group will also place more products on online platforms, as well as explore the use of online promotions and social media platforms to promote its products.

Other Markets

As the Group continues to expand its footprint in the overseas markets such as United Kingdom, Canada and the United States, it will also explore new markets as it is committed to tapping additional revenue streams.

CONCLUSION

The management is fully aware of the current business climate, and will make every effort to navigate through these unprecedented times and pave the way for its long-term development. The Group will reinforce its market position by further driving operational efficiency and cost optimisation and taking prompt action to keep pace with evolving consumer needs. As the demand for health and wellness products is growing, the Group is determined to move forward through innovation, dedication and prudence.

FINANCIAL REVIEW

Revenue

In 2023, Hong Kong resumed cross-border travel and the society fully returned to operation. However, the market did not rebound as expected after the pandemic. In addition, the trend of Hong Kong people traveling to the Mainland and overseas for shopping led to a decline in local customers. As a consequence, our business has been adversely affected.

For the year ended 31 December 2023, the Group recorded a revenue of HK$672.7 million, representing a decrease of 2.0% from HK$686.7 million in 2022. Revenue from Hong Kong retail operation decreased to HK$503.8 million, representing a decrease of 2.6% from HK$517.4 million in 2022. Revenue from wholesale business decreased to HK$168.9 million, representing a decrease of 0.2% from HK$169.3 million in 2022.

Cost of Sales

For the year ended 31 December 2023, the Group incurred a cost of sales totaling HK$279.2 million, representing a decrease of 0.7% from HK$281.1 million in 2022. As a percentage of revenue, cost of sales represented 41.5% and 40.9% in 2023 and 2022 respectively. This increase can be attributed to rising costs of materials, wages and utility expenses.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2023, the Group achieved a gross profit of HK$393.5 million, indicating a decrease of 3.0% from HK$405.6 million in 2022. The Group's gross profit margin experienced a slight decline of 0.6 percentage point, settling at 58.5% compared to 59.1% in 2022. This decrease can primarily be attributed to higher material costs, wages, and utility expenses.

Staff Costs

For the year ended 31 December 2023, the Group's staff costs amounted to HK$212.2 million, representing an increase of 6.6% from HK$199.1 million in 2022. The increase was mainly due to the absence of non-recurrent government grant from the Employment Support Scheme which were received in 2022. The staff costs-to-revenue ratio is 31.5%, which is higher than the 29.0% recorded in 2022.

Rental Expenses

For the year ended 31 December 2023, 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$104.7 million, representing an increase of 7.6% from HK$97.3 million in 2022 due to less rental concessions granted by certain landlords. Rental expenses-to-revenue ratio for the Hong Kong retail shops is 20.8% as compared to 18.8% in 2022.

Depreciation

For the year ended 31 December 2023, depreciation of property, plant and equipment of the Group amounted to HK$36.7 million, representing a decrease of 3.7% from HK$38.1 million in 2022. The decline can be attributed primarily to the depreciation of plant and machinery, and equipment. This accounted for 5.5% in percentage to revenue in both 2023 and 2022.

(Loss)/Profit Attributable to Owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2023 was HK$34.6 million, as compared with a profit attributable to owners of the Company of HK$5.3 million in 2022.

Loss per share for loss attributable to owners of the Company for the year ended 31 December 2023 amounted to HK5.28 cents, as compared to earnings per share for profit attributable to owners of the Company amounted to HK0.80 cent in 2022.

Capital Expenditure

During the year ended 31 December 2023, capital expenditure amounted to HK$13.1 million (2022: HK$28.7 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 31 December 2023, the Group had bank deposits and cash balance amounted to HK$88.5 million (31 December 2022: HK$103.9 million).

As at 31 December 2023, the gearing ratio of the Group was 0.69 (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.

As at 31 December 2023, the Group had total banking facilities of HK$83.1 million (31 December 2022: HK$103.2 million) of which HK$38.4 million (31 December 2022: HK$39.0 million) had been utilised.

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$141.0 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$149.0 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$8.0 million (31 December 2022: HK$57.5 million) and current ratio of 1.04 (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 us to continue our business in a manner consistent with the short-term and long-term financial strategies of the Group.

Foreign Currency Risk

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

Material Acquisitions, Disposals and Significant Investments

There were no material acquisitions, disposals and significant investments during the financial year ended 31 December 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 31 December 2023, the Group employed approximately 792 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 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 strive to fulfil its Environmental, Social and Governance ("ESG") obligations by supporting different stakeholders. Apart from those outlined in this section, the Group's ESG Report, which will be published in April 2024 will provides more details on the company's sustainability strategy, as well as the performance in each of the sustainability focus on Environment (E), Social (S) and Governance (G) categories.

ENVIRONMENTAL

As part of the Group's commitment to protecting the environment, it has sought to further reduce plastic waste and carbon emissions. Since 1 January 2023, the Group has replaced plastic tableware with paper or wooden utensils, including paper soup cups and meal boxes, wooden spoons, wooden forks and small bamboo forks across all of its 111 Hung Fook Tong and HFT Life stores. The campaign has resulted in slashing 39 tonnes of single-use plastics in 2023, which is equivalent to a 92% year-on-year reduction in plastic consumption. The Group has also been offering membership points to JIKA CLUB (自家CLUB) members whenever they bring their own containers to purchase snacks at any Hung Fook Tong shop starting from December 2023, thus incentivising their use of reusable containers. As for reducing carbon emissions, specifically from bottle production, the Group has been using rPET ("Recycled Polyethylene Terephthalate") in the production of certain beverage bottles since 2022. During 2023, it was able to cut approximately 38 tonnes of carbon emissions as a result of using rPET in place of new plastics. The Group has also continued to support plastic bottle recycling by installing reverse vending machines ("RVM") at two of its HFT Life shops – encouraging customers to participate in the plastic bottle recycling process. In addition, the Group has partnered with Virtuous Cycle ("V Cycle") to place plastic bottle recycling bins at three selected retail shops. More than 260 kilograms of plastic beverage bottles were recycled through various partnerships in 2023.

In terms of food waste recycling, the Group has continued to fulfil its commitment of zero food waste disposal in landfills, which in turn helps to lower greenhouse gas emissions. The majority of food waste generated at the Tai Po factory was delivered to the Organic Resources Recovery Centre, Phase 1 (O · Park1), for recycling and conversion into biogas. Separately, the Group has also donated some of its herbal tea residue to the green social enterprise FoodCycle+ for the local production of "MixO' Plus" organic compost. Through these initiatives, approximately 960 tonnes of food waste were recycled in 2023 (2022: 957.7 tonnes), thereby reducing carbon dioxide equivalent ("CO2-e") greenhouse gas emissions by approximately 205 tonnes (2022: 204.0 tonnes). Moreover, the Group has worked with various food banks, such as People Service Centre, which collect surplus food at selected retail stores and redistribute it to the needy. In 2023, over 19,000 surplus food items were collected from the Group's shops and factory.

As a green energy advocate, the Group's factory in Hong Kong is equipped with solar panels. In 2023, approximately 184 MWh of renewable energy were generated and supplied to CLP Holdings Limited as part of its Feed in Tariff ("FiT") Scheme. Solar panels (approximately 25,000 sq. m in area) have also been installed on the rooftop of the Kaipang factory, resulting in around 1,368 MWh of electricity generated in 2023.

SOCIAL

As at 31 December 2023, the Group had a workforce of approximately 792 people, comprising 634 employees in Hong Kong and 158 employees in Mainland China. Given that employees are regarded as the Group's most valued asset, the Group strives to provide them with a pleasant workplace where their career development, wellbeing and safety are promoted. During 2023, the Group conducted more than 8,000 hours of training, and attracted an aggregate of over 700 staff. We continued to advocate a family-friendly culture by organising various activities such as PAWsome Pet-friendly Day during the Easter season, allowing office employees to bring their children and furry friends to the office.

As the pioneer in community support, the Group is extending its care beyond Hong Kong. In the wake of the February 2023 earthquake in Turkey, the Group promptly organised an emergency supply donation drive that utilised all Hung Fook Tong self-operated 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.

Locally, the Group has sought to help the needy by supporting the Community Chest Skip Lunch Day – collaborating with the organisation for the 14th consecutive year. The Group donated over 17,000 food coupons, which led to the raising of over HK$1.1 million for its "street sleepers, residents in cage homes and cubicles" services. Besides, The Group took part in the Oxfam Trailwalker fundraising sporting event to serve the local community. As in past years, the Group provided food and soup sponsorship for the walkers and volunteers. The Hung Fook Tong team also participated in the sporting event to demonstrate its dedication to enhancing employee wellness.

In recognition of the Group's dedication to the advancement of society, the industry and its employees, it has been bestowed numerous prestigious awards over the past year, as summarised in the below list:

	Award	Issuer of Award
	In Recognition of Brand Management and Customer Service	
1.	2023 Hong Kong Top Brand	Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong
2.	The Hong Kong Q-Mark Service Scheme	Federation of Hong Kong Industries
3.	GS1 Consumer Caring Scheme 10 Years+ Award	GS1 Hong Kong
4.	Health Partnership Award 2023 – Outstanding Chinese Herbal Products Corporation with a Modern Wellness Concept	ET Net Limited
5.	PARKnSHOP Super Brands Award 2022 – Healthy Drinks	PARKnSHOP Supermarket
6.	2023-2024 Guangdong-Hong Kong-Macao Greater Bay Area Award: 100 Extraordinary Business Award	Hong Kong Business Alliance Limited
7.	The 12th World's Excellent Brands Awards Presentation Ceremony	CMN
8.	Linchpin Of Asia Awards 2023 (Entrepreneur Category)	Enterprise Asia
9.	Trusted Brands 2023 – Platinum Award (Chinese Soup/Herbal Tea)	Reader's Digest
	In Recognition of Environmental and Governance Efforts	
10.	Hong Kong Green Organisation	Environmental Campaign Committee
11.	Green Office 5+ Label and Eco-Healthy Workplace Label 2023	World Green Organisation
12.	MTR Shops Environmental Protection Pledge 2023	MTR
13.	CarbonCare® Star Label	CarbonCare InnoLab
14.	CarbonCare® ESG Label (Level 2)	
15.	2023 Hong Kong ESG Awards	The Chinese Manufacturers' Association of Hong Kong and Hong Kong Brand Development Council
16.	ESG Pledge	
	In Recognition of Community Investment	
17.	15 Years Plus Caring Company Logo 2006-2023	The Hong Kong Council of Social Service
18.	Social Capital Builder Logo Award 2022-2024	Labour and Welfare Bureau – Community Investment and Inclusion Fund
19.	Award of Distinction 2022/2023	The Community Chest of Hong Kong
	In Recognition of Talent Development	
20.	Happiness-at-Work Promotional Scheme – Happy Company 10 Years+	The Hong Kong Productivity Council
21.	ERB Manpower Developer Award Scheme: Super Manpower Developer 2023-2028	Employees Retaining Board
22.	Sport-Friendly Action – Awarded Corporate	Chinese YMCA of Hong Kong
23.	SportsHour Company Scheme 2023-2025	InspiringHK Sports Foundation

EXECUTIVE DIRECTORS

Mr. TSE Po Tat, aged 70, 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 37 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 president 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 as well as a member of Food Business and Related Services Task Force under the Business Facilitation Advisory Committee. Mr. Tse had obtained "2016 Honorary Fellow" from The Professional Validation Council of Hong Kong Industries in 2016.

Dr. SZETO Wing Fu, aged 62, 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 for 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 member of CPA Australia. In 2023, Dr. Szeto was awarded the "Linchpin of Asia Award 2023 (Entrepreneur Category)" by Enterprise Asia.

Ms. WONG Pui Chu, aged 64, 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 37 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

Prof. SIN Yat Ming, aged 68, 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 59, 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 30 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) and L.K. Technology Holdings Limited (stock code: 558). 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).

Mr. YEUNG Chu Kwong, aged 63, was appointed as an independent non-executive Director on 25 March 2024. In addition, he is the chairman of Nomination Committee, a member of both Audit Committee and Remuneration Committee. Mr. Yeung is currently the executive vice-chairman, group chief executive officer, and an executive director of HKBN Ltd. ("HKBN"), a company listed on the Stock Exchange. Prior to joining HKBN in 2005, Mr. Yeung was the director of customers division at SmarTone Mobile Communications Limited. Mr. Yeung obtained a Bachelor of Arts Degree from Hong Kong Baptist University in December 1992, a Master of Business Administration Degree from the University of Strathclyde, United Kingdom in November 1995 and a Master of Science Degree in Electronic Commerce and Internet Computing from the University of Hong Kong in November 2001. In 2010, Mr. Yeung was recognised as Champion of Human Resources by The Hong Kong HRM Awards.

SENIOR MANAGEMENT

Ms. TULL Shuk Ching, aged 61, 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 30 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 53, 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 30 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 administration 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. LO Chi Wang, aged 46, is the group financial controller and assistant general manager of financial service division and Hong Kong plant. Mr. Lo joined the Group in 2015. He has focused on promoting profitability and creating long-term value for the Group, overseeing the Group's financial management and reporting, investment and risk management strategies, treasury management, and investor relations. In addition, Mr. Lo is responsible for managing the Hong Kong plant, overseeing operations such as production, research and development, procurement, factory operations and engineering, quality management, logistics and warehouse management. While Mr. Lo is responsible for the information technology ("IT") function in Mainland China, which includes implementation of enterprise resource planning ("ERP") system, IT maintenance and development, data and cybersecurity.

Mr. Lo has over 20 years of experience in financial services sector. 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 the Association of Chartered Certified Accountants ("ACCA"), the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and CPA Australia. He was a committee member of Qualification and Examinations Board ("QEB") of HKICPA and a co-opted member of Moderation Sub-groups under QEB.

Mr. Lo is currently an independent non-executive director of Novacon Technology Group Limited (stock code: 8635, a company listed on GEM Board of the Stock Exchange), Easy Smart Group Holdings Limited (stock code: 2442, a company listed on Main Board of the Stock Exchange), Daido Group Limited (stock code: 544, a company listed on Main 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. LEE Bang Lau, aged 66, 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 35 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. LEUNG Tat Wing, aged 59, 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 26 years of experience in finance and accounting field. Prior to joining our Group in June 1999, he held various finance related positions in other organizations in the commercial field.

Ms. CHOU Siu Wai, Vivian, aged 47, 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 20 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 47, 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 24 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 48, is the senior manager of business development division, and responsible for customer relationship management and institutional sales. Mr. Sun has over 25 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.

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 2023.

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 of the Company is set out in Note 14 to the consolidated financial statements. The segment information of the operations of the Group for the year ended 31 December 2023 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 2023 as well as outlook/prospects of the Group's business are provided in the sections "Chairman's Statement" on pages 6 to 8 and "Management Discussion and Analysis" on pages 9 to 16 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 and members on how to strengthen their health, including their immune system, with the Group's nutritious herbal drinks, soups and food products. In addition, the Group will continue to observe rigorous hygiene standards at our shops, factories and workplaces, hence protect the wellbeing 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 2023, there are over 1,358,000 JIKA Club members among which included Platinum Members who are highly brand loyal and have significant spending power. To keep in pace with the digital era, the Group continues to promote digitisation as a means of enhancing engagement with customers and encouraging digital transactions though our Hung Fook Tong mobile application.

- 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 overseas markets. 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 57 to 139 and 13 to 16, 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 "Environmental, Social and Governance" on pages 17 and 18 of this Annual Report and further details will be disclosed in our 2023 Environmental, Social and Governance ("ESG") Report to be published in April 2024 under the requirements as set out in Appendix C2 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 2023 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 since 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", "Environmental, Social and Governance" and "Corporate Governance Report" on pages 6 to 8, 9 to 16, 17 to 18 and 36 to 48, respectively, of this Annual Report, further details will be disclosed in our 2023 ESG Report to be published in April 2024.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on pages 57 to 58 of this Annual Report.

During the year ended 31 December 2023, the Company declared and paid in respect of the year ended 31 December 2022 a final dividend and a special dividend of HK0.34 cent and HK0.28 cent per ordinary share, respectively, totalling HK0.62 cent per ordinary share, and there was no arrangement under which a shareholder has waived or agreed to waive any dividends.

At the Board meeting held on 25 March 2024, the Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in Note 24 to the consolidated financial statements and the consolidated statement of changes in equity on page 61 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution to shareholders amounted to approximately HK$297.0 million comprising share premium of approximately HK$188.1 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 annual general meeting ("AGM") of the Company to be held on Friday, 7 June 2024, the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 3 June 2024.

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 140 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 15 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 23 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2023 are set out in Note 32 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 2023.

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2023 amounted to HK$220,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, 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 who served during the year and 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 (resigned on 25 March 2024)
Prof. SIN Yat Ming
Mr. Andrew LOOK
Mr. YEUNG Chu Kwong (appointed on 25 March 2024)

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") B.2.2 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. Ms. Wong Pui Chu and Dr. Szeto Wing Fu shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Pursuant to Article 83(3) of the Articles of Association, any Director appointed either to fill a casual vacancy on the Board, or as an addition to the existing Board shall be subject to re-election by the Shareholders at the first AGM of the Company after his/her appointment. Mr. Yeung Chu Kwong, was appointed as independent non-executive Director on 25 March 2024, shall hold office only until the forthcoming AGM in accordance with Article 83(3) of the Articles of Association. Being eligible, Mr. Yeung will offer himself for re-election as independent non-executive Director.

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 20 to 23 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS/LETTERS OF APPOINTMENT

Each of the executive Directors has respectively entered into a service contract commencing from the relative date of appointment with the Company for a 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 letter of appointment for a term of three years commencing from the relative date of appointment. 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 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 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 C3 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 & 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 the Deed of Confirmation dated 27 March 2014 executed by Ms. Wong Pui Chu, Mr. Tse Po Tat, 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 29.21% (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 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 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.

(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 31 December 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 31 December 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 Limited ("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
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 31 December 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' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the year ended 31 December 2023 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 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 31 December 2023.

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 2023 or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 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.

REMUNERATION FOR DIRECTORS

In compliance with the Corporate Governance Code as set out in Appendix C1 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 38 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 2023.

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 2023.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 36 to 48 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 Friday, 7 June 2024 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 33 to the consolidated financial statements.

Save for the transactions with Concentric (HK) Food Limited as set out in more details in the section "Continuing Connected Transaction" below, none of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed.

CONTINUING CONNECTED TRANSACTION

During the year ended 31 December 2023, 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, "Concentric"), 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 2023, the Group did not have any transaction with Concentric under the 2023 Framework Agreement. Hence the annual cap for the year has not been exceeded.

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

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transaction and confirmed that such transaction entered into during the year ended 31 December 2023, if any, 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 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 HKICPA. 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, 25 March 2024

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 C1 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 2023.

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 2023.

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 coordinating 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
Prof. Sin Yat Ming	Independent non-executive Director
Mr. Andrew Look	Independent non-executive Director
Mr. Yeung Chu Kwong *(appointed on 25 March 2024)*	Independent non-executive Director

In addition, Mr. Kiu Wai Ming served as an independent non-executive Director until his resignation on 25 March 2024.

Detailed biographies of the Directors are shown on pages 20 and 21 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 2023. 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 2023, 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 2023 are listed below:

	Board Meetings		General Meeting	
Name of Directors	Number of meetings entitled to attend during the year	Number of meetings attended	Number of meeting entitled to attend 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 *(resigned on 25 March 2024)*	4	4	1	1
Prof. Sin Yat Ming	4	4	1	1
Mr. Andrew Look	4	4	1	1
Mr. Yeung Chu Kwong *(appointed on 25 March 2024)*	0	0	0	0

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.

The Company has in place effective mechanisms to ensure independent views and input are available to the Board. The Board has conducted an annual review on such mechanisms in 2023 and is of the view that the mechanisms have been properly implemented and are effective. In particular, the Company plans Board and Board committees meeting schedules well in advance and provides remote facilities for attendance, so as to facilitate active attendance and participation in the meetings. Board members, especially independent non-executive Directors, are welcome and are encouraged to raise enquiries, suggestions and views during the meetings. The Board process as stated above, including agenda setting and provision of meeting information, facilitates effective and active participation by all Directors. The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense.

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), Prof. Sin Yat Ming and Mr. Yeung Chu Kwong, all of whom are independent non-executive Directors. In addition, Mr. Kiu Wai Ming also served as a member of the Audit Committee until he resigned as an independent non-executive Director on 25 March 2024.

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 entitled to attend during the year	Number of meetings attended
Mr. Andrew Look	3	3
Mr. Kiu Wai Ming *(resigned on 25 March 2024)*	3	3
Prof. Sin Yat Ming	3	3
Mr. Yeung Chu Kwong *(appointed on 25 March 2024)*	0	0

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

- reviewed the audited annual financial statements for the year ended 31 December 2022;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2023;
- 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 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. Yeung Chu Kwong; and the other member is an executive Director, Ms. Wong Pui Chu. In addition, Mr. Kiu Wai Ming also served as a member of the Remuneration Committee until he resigned as an independent non-executive Director on 25 March 2024.

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 and the attendance of the committee members at the meeting is listed below:

Name of Directors	Number of meetings entitled to attend during the year	Number of meetings attended
Prof. Sin Yat Ming	1	1
Mr. Kiu Wai Ming *(resigned on 25 March 2024)*	1	1
Ms. Wong Pui Chu	1	1
Mr. Yeung Chu Kwong *(appointed on 25 March 2024)*	0	0

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	3
HK$1,000,001 to HK$1,500,000	5

The details of the fees and other emoluments paid or payable to the Directors are set out in Note 38 to the consolidated financial statements.

Nomination Committee

The Nomination Committee consists of four members, three of whom are independent non-executive Directors, namely Mr. Yeung Chu Kwong (Chairman), Prof. Sin Yat Ming and Mr. Andrew Look; and the other member is an executive Director, Dr. Szeto Wing Fu. In addition, Mr. Kiu Wai Ming also served as the Chairman of the Nomination Committee until he resigned as an independent non-executive Director on 25 March 2024.

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 entitled to attend during the year	Number of meetings attended
Mr. Kiu Wai Ming *(resigned on 25 March 2024)*	1	1
Dr. Szeto Wing Fu	1	1
Mr. Andrew Look	1	1
Prof. Sin Yat Ming	1	1
Mr. Yeung Chu Kwong *(appointed on 25 March 2024)*	0	0

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.

In accordance with the requirements under the CG Code, the Company has set an initial target that each gender should account for at least 10% of the total members of the Board.

Regarding the Board's current composition, the Board comprises five male and one female Directors which represent 83% and 17%, respectively, of the total members of the Board, with different age, experience, background and diversity perspectives, which have been disclosed in biographical information shown in "Directors and Senior Management" on pages 20 to 23 of this Annual Report.

As at 31 December 2023, the overall workforce of the Group consisted of approximately 26% male and 74% female employees. At the senior management level there were four male and four female members. The Group has in place a mechanism to support diversity across all facets including but not limited to gender diversity. The Group treats every employee equally, adheres to equal pay for equal work and equal opportunities for different genders. For further details of the diversity of the workforce of the Group, please refer to the Group's 2023 ESG Report which will be published in April 2024.

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 reports to the Board annually and recommends any revisions that may be required for the Board's 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. Assisted by the independent internal control consultants, 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 2023, 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 2023 and the audit services for the year ended 31 December 2023 amounted to approximately HK$2.3 million.

Save as disclosed above, no fee has been paid or was payable for non-audit service provided by PricewaterhouseCoopers for the year ended 31 December 2023.

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 consolidated 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 49 to 56 of this Annual Report.

Company Secretary

Mr. Lau Siu Ki ("Mr. Lau") 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 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.hungfooktongholdings.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.

The Board has reviewed its prevailing shareholders' communication policy during the year, and believes that, in light of the multiple channels of communication and engagement in place as stated above, the current shareholders' communication policy of the Company has been properly implemented during 2023 and is effective.

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 2023, the Company has not made any amendment to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

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"), which are set out on pages 57 to 139, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policies and other explanatory information.

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 2023, 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:

- Revenue recognition; and
- Impairment of retail store assets

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition	
Refer to Note 5, Note 6 and Note 31 to the consolidated financial statements. The Group recognised revenue from sale of goods amounting to HK$672,729,000 for the year ended 31 December 2023, of which HK$503,819,000 was contributed from its retail business. Revenue from the sale of goods 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 from the sale of goods, including the recording of proceeds received from the sales of pre-paid coupons and credits as receipts in advance, and revenue recognition based on numbers of pre-paid coupons and credits redeemed and expired. We, with the assistance of our internal specialists over information technology ("IT") systems, 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 (Continued)	
We focus on revenue recognition, in particular for retail business, due to its magnitude and the nature of the Group's business. The recording of revenue in respect of the retail business involves high volume of small transactions through various IT systems. Any errors arising from capturing of data or interfaces of data amongst the various IT systems may have significant impacts on revenue recognition. Therefore, it requires significant time and resource to audit.	We conducted substantive testing of occurrence of revenue from sale of goods through retail operations and wholesales business, and income from 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. Our work also included testing of a sample of revenue-related journal entries on risk based criteria. Based on the procedures performed above, we found that the Groups' revenue transactions being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of retail store assets	
Refer to Note 4(b), Note 15 and Note 17(a) to the consolidated financial statements. The Group had approximately HK$254,880,000 and HK$196,290,000 of property, plant and equipment ("PPE") and right-of-use ("ROU") assets as at 31 December 2023 respectively, of which approximately HK$12,627,000 and HK$142,862,000 were attributable to its retail stores respectively. The carrying amounts of the retail store assets are written down to their recoverable amounts if the assets' carrying amounts are greater than their estimated recoverable amounts. Management considers each individual retail store as a separate identifiable cash-generating unit and monitor their financial performance for impairment indicators. Management has identified loss-making stores for impairment assessment for the year ended 31 December 2023.	We understood and evaluated management's process of identifying retail stores with impairment indicators. We understood the management's internal controls in respect of the assessment of the recoverable amounts of retail store assets and assessed the significant judgement made and the degree of estimation uncertainty involved. We compared prior year's forecast with actual performance of the current year and made enquiries for the reasons of any significant variations identified. We enquired of management in relation to key assumptions in their business plan and evaluated the key assumptions applied, such as revenue growth rate, percentage change of gross profit margin and operating costs by comparing them to historical information and our understanding of latest market information and conditions.

KEY AUDIT MATTERS (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of retail store assets (Continued)	
Impairment losses of PPE and ROU assets of HK$364,000 and HK$3,452,000 were recognised in the consolidated statement of comprehensive income respectively in accordance with the impairment assessment. The recoverable amounts of retail store assets are determined by value-in-use ("VIU") calculations using discounted cash flow projections based on the management's forecast covering the remaining tenure of the lease, with major assumptions such as change in revenue, gross profit margin and operating costs of individual store. We focused on this area because the inherent risk in relation to impairment assessment of PPE and ROU assets is considered higher due to subjectivity of assumptions used in the discounted cash flow projections such as forecasted sales and operating costs and the higher degree of estimation uncertainty of recoverable amounts of PPE and ROU assets of the retails stores.	We checked the tenure of the leases of the retail stores to the lease agreements and recomputed the impairment loss calculation. We involved internal expert in checking the reasonableness of discount rate used. Based on the procedures performed above, we found that the Groups' impairment assessments of PPE and ROU assets of retail stores are supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Hung Fook Tong Group Holdings Limited 2023 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 THE 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 the 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, 25 March 2024

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000 (Restated)
Revenue	5,6	**672,729**	686,718
Cost of sales	8	**(279,248)**	(281,145)
Gross profit		**393,481**	405,573
Other income, net	7	**3,606**	4,657
Selling and distribution costs	8	**(57,190)**	(58,629)
Administrative and operating expenses	8	**(372,866)**	(345,585)
Impairment loss on financial assets	8	**(3,409)**	(934)
Operating (loss)/profit		**(36,378)**	5,082
Finance income	10	**121**	67
Finance costs	10	**(8,680)**	(4,609)
Finance costs, net	10	**(8,559)**	(4,542)
(Loss)/profit before income tax		**(44,937)**	540
Income tax credit/(expense)	11	**2,321**	(4,668)
Loss for the year		**(42,616)**	(4,128)
(Loss)/profit attributable to:			
Owners of the Company		**(34,621)**	5,271
Non-controlling interests		**(7,995)**	(9,399)
		(42,616)	(4,128)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000 (Restated)
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss			
– Currency translation differences		**(3,720)**	(14,986)
Items that will not be reclassified to profit or loss			
– Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")		**–**	(5,000)
– Remeasurements of employee benefit obligations		**(366)**	258
Other comprehensive loss, net of tax		**(4,086)**	(19,728)
Total comprehensive loss for the year		**(46,702)**	(23,856)
Total comprehensive loss attributable to:			
Owners of the Company		**(38,635)**	(14,281)
Non-controlling interests		**(8,067)**	(9,575)
		(46,702)	(23,856)
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic and diluted (HK cents)	12	**(5.28)**	0.80

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

AS AT 31 DECEMBER 2023

	Note	As at 31 December 2023 HK$'000	2022 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	15	**254,880**	285,637
Right-of-use assets	17(a)	**196,290**	177,173
Intangible assets	16	**2,297**	2,707
Prepayments and deposits	21	**23,268**	21,311
Deferred income tax assets	26	**8,589**	7,645
		485,324	494,473
Current assets			
Inventories	18	**38,575**	55,064
Trade receivables	20	**56,260**	58,426
Prepayments, deposits and other receivables	21	**43,646**	39,751
Prepaid tax		**1,428**	8,168
Cash and cash equivalents	22	**88,530**	103,906
		228,439	265,315
Total assets		**713,763**	759,788
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**6,559**	6,559
Reserves	24	**271,592**	314,294
		278,151	320,853
Non-controlling interests		**(22,275)**	(14,208)
Total equity		**255,876**	306,645

AS AT 31 DECEMBER 2023

	Note	As at 31 December 2023 HK$'000	2022 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Lease liabilities	17(b)	**72,934**	55,927
Provision for reinstatement costs	30	**5,324**	6,024
Deferred income tax liabilities	26	**6,113**	8,106
Bank borrowings	32	**–**	7,323
Employee benefit obligations	27	**4,121**	3,348
		88,492	80,728
Current liabilities			
Trade payables	28	**37,865**	41,101
Accruals and other payables	29	**59,274**	55,433
Provision for reinstatement costs	30	**3,355**	3,356
Receipts in advance	31	**149,002**	164,584
Lease liabilities	17(b)	**82,446**	77,549
Bank borrowings	32	**36,566**	28,867
Taxation payable		**887**	1,525
		369,395	372,415
Total liabilities		**457,887**	453,143
Total equity and liabilities		**713,763**	759,788
Net current liabilities		**(140,956)**	(107,100)
Total assets less current liabilities		**344,368**	387,373

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

The consolidated financial statements on pages 57 to 139 were approved by the Board of Directors on 25 March 2024 and were signed on its behalf.

Tse Po Tat
Director

Wong Pui Chu
Director

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company										
	Share capital (Note 23) HK$'000	Share premium HK$'000	Capital reserve (Note 24) HK$'000	Share based compensation reserve HK$'000	Other reserves HK$'000	Financial asset at FVOCI reserve HK$'000	Exchange reserve HK$'000	Retained earnings (Note 24) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
For the year ended 31 December 2023											
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 2.2)	–	–	–	–	–	–	–	(1,943)	(1,943)	–	(1,943)
Balance at 1 January 2023 (restated)	6,559	192,171	8,123	5,421	2,394	(5,000)	(4,138)	115,323	320,853	(14,208)	306,645
Comprehensive loss											
Loss for the year	–	–	–	–	–	–	–	(34,621)	(34,621)	(7,995)	(42,616)
Other comprehensive loss											
Currency translation differences	–	–	–	–	–	–	(3,655)	–	(3,655)	(65)	(3,720)
Remeasurements of employee benefit obligations	–	–	–	–	–	–	–	(359)	(359)	(7)	(366)
Total comprehensive loss for the year	–	–	–	–	–	–	(3,655)	(34,980)	(38,635)	(8,067)	(46,702)
Transfer of loss on disposal of an equity investment at fair value through other comprehensive income to retained earnings	–	–	–	–	–	5,000	–	(5,000)	–	–	–
Transaction with owners											
2022 final and special dividends (Note 13)	–	(4,067)	–	–	–	–	–	–	(4,067)	–	(4,067)
Balance at 31 December 2023	6,559	188,104	8,123	5,421	2,394	–	(7,793)	75,343	278,151	(22,275)	255,876
For the year ended 31 December 2022											
Balance at 1 January 2022	6,559	196,632	8,123	5,421	–	–	10,672	109,794	337,201	(2,240)	334,961
Comprehensive income/(loss)											
Profit/(loss) for the year as previously reported	–	–	–	–	–	–	–	7,472	7,472	(9,399)	(1,927)
Change in accounting policy (note 2.2)	–	–	–	–	–	–	–	(2,201)	(2,201)	–	(2,201)
Profit/(loss) for the year (restated)	–	–	–	–	–	–	–	5,271	5,271	(9,399)	(4,128)
Other comprehensive (loss)/income											
Currency translation differences	–	–	–	–	–	–	(14,810)	–	(14,810)	(176)	(14,986)
Change in fair value of financial asset at FVOCI	–	–	–	–	–	(5,000)	–	–	(5,000)	–	(5,000)
Remeasurements of employee benefit obligations	–	–	–	–	–	–	–	258	258	–	258
Total comprehensive (loss)/income for the year (restated)	–	–	–	–	–	(5,000)	(14,810)	5,529	(14,281)	(9,575)	(23,856)
Transaction with owners											
2021 final and special dividends (Note 13)	–	(4,461)	–	–	–	–	–	–	(4,461)	–	(4,461)
Gain on partial disposal of a subsidiary (Note 14(b))	–	–	–	–	2,394	–	–	–	2,394	(2,393)	1
Total transactions with owners	–	(4,461)	–	–	2,394	–	–	–	(2,067)	(2,393)	(4,460)
Balance at 31 December 2022 (restated)	6,559	192,171	8,123	5,421	2,394	(5,000)	(4,138)	115,323	320,853	(14,208)	306,645

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**109,346**	126,247
Income tax refunded/(paid)		**5,516**	(3,033)
Net cash generated from operating activities		**114,862**	123,214
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(13,302)**	(23,307)
Payment for acquisition of right-of-use assets		**(1,393)**	–
Proceeds from disposal of property, plant and equipment	34(b)	**–**	6
Reinstatement costs paid for shop and office premises		**(1,079)**	(1,021)
Return of capital from a joint venture upon deregistration		**–**	30
Interest received	10	**121**	67
Net cash used in investing activities		**(15,653)**	(24,225)
Cash flows from financing activities			
Payment for lease liabilities (including interest)	17(b)	**(108,173)**	(101,084)
Proceeds from bank borrowings		**105,500**	65,000
Repayment of bank borrowings		**(105,124)**	(68,510)
Dividend paid to the Company's shareholders	13	**(4,067)**	(4,461)
Interest paid on borrowing	10	**(2,690)**	(964)
Net cash used in financing activities		**(114,554)**	(110,019)
Net decrease in cash and cash equivalents		**(15,345)**	(11,030)
Effect of currency translation difference		**(31)**	(1,740)
Cash and cash equivalents at beginning of year		**103,906**	116,676
Cash and cash equivalents at end of year	22	**88,530**	103,906

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 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 25 March 2024.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY

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

(a) Compliance with HKFRS and Hong Kong Companies Ordinance

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).

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.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention.

(c) Basis of going concern

The Group's current liabilities exceeded its current assets by HK$140,956,000 as at 31 December 2023 (31 December 2022: HK$107,100,000) and the Group incurred a loss for the year ended 31 December 2023 of HK$42,616,000 (2022: HK$4,128,000). The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 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 31 December 2023. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (Continued)

2.1 Basis of preparation (Continued)

(d) Certain new standard and amendments to existing standards adopted by the Group

The Group has applied the following new standard and amendments to existing standards for the first time for their annual reporting period commencing 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 (New Standard)
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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.

(e) Certain amendments to existing standards and interpretation issued 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 annual 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
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
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 material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (Continued)

2.2 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.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (Continued)

2.2 Change in accounting policy on long service payments (Continued)

The change in accounting policy has been applied by restating the results for the year ended 31 December 2022 and the balances as at 31 December 2022:

	As previously reported HK$'000	Effect of change HK$'000	As restated HK$'000
Consolidated Statement of Comprehensive Income			
Cost of sales	(280,406)	(739)	(281,145)
Administrative and operating expenses	(343,740)	(1,845)	(345,585)
Finance costs	(4,557)	(52)	(4,609)
Profit before tax	3,176	(2,636)	540
Income tax expense	(5,103)	435	(4,668)
Loss after tax	(1,927)	(2,201)	(4,128)
Profit attributable to owners of the Company	7,472	(2,201)	5,271
Other comprehensive loss	(19,986)	258	(19,728)
Consolidated Statement of Financial Position			
ASSETS			
Deferred income tax assets	7,210	435	7,645
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	–	3,348	3,348
Current liabilities			
Accruals and other payables	56,403	(970)	55,433
EQUITY			
Reserves	316,237	(1,943)	314,294

The aforementioned change in accounting policy does not have any impact to the consolidated statement of financial position as at 1 January 2022.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (Continued)

2.2 Change in accounting policy on long service payments (Continued)

The change in accounting policy affected the following items in the consolidated statement of comprehensive income for the year ended 31 December 2023 and the consolidated statement of financial position as at 31 December 2023:

	Under previous accounting policy HK$'000	Effect of change HK$'000	As reported HK$'000
Consolidated Statement of Comprehensive Income			
Cost of sales	(279,001)	(247)	(279,248)
Administrative and operating expenses	(372,615)	(251)	(372,866)
Finance costs	(8,554)	(126)	(8,680)
Loss before tax	(44,313)	(624)	(44,937)
Income tax credit	2,218	103	2,321
Loss after tax	(42,095)	(521)	(42,616)
Loss attributable to owners of the Company	(34,101)	(520)	(34,621)
Loss attributable to non-controlling interests	(7,994)	(1)	(7,995)
Other comprehensive loss	(3,720)	(366)	(4,086)
Consolidated Statement of Financial Position			
ASSETS			
Deferred income tax assets	8,486	103	8,589
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	3,131	990	4,121
EQUITY			
Reserves	272,479	(887)	271,592

Refer to Note 39.13(e) for the accounting policies relevant to long service payments.

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 assets and liabilities denominated in a currency that is not the entity's functional currency.

As at 31 December 2023, if RMB had strengthened/weakened by 5% (2022: 5%) against Hong Kong dollar with all other variables held constant, post-tax loss for the year would have been approximately HK$199,000 lower/higher (2022: HK$204,000) 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.

As at 31 December 2023, if interest rates had been 50 basis points higher/lower and all other variable were held constant, the Group's post-tax loss for the year would have been approximately HK$250,000 higher/lower (2022: HK$302,000) mainly attributable to the Group's exposure to interest rates on its variable rate bank balances and bank borrowings.

(b) Credit risk

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables and cash and cash equivalents.

(i) Risk management

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 2023.

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 2023, top five customers of the Group accounted for approximately 52% (2022: 50%) 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).

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, general industrial default rates 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, and gross domestic product growth and merchandise trade balance in PRC to be the most relevant forward-looking 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 Baa3 and Aaa 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.

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, and gross domestic product growth and merchandise trade balance in PRC to be the most relevant forward-looking factors, and accordingly adjust the default rate based on expected changes in these factors.

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

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 is summarised as follows:

	Lifetime expected credit loss rate	Gross carrying amount HK$'000	Lifetime expected credit loss HK$'000	Net carrying amount HK$'000
31 December 2023				
Customers conducting wholesale business in Hong Kong and other regions:				
Provision for individual basis	**0%**	**23,058**	**–**	**23,058**
Provision for collective basis	**3.0%**	**11,525**	**(346)**	**11,179**
Customers conducting wholesale business in PRC:				
Provision for individual basis	**0%**	**331**	**–**	**331**
Provision for collective basis	**5.4%**	**1,288**	**(70)**	**1,218**
Corporate customers in Hong Kong retail segment:				
Provision for individual basis	**0%**	**8,140**	**–**	**8,140**
Provision for collective basis	**2.4%**	**4,118**	**(100)**	**4,018**
Receivables from electronic payment service providers in Hong Kong retail segment:				
Provision for individual basis	**0%**	**8,316**	**–**	**8,316**
Total		**56,776**	**(516)**	**56,260**
31 December 2022				
Customers conducting wholesale business in Hong Kong and other regions:				
Provision for individual basis	0%	22,141	–	22,141
Provision for collective basis	2.6%	13,882	(361)	13,521
Customers conducting wholesale business in PRC:				
Provision for collective basis	2.3%	3,014	(70)	2,944
Corporate customers in Hong Kong retail segment:				
Provision for individual basis	0%	6,992	–	6,992
Provision for collective basis	4.8%	9,699	(467)	9,232
Receivables from electronic payment service providers in Hong Kong retail segment:				
Provision for individual basis	0%	3,596	–	3,596
Total		59,324	(898)	58,426

Movements on the Group's provision for impairment of trade receivables are disclosed in Note 20.

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 there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period.

During the year ended 31 December 2023, management assessed the collectability of long-aged trade receivables and has written off trade receivables in the aggregate amount of approximately HK$4,216,000 to profit or loss.

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

For the year ended 31 December 2022, management assessed that there was a significant increase in credit risk of the receivable from a related party and recorded a specific provision for impairment of approximately HK$579,000 accordingly. During the year ended 31 December 2023, the impaired receivable from a related party was fully recovered. Management made periodic individual and collective assessments on the recoverability of other receivables based on historical settlement records and past experience. Movements on the Group's provision for impairment of other receivables are disclosed in Note 21.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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 positions.

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	
	2023	2022
	HK$'000	HK$'000
Within one year	**33,610**	23,675
Between 1 and 2 years	**2,039**	9,371
Between 2 and 5 years	**3,599**	4,543
	39,248	37,589

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Maturity Analysis – Undiscounted cash outflows

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.

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 2023				
Trade payables	**37,865**	**–**	**–**	**37,865**
Accruals and other payables	**40,028**	**–**	**–**	**40,028**
Bank borrowings	**36,566**	**–**	**–**	**36,566**
Lease liabilities	**87,561**	**56,014**	**19,607**	**163,182**
	202,020	**56,014**	**19,607**	**277,641**
As at 31 December 2022				
Trade payables	41,101	–	–	41,101
Accruals and other payables	33,674	–	–	33,674
Bank borrowings	28,867	7,668	–	36,535
Lease liabilities	79,927	41,598	15,383	136,908
	183,569	49,266	15,383	248,218

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

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.

The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 HK$'000	2022 HK$'000 (Restated)
Bank borrowings (Note 32)	**36,566**	36,190
Lease liabilities (Note 17(b))	**155,380**	133,476
Less: Cash and cash equivalents (Note 22)	**(88,530)**	(103,906)
Net debt	**103,416**	65,760
Total equity	**255,876**	306,645
Total capital	**359,292**	372,405
Gearing ratio	**28.8%**	17.7%

3.3 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.

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 and amortisation charges 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. 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 different 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

Revenue recognition on sale of goods through pre-paid coupons is dependent on the estimation of the breakage and utilisation pattern of coupons. Based on the Group's historical experience, the Group makes estimates 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 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 2023 and 2022.

5 SEGMENT INFORMATION (Continued)

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.

The segment information provided to the executive directors for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December 2023		
	Hong Kong Retail HK$'000	Wholesale HK$'000	Total HK$'000
Segment revenue	519,292	171,330	690,622
Less: Inter-segment revenue	(15,473)	(2,420)	(17,893)
Revenue from external customers	503,819	168,910	672,729
Segment results	(5,264)	17,460	12,196
Corporate expenses (Note (a))			(48,574)
Finance costs, net			(8,559)
Loss before income tax			(44,937)
Income tax credit			2,321
Loss for the year			(42,616)
Other segment items:			
Capital expenditure	11,240	1,825	13,065
Depreciation and amortisation (excluding depreciation of right-of-use assets)	26,304	9,866	36,170
Depreciation of right-of-use assets	99,741	693	100,434
Losses on disposal of property, plant and equipment	382	–	382
Write-off of property, plant and equipment	–	3,120	3,120

5 SEGMENT INFORMATION (Continued)

	Year ended 31 December 2022		
	Hong Kong Retail HK$'000	Wholesale HK$'000	Total HK$'000 (Restated)
Segment revenue	530,549	174,402	704,951
Less: Inter-segment revenue	(13,132)	(5,101)	(18,233)
Revenue from external customers	517,417	169,301	686,718
Segment results	29,149	20,432	49,581
Corporate expenses (Note (a))			(44,499)
Finance costs, net			(4,542)
Profit before income tax			540
Income tax expense			(4,668)
Loss for the year			(4,128)
Other segment items:			
Capital expenditure	18,811	9,901	28,712
Depreciation and amortisation (excluding depreciation of right-of-use assets)	26,182	11,111	37,293
Depreciation of right-of-use assets	94,272	613	94,885
Losses on disposal of property, plant and equipment	84	–	84

5 SEGMENT INFORMATION (Continued)

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

	Hong Kong Retail HK$'000	Wholesale HK$'000	Elimination HK$'000	Total HK$'000
As at 31 December 2023				
Segment assets	**466,256**	**217,410**	**(620)**	**683,046**
Prepaid tax				**1,428**
Deferred income tax assets				**8,589**
Corporate assets (Note (b))				**20,700**
Total assets				**713,763**
As at 31 December 2022 (Restated)				
Segment assets	490,114	246,691	(513)	736,292
Prepaid tax				8,168
Deferred income tax assets				7,645
Corporate assets (Note (b))				7,683
Total assets				759,788

Notes:

(a) Corporate expenses mainly included employee benefit expenses, depreciation of right-of-use assets and property, plant and equipment of headquarters office and auditors' remuneration for the years ended 31 December 2023 and 2022.

(b) Corporate assets mainly included cash and cash equivalents, prepayment, deposits and other receivables, and right-of-use assets and property, plant and equipment of headquarters office as at 31 December 2023 and 2022.

The eliminations between the reportable segments are inter-company 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 2023, no revenue was generated from the Cayman Islands and no assets were located in the Cayman Islands (2022: 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	
	2023	2022
	HK$'000	HK$'000
Hong Kong	**634,871**	647,272
The PRC	**24,406**	26,439
Overseas	**13,452**	13,007
	672,729	686,718

There is no single external customer contributing more than 10% to the Group's revenue for the years ended 31 December 2023 and 2022.

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	
	2023	2022
	HK$'000	HK$'000
Hong Kong	**512,672**	536,663
The PRC	**170,374**	199,629
	683,046	736,292

Non-current assets, other than deferred income tax assets, by geographical areas are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Hong Kong	**336,458**	331,258
The PRC	**140,277**	155,570
	476,735	486,828

6 REVENUE

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Sale of goods	**672,729**	686,718

(a) Revenue recognition in relation to contract liabilities

As at 31 December 2023 and 2022, contract liabilities included receipts in advance and deferred revenue amounting to HK$149,002,000 (2022: HK$164,584,000) and HK$2,131,000 (2022: HK$3,459,000) 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:

	2023	2022
	HK$'000	HK$000
Revenue recognised that was included in the receipts in advance and deferred revenue balance at the beginning of the year	**168,043**	178,786

There is no revenue recognised during the current year (2022: 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.

Accounting policy of revenue

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.

6 REVENUE (Continued)

Accounting policy of revenue (Continued)

(a) Sale 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.

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) Sale 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) Sale of goods – customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate award points for purchases made which entitle them to enjoy discounts on future purchases. Revenue from the award points is recognised when the points are redeemed or expired.

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

7 OTHER INCOME, NET

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Government grants (Note (a))	**–**	1,880
Insurance claim	**–**	37
Service income	**2,221**	594
Exchange (losses)/gains	**(425)**	313
Losses on disposal of property, plant and equipment (Note 34(b))	**(382)**	(84)
Others	**2,192**	1,917
Total other income	**3,606**	4,657

Note:

(a) 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 during the year ended 31 December 2022. The Group has complied all attached conditions before 31 December 2022 and recognised in the consolidated statement of comprehensive income.

8 EXPENSES BY NATURE

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000 (Restated)
Cost of inventories sold		**218,396**	220,197
Lease rental in respect of retail outlets (Note (a))			
– Contingent rental		**474**	516
Lease rental in respect of storage spaces and office premises (Note (a))		**12,253**	12,361
Advertising and promotional expenditure		**15,612**	12,059
Depreciation of property, plant and equipment	15	**36,666**	38,093
Depreciation of right-of-use assets	17(a)	**102,552**	96,827
Amortisation of intangible assets	16	**662**	560
Communication and utilities		**32,115**	32,196
Employee benefit expenses (including directors' emoluments)	9	**212,192**	199,060
Provision for obsolete inventories	18	**606**	434
Impairment loss on financial assets		**3,409**	934
Provision for impairment on right-of-use assets	17(a)	**3,452**	880
Provision for impairment on property, plant and equipment	15	**364**	–
Write-off of property, plant and equipment	15	**3,120**	–
Legal and professional fees		**4,459**	4,845
Auditors' remuneration			
– Audit services		**2,300**	2,907
Tools, repair and maintenance expenses		**12,643**	10,675
Transportation and distribution expenses		**30,859**	32,347
Others		**20,579**	21,402
Total cost of sales, selling and distribution costs, administrative and operating expenses and impairment loss on financial assets		**712,713**	686,293

Note:

(a) These expenses included short-term leases expenses of HK$910,000 (2022: HK$1,030,000), variable leases payment expenses of HK$2,257,000 (2022: HK$1,699,000), and other rental-related expenses of HK$9,560,000 (2022: HK$10,148,000) and are charged in 'administrative and operating expenses' for the year ended 31 December 2023.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2023 HK$'000	2022 HK$'000 (Restated)
Wages, salaries and bonuses (Note)	196,643	180,182
Medical and other employee benefits	7,968	8,746
Retirement benefit costs – defined contribution plans	7,581	10,132
	212,192	199,060

Note:

For the year ended 31 December 2022, wage subsidies of HK$15,566,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from May to July 2022 has been received. The amounts of HK$1,577,000 and HK$13,989,000 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 2023, the five individuals whose emoluments were the highest in the Group include three directors (2022: three directors), whose emoluments are reflected in the analysis shown in Note 38(a). The emoluments paid/payable to the remaining two individuals (2022: two individuals) are as follows:

	Year ended 31 December	
	2023 HK$'000	2022 HK$'000
Wages, salaries and bonuses and benefits in kind	2,582	2,434
Bonuses	292	343
Retirement benefit costs – defined contribution plans	31	36
	2,905	2,813

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.

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

	Number of individuals	
	2023	2022
Emolument band		
HK$1,000,001 to HK$1,500,000	2	2

10 FINANCE COSTS, NET

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Finance income:		
– Interest income	**121**	67
Finance costs:		
– Interest expenses on employee benefit obligations	**(126)**	(52)
– Interest expenses on borrowings	**(2,690)**	(964)
– Interest and finance charges paid/payable for lease liabilities (Note 17(b))	**(5,864)**	(3,593)
	(8,680)	(4,609)
Finance costs, net	**(8,559)**	(4,542)

11 INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2 million of estimated assessable profits of this subsidiary is taxed at 8.25% and the remaining estimated assessable profits are taxed at 16.5% (2022: Same).

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% (2022: 25%).

11 INCOME TAX (CREDIT)/EXPENSE (Continued)

The amount of income tax (credit)/expense represents:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Current tax:		
Hong Kong Profits Tax for the year	**71**	–
PRC CIT for the year	**563**	559
(Over)/under-provision in prior years	**(16)**	257
Deferred income tax:		
Derecognition of unutilised tax loss	**8**	2,176
Other temporary differences	**(2,947)**	1,676
Income tax (credit)/expense	**(2,321)**	4,668

The tax on the Group's (loss)/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	
	2023	2022
	HK$'000	HK$'000
		(Restated)
(Loss)/profit before income tax	**(44,937)**	540
Tax calculated at 16.5% (2022: 16.5%)	**(7,415)**	89
Effect of different tax rates applicable to subsidiaries in the respective locations	**(596)**	601
Income not subject to tax	**(294)**	(2,910)
Expenses not deductible for tax purposes	**1,814**	435
Temporary difference not recognised	**780**	–
Tax loss not recognised	**3,607**	4,256
Utilisation of previously unrecognised tax loss	**(209)**	(236)
Derecognition of unutilised tax loss	**8**	2,176
(Over)/under-provision of income tax expense in prior years	**(16)**	257
Income tax (credit)/expense	**(2,321)**	4,668

11 INCOME TAX (CREDIT)/EXPENSE (Continued)

Accounting policy of 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 unused tax losses.

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 Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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 and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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.

12 (LOSS)/EARNINGS PER SHARE

	Year ended 31 December	
	2023	2022 (Restated)
(Loss)/profit attributable to owners of the Company (HK$'000)	**(34,621)**	5,271
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)	**(5.28)**	0.80
– Diluted (loss)/earnings per share (HK cents)	**(5.28)**	0.80

(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 year.

(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 years ended 31 December 2023 and 2022 equal basic (loss)/earnings per share as there were no potentially dilutive ordinary shares as at both years end.

13 DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends attributable to the year		
Proposed final dividend of nil (2022: HK0.34 cent) per ordinary share	**–**	2,230
Proposed special dividend of nil (2022: HK0.28 cent) per ordinary share	**–**	1,837
	–	4,067
Dividends paid during the year		
2022 final and special dividends totalling HK0.62 cent per ordinary share	**4,067**	–
2021 final and special dividends totalling HK0.68 cent per ordinary share	**–**	4,461
	4,067	4,461

14 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2023 and 2022 are set out below.

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Issued and paid up/ registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	2023	2022
Directly held by the Company							
Hung Fook Tong Group Limited	British Virgin Islands, 17 January 2014, limited liability company	Investment holding, Hong Kong	US$1	100%	100%	–	–
Indirectly held by the Company							
Speedy Pro Supply Chain Limited	Hong Kong, 17 December 2020, limited liability company	Logistics and trading, Hong Kong	HK$10,000	60%	60%	40%	40%
Hung Fook Tong Holdings Limited	Hong Kong, 6 May 1993, limited liability company	Investment holding, Hong Kong	HK$8,103,111	100%	100%	–	–
Hung Fook Tong Franchise System Management Limited	Hong Kong, 19 November 1992, limited liability company	Wholesaling and retailing of herbal products, Hong Kong	HK$10,000	100%	100%	–	–
Hung Fook Tong (Herbal Tea) Limited	Hong Kong, 13 January 1989, limited liability company	Manufacturing and trading of snacks, Hong Kong	HK$300,000	100%	100%	–	–
Hung Fook Tong Trading Company Limited	Hong Kong, 23 May 2006, limited liability company	Trading of bottled drinks, Hong Kong	HK$1	100%	100%	–	–
Hung Fook Tong (China) Development Limited	Hong Kong, 29 April 1993, limited liability company	Importing, wholesaling and distribution of bottled herbal drinks, Hong Kong	HK$6,000,000	100%	100%	–	–
Hung Fook Tong Property Leasing Limited	Hong Kong, 20 April 1993, limited liability company	Administration of group rental leases, Hong Kong	HK$2	100%	100%	–	–
Hung Fook Tong Online Limited	Hong Kong, 20 April 1993, limited liability company	E-commerce, Hong Kong	HK$2	100%	100%	–	–
Hung Fook Tong Herbal Tea Holdings Limited	Hong Kong, 10 January 2007, limited liability company	Investment holding, Hong Kong	HK$100	100%	100%	–	–

14 SUBSIDIARIES (Continued)

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Issued and paid up/ registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	2023	2022
Indirectly held by the Company (Continued)							
Quality of Life Products Company Limited	Hong Kong, 21 July 1992, limited liability company	Wholesaling of coupons and catering, Hong Kong	HK$10,000	100%	100%	–	–
Hung Fook Tong Management Institute Limited	Hong Kong, 17 December 2005, limited liability company	Provision of training courses, Hong Kong	HK$1	100%	100%	–	–
Hong Kong Hung Fook Tong Herbal Tea Holdings Limited	Hong Kong, 24 December 2007, limited liability company	Inactive	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, limited liability company	Manufacturing of bottled drinks, PRC	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, limited liability company	Trading of bottled drinks, PRC	RMB8,500,000	100%	100%	–	–
Hung Fook Tong Services Limited	Hong Kong, 4 October 1994, limited liability company	Licence holding for Hung Fook Tong (Herbal Tea) Limited and Hung Fook Tong Franchise System Management Limited, Hong Kong	HK$3	100%	100%	–	–
Gold Work Limited	Hong Kong, 1 April 2010, limited liability company	Investment holding, Hong Kong	HK$10,000	100%	100%	–	–
Goldmark Plastic Bottle Manufacturing Limited	Hong Kong, 11 October 2002, limited liability company	Investment holding, Hong Kong	HK$1,222,000	51%	51%	49%	49%
Gaoda Plastic Bottle (Dongguan) Company Limited 高達塑膠瓶(東莞)有限公司#	PRC, 3 May 2012, limited liability company	Manufacturing of plastics bottles, PRC	HK$8,000,000	51%	51%	49%	49%
Gao Bi Da Plastic Bottle (Kaiping) Co., Ltd 高必達塑膠瓶(開平)有限公司#	PRC, 15 March 2018, limited liability company	Manufacturing of plastics bottles, PRC	RMB10,000,000	51%	51%	49%	49%

14 SUBSIDIARIES (Continued)

Name of entity	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Issued and paid up/ registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	2023	2022
Indirectly held by the Company (Continued)							
Hung Fook Tong International Limited	Hong Kong, 20 July 1993, limited liability company	Investment holding, Hong Kong	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, limited liability company	Wholesaling and retailing of herbal products, PRC	RMB13,000,000	100%	100%	–	–
Taclon Industries Limited	Hong Kong, 15 December 1972, limited liability company	Manufacturing & wholesaling of herbal products and lease of a production facility at Tai Po Industrial Estate, Hong Kong	HK$100,700,100	100%	100%	–	–
Hung Fook Tong Food (Suzhou) Co. Limited 鴻福堂食品(蘇州)有限公司# (Company dissolved on 12 June 2023)	PRC, 6 August 2014, limited liability company	Wholesaling, import and export of food products, PRC	RMB10,000,000	–	100%	–	–
Luck Access Investment Develop Limited	Hong Kong, 3 December 2013, limited liability company	Holding company of the joint venture business in Shanghai, Hong Kong	HK$1	100%	100%	–	–
Gold Medal Development Limited	Hong Kong, 20 December 2013, limited liability company	Shop operations management for retail shop business in Shanghai, Hong Kong	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, limited liability company	Manufacturing & wholesaling of herbal products and snacks, PRC	RMB130,000,000	100%	100%	–	–
Handmade Bakery Development Co., Limited	Hong Kong, 13 July 2018, limited liability company	Manufacturing & retailing of bakery products, Hong Kong	HKD510,000	51%	51%	49%	49%

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.

14 SUBSIDIARIES (Continued)

(a) Non-controlling interests

The total non-controlling interests as at 31 December 2023 and 2022 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., Limited, Speedy Pro Supply Chain Limited ("Speedy Pro") and Handmade Bakery Development Co., Limited ("Handmade"). Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Speedy Pro As at 31 December		Handmade As at 31 December	
Summarised statement of financial position	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Current				
Assets	**1,778**	3,648	**13,303**	4,240
Liabilities	**(9,381)**	(10,681)	**(57,338)**	(29,774)
Total current net liabilities	**(7,603)**	(7,033)	**(44,035)**	(25,534)
Non-current				
Assets	**3,172**	561	**2,555**	4,433
Liabilities	**(1,037)**	–	**(476)**	(1,737)
Total non-current net assets	**2,135**	561	**2,079**	2,696
Net liabilities	**(5,468)**	(6,472)	**(41,956)**	(22,838)
Accumulated non-controlling interests	**(2,187)**	(2,589)	**(20,558)**	(11,190)

14 SUBSIDIARIES (Continued)

(a) Non-controlling interests (Continued)

Summarised statement of comprehensive income	Speedy Pro Year ended 31 December 2023 HK$'000	Speedy Pro Year ended 31 December 2022 HK$'000	Handmade Year ended 31 December 2023 HK$'000	Handmade Year ended 31 December 2022 HK$'000
Revenue	**31,257**	24,303	**33,646**	33,597
Profit/(loss) before tax	**1,022**	(6,411)	**(19,115)**	(17,893)
Income tax (expense)/credit	**–**	–	**(3)**	5
Remeasurements of employee benefit obligations	**(18)**	–	**–**	–
Profit/(loss) and total comprehensive income/(loss)	**1,004**	(6,411)	**(19,118)**	(17,888)
Profit/(loss) allocated to non-controlling interests	**402**	(2,564)	**(9,368)**	(7,443)
Dividend paid to non-controlling interests	**–**	–	**–**	–

Summarised statement of cash flows	Speedy Pro Year ended 31 December 2023 HK$'000	Speedy Pro Year ended 31 December 2022 HK$'000	Handmade Year ended 31 December 2023 HK$'000	Handmade Year ended 31 December 2022 HK$'000
Cashflow generated from/(used in) operating activities	**1,038**	(2,746)	**(19,406)**	(16,412)
Cashflow used in investing activities	**(1,638)**	(556)	**(90)**	(105)
Cashflow (used in)/generated from financing activities	**(159)**	–	**18,476**	17,909
Net (decrease)/increase in cash and cash equivalents	**(759)**	(3,302)	**(1,020)**	1,392

(b) Transaction with non-controlling interests

As at 31 December 2021, the Group owned 75% equity interest in Handmade. On 9 May 2022, the Group disposed of its 24% equity interest in Handmade to the minority shareholders for a consideration of approximately HK$1,000. Accordingly, the corresponding accumulated loss was transferred to the non-controlling interests, resulting in a decrease in non-controlling interests of HK$2,393,000 and an increase in equity attributable to owners of the Company of HK$2,394,000.

15 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 2023								
Opening net book amount	177,359	7,668	26,749	6,364	59,484	1,823	6,190	285,637
Additions	–	309	5,671	1,460	3,229	792	1,352	12,813
Disposals (Note 34(b))	–	–	(25)	(15)	(87)	–	(255)	(382)
Impairment (Note 8)	–	–	(364)	–	–	–	–	(364)
Write-off (Note)	–	(3,120)	–	–	–	–	–	(3,120)
Transfer	2,097	(2,159)	–	(30)	–	–	92	–
Depreciation (Note 8)	(7,344)	–	(11,151)	(1,488)	(13,473)	(638)	(2,572)	(36,666)
Exchange difference	(1,843)	(140)	(50)	(7)	(955)	(9)	(34)	(3,038)
Closing net book amount	170,269	2,558	20,830	6,284	48,198	1,968	4,773	254,880
At 31 December 2023								
Cost	222,446	2,558	145,394	20,355	171,331	7,091	33,854	603,029
Accumulated depreciation and impairment	(52,177)	–	(124,564)	(14,071)	(123,133)	(5,123)	(29,081)	(348,149)
Net book amount	170,269	2,558	20,830	6,284	48,198	1,968	4,773	254,880
Year ended 31 December 2022								
Opening net book amount	187,916	6,078	26,405	5,525	71,308	1,748	7,344	306,324
Additions	–	5,339	11,774	2,162	5,944	720	2,110	28,049
Disposals (Note 34(b))	–	–	–	–	(82)	(8)	–	(90)
Transfer	3,395	(3,423)	25	–	–	–	3	–
Depreciation (Note 8)	(7,635)	–	(11,417)	(1,301)	(13,987)	(619)	(3,134)	(38,093)
Exchange difference	(6,317)	(326)	(38)	(22)	(3,699)	(18)	(133)	(10,553)
Closing net book amount	177,359	7,668	26,749	6,364	59,484	1,823	6,190	285,637
At 31 December 2022								
Cost	222,399	7,668	140,021	18,981	171,052	6,316	33,154	599,591
Accumulated depreciation and impairment	(45,040)	–	(113,272)	(12,617)	(111,568)	(4,493)	(26,964)	(313,954)
Net book amount	177,359	7,668	26,749	6,364	59,484	1,823	6,190	285,637

Note:

For the year ended 31 December 2023, property, plant and equipment in the aggregate amount of HK$3,120,000 were written off as a result of the planned relocation of certain production operations from Hong Kong to the PRC.

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of HK$10,821,000 (2022: HK$11,950,000) has been charged in 'cost of sales' and HK$25,845,000 (2022: HK$26,143,000) in 'administrative and operating expenses' for the year ended 31 December 2023.

Accounting policy of property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period 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, net of 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 the end of 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the relevant asset. These are included in 'other income, net' in the consolidated statement of comprehensive income.

See Note 39.5 for the impairment policy of property, plant and equipment.

16 INTANGIBLE ASSETS

	Software HK$'000
Year ended 31 December 2022	
Opening net book amount	2,604
Addition	663
Amortisation (Note 8)	(560)
Closing net book amount	2,707
At 31 December 2022	
Cost	3,267
Accumulated amortisation	(560)
Net book amount	2,707
Year ended 31 December 2023	
Opening net book amount	**2,707**
Addition	**252**
Amortisation (Note 8)	**(662)**
Closing net book amount	**2,297**
At 31 December 2023	
Cost	**3,519**
Accumulated amortisation	**(1,222)**
Net book amount	**2,297**

16 INTANGIBLE ASSETS (Continued)

Amortisation of HK$662,000 (2022: HK$560,000) has been charged in 'administrative and operating expenses' for the year ended 31 December 2023.

Accounting policy of 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 the 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.

See Note 39.5 for the impairment policy of intangible assets.

17 LEASES

(a) Right-of-use assets

	Leasehold land and land use rights HK$'000	Store properties and office HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2022	53,680	139,774	–	193,454
Inception of lease contracts	–	90,967	–	90,967
Depreciation (Note 8) (included in administrative and operating expenses)	(1,654)	(95,173)	–	(96,827)
Modification of lease contracts	–	(7,545)	–	(7,545)
Provision for impairment (Note 8)	–	(880)	–	(880)
Exchange difference	(1,996)	–	–	(1,996)
At 31 December 2022	50,030	127,143	–	177,173
At 1 January 2023	**50,030**	**127,143**	**–**	**177,173**
Inception of lease contracts	**–**	**122,267**	**2,785**	**125,052**
Depreciation (Note 8) (included in administrative and operating expenses)	**(1,625)**	**(100,648)**	**(279)**	**(102,552)**
Modification of lease contracts	**–**	**634**	**–**	**634**
Provision for impairment (Note 8)	**–**	**(3,452)**	**–**	**(3,452)**
Exchange difference	**(565)**	**–**	**–**	**(565)**
At 31 December 2023	**47,840**	**145,944**	**2,506**	**196,290**

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 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.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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.

17 LEASES (Continued)

(b) Lease liabilities

	2023 HK$'000	2022 HK$'000
At 1 January	133,476	149,549
Inception of lease contracts	123,579	88,963
Interest expenses on lease liabilities (Note 10) (included in finance costs)	5,864	3,593
Payment for lease liabilities (including interest)	(108,173)	(101,084)
Modification of lease contracts	634	(7,545)
At 31 December	155,380	133,476

	2023 HK$'000	2022 HK$'000
Amount due for settlement within 12 months (shown under current liabilities)	82,446	77,549
Amount due for settlement after 12 months	72,934	55,927
As at 31 December	155,380	133,476

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 2023 was HK$120,900,000 (2022: HK$113,961,000).

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

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

As at 31 December 2023, the total future lease payments for short-term leases and low value leases amounted to HK$404,000 (2022: HK$412,000). As at 31 December 2023, leases committed but not yet commenced are relatively insignificant (2022: Same).

17 LEASES (Continued)

Accounting policy of leases

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.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security 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;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

17 LEASES (Continued)

Accounting policy of leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to the 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.

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.

Right-of-use assets are generally depreciated over the shorter of their useful life or the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a purchase option. 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.

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.

See Note 39.5 for the impairment policy of right-of-use assets.

18 INVENTORIES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Raw materials	**13,070**	19,868
Work-in-progress	**4,757**	3,761
Finished goods	**22,189**	32,270
	40,016	55,899
Less: Provision for obsolete inventories	**(1,441)**	(835)
	38,575	55,064

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

	2023	2022
	HK$'000	HK$'000
At 1 January	**835**	401
Provision for obsolete inventories (Note 8)	**606**	434
At 31 December	**1,441**	835

The cost of inventories recognised as expenses and included in 'cost of sales' amounted to HK$215,313,000 (2022: HK$214,470,000) during the year ended 31 December 2023.

During the year ended 31 December 2023, the Group has written off inventory of HK$4,122,000, of which HK$2,607,000 is included in 'cost of sales', HK$1,395,000 in 'selling and distribution costs' and HK$120,000 in 'administrative and operative expenses'

Accounting policy of inventories

Inventories, comprise of raw materials, work-in-progress and finished goods, 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 direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

19 FINANCIAL INSTRUMENTS BY CATEGORIES

The Group holds the following financial instruments:

	Note	As at 31 December 2023 HK$'000	2022 HK$'000
Financial assets			
Financial assets at amortised cost			
– Trade receivables	20	**56,260**	58,426
– Deposits and other receivables (excluding prepayments and value-added tax recoverable)		**41,189**	42,075
– Cash and cash equivalents	22	**88,530**	103,906
Financial liabilities			
Liabilities at amortised cost			
– Trade payables	28	**37,865**	41,101
– Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)		**40,028**	33,674
– Bank borrowings	32	**36,566**	36,190
– Lease liabilities	17(b)	**155,380**	133,476

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.

20 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Trade receivables from third parties	**56,776**	58,896
Trade receivables from a related party	**–**	428
	56,776	59,324
Less: Provision for impairment of trade receivables	**(516)**	(898)
Trade receivables, net	**56,260**	58,426

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Less than 30 days	**22,679**	19,413
31-90 days	**25,934**	30,517
Over 90 days	**8,163**	9,394
	56,776	59,324

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.

20 TRADE RECEIVABLES (Continued)

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

	2023 HK$'000	2022 HK$'000
At 1 January	**898**	543
(Reversal of)/provision for impairment of trade receivables	**(342)**	355
Receivables written off during the year as uncollectible	**(40)**	–
At 31 December	**516**	898

The Group does not hold any collateral as security.

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

	As at 31 December	
	2023 HK$'000	2022 HK$'000
HK$	**54,711**	55,231
RMB	**1,549**	3,195
	56,260	58,426

Accounting policy of trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade 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 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 of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3.1(b)(ii) and Note 39.6.

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Non-current portion		
Prepayments for property, plant and equipment	**4,065**	4,416
Rental and other deposits	**19,203**	16,895
Total	**23,268**	21,311
Current portion		
Prepayments	**16,090**	7,948
Rental and other deposits	**14,316**	18,853
Value-added tax recoverable	**5,570**	6,623
Receivable from a related party	**–**	349
Other receivables	**7,784**	6,557
Total	**43,760**	40,330
Less: Provision for impairment of other receivables	**(114)**	(579)
	43,646	39,751

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

	2023	2022
	HK$'000	HK$'000
At 1 January	**579**	–
(Reversal of)/provision for impairment of other receivables	**(465)**	579
At 31 December	**114**	579

The Group does not hold any collateral as security.

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**39,215**	40,697
RMB	**1,974**	1,378
	41,189	42,075

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Cash at bank and cash on hand	**88,530**	103,906

As at 31 December 2023, cash and cash equivalents of HK$6,311,000 (2022: HK$13,610,000) 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.

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**76,582**	84,028
USD	**54**	616
RMB	**11,093**	18,508
Others	**801**	754
	88,530	103,906

23 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	**1,000,000,000**	**10,000**

	Number of shares	Nominal value of ordinary shares **HK$'000**
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	**655,944,000**	**6,559**

24 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 2023, retained earnings included statutory reserves fund amounting to HK$2,046,000 (2022: HK$1,751,000).

25 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 2023 (2022: Nil), and there was no outstanding share option as at 31 December 2023 (2022: Nil).

26 DEFERRED INCOME TAX

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Deferred income tax assets		
– to be recovered after more than 12 months	**34,627**	29,553
– to be recovered within 12 months	**130**	141
	34,757	29,694
Deferred income tax liabilities		
– to be recovered after more than 12 months	**32,281**	30,155

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	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Deferred income tax assets – net	**8,589**	7,645
Deferred income tax liabilities – net	**6,113**	8,106

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

	HK$'000
At 1 January 2022	3,403
Charged to the consolidated statement of comprehensive income (Note 11)	(3,852)
Exchange difference	(12)
At 31 December 2022, restated	(461)
At 1 January 2023	**(461)**
Credited to the consolidated statement of comprehensive income (Note 11)	**2,939**
Exchange difference	**(2)**
At 31 December 2023	**2,476**

26 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$'000	Others HK$'000	Total HK$'000
At 1 January 2022	5,745	24,676	5,765	–	36,186
Credited/(charged) to the consolidated statement of comprehensive income	462	(2,652)	(4,725)	435	(6,480)
Exchange difference	–	–	(12)	–	(12)
At 31 December 2022, restated	6,207	22,024	1,028	435	29,694
At 1 January 2023	**6,207**	**22,024**	**1,028**	**435**	**29,694**
Credited to the consolidated statement of comprehensive income	**71**	**3,404**	**1,590**	**–**	**5,065**
Exchange difference	**–**	**–**	**(2)**	**–**	**(2)**
At 31 December 2023	**6,278**	**25,428**	**2,616**	**435**	**34,757**

Deferred income tax liabilities

	Right-of-use assets HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2022	(22,940)	(9,843)	(32,783)
Credited to the consolidated statement of comprehensive income	2,032	596	2,628
At 31 December 2022, restated	(20,908)	(9,247)	(30,155)
At 1 January 2023	**(20,908)**	**(9,247)**	**(30,155)**
(Charged)/credited to the consolidated statement of comprehensive income	**(3,273)**	**1,147**	**(2,126)**
At 31 December 2023	**(24,181)**	**(8,100)**	**(32,281)**

26 DEFERRED INCOME TAX (Continued)

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$13,816,000 (2022: HK$13,059,000) as at 31 December 2023 in respect of tax losses in Hong Kong and in the PRC.

The Group has unrecognised tax losses of HK$59,290,000 (2022: HK$40,102,000) as at 31 December 2023, to carry forward against future profit in Hong Kong. These tax losses afore-mentioned 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$16,131,000 (2022: HK$25,769,000) as at 31 December 2023, to carry forward against future profit in the PRC. These tax losses expire in the following years:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Expiry in year:		
2023	**–**	6,734
2024	**11,330**	14,577
2025	**980**	1,004
2026	**353**	490
2027	**1,660**	2,964
2028	**1,808**	–
	16,131	25,769

As at 31 December 2023, management is of the view that undistributed earnings of certain subsidiaries in the PRC totalling HK$7,142,000 (2022: HK$3,769,000) are for re-investment in the PRC and not for distribution. Accordingly, deferred income tax liabilities of HK$357,000 (2022: HK$188,000) have not been recognised as at 31 December 2023 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.

27 EMPLOYEE BENEFIT OBLIGATIONS – LONG SERVICE PAYMENT

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash in hand when such payments are required.

The latest actuarial valuation as at 31 December 2023 and 31 December 2022 specifically designated for the Group's employees was completed by a qualified actuary, Palace Consulting Limited (2022: Same), using projected unit credit method. (2022: Same)

(a) The amount recognised in the consolidated statement of financial position is as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Present value of defined benefit obligations	**4,121**	3,348

(b) Movements in the long service payments recognised in the consolidated statement of financial position are as follows:

	2023	2022
	HK$'000	HK$'000
		(Restated)
At 1 January	**3,348**	947
Expenses recognised in the consolidated statement of profit or loss	**624**	2,797
Remeasurements recognised in other comprehensive loss/(income)	**366**	(258)
Benefits paid directly by employer	**(217)**	(138)
At 31 December	**4,121**	3,348

27 EMPLOYEE BENEFIT OBLIGATIONS – LONG SERVICE PAYMENT

(Continued)

(c) Expenses recognised in the consolidated statement of profit or loss are as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Current service cost	**498**	241
Interest cost	**126**	52
Past service cost (Note)	**–**	2,504
	624	2,797

(d) Expense/(income) recognised in the consolidated statement of comprehensive income is as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Remeasurements of employee benefit obligations	**366**	(258)

(e) The principal actuarial assumptions used as at 31 December 2023 and 2022 (expressed as weighted average) are as follows:

	2023	2022
Discount rate	**3.5%**	3.8%
Future salary increment	**3.0%**	3.0%
Return of MPF balances	**4.5%**	4.5%

Notes:

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendments"). The Amendments will come into effect prospectively from 1 May 2025 to be appointed by the Hong Kong Government ("Transition Date"). The Amendment results in:

(i) Change in the offsetting arrangement, such that the accrued benefits attributable to the employers' mandatory contributions under the Mandatory Provident Fund and certain employers' contributions under the Occupational Retirement Schemes would no longer be eligible to offset against the severance payment and long service payment accrued from the Transition Date; and

(ii) Change of the calculation basis of last monthly wages for the portion of the long service payment accrued before the Transition Date.

28 TRADE PAYABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Trade payables	**37,865**	41,101

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
0 to 30 days	**14,185**	17,886
31 to 60 days	**14,552**	15,940
61 to 90 days	**5,513**	4,519
Over 90 days	**3,615**	2,756
	37,865	41,101

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**20,315**	26,427
RMB	**17,550**	14,674
	37,865	41,101

29 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
Accruals for employee benefit expenses	**15,466**	16,572
Accruals for marketing and promotional expenses	**4,864**	2,281
Refund liabilities for sales rebate	**1,649**	1,728
Rental and related expenses payable	**2,461**	1,926
Office and utilities expenses payable	**3,836**	4,048
Deferred revenue	**2,131**	3,459
Consideration payable for property, plant and equipment acquired	**6,714**	7,302
Accruals for transportation and delivery charges	**2,840**	2,147
Accruals for audit fee	**1,800**	2,264
Other accruals and other payables	**17,513**	13,706
	59,274	55,433

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
		(Restated)
HK$	**47,570**	43,145
RMB	**11,704**	12,288
	59,274	55,433

30 PROVISION FOR REINSTATEMENT COSTS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Non-current		
Provision for reinstatement costs	**5,324**	6,024
Current		
Provision for reinstatement costs	**3,355**	3,356
	8,679	9,380

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

	2023	2022
	HK$'000	HK$'000
At 1 January	**9,380**	8,085
Additional provision during the year	**80**	2,004
Utilisation	**(781)**	(709)
At 31 December	**8,679**	9,380

Accounting policy of provision for reinstatement costs

Provision for reinstatement costs 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 17).

31 RECEIPTS IN ADVANCE

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Receipts in advance	**149,002**	164,584

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

	2023	2022
	HK$'000	HK$'000
At 1 January	**164,584**	177,021
Receipts from sales of pre-paid coupons and credits during the year	**291,398**	331,623
Revenue recognised upon the redemption of products by customers and expiration	**(306,980)**	(344,060)
At 31 December	**149,002**	164,584

32 BANK BORROWINGS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Unsecured bank borrowings:		
Portion due for repayment within 1 year or on demand	**36,566**	28,867
Portion due for repayment after 1 year but within 5 years without repayment on demand clause	**–**	7,323
	36,566	36,190

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Unsecured bank borrowings:		
Within 1 year	**31,319**	23,000
Between 1 and 2 years	**1,895**	8,923
Between 2 and 5 years	**3,352**	4,267
	36,566	36,190

The carrying amounts of bank borrowings approximate their fair values.

The weighted average interest rate is 7.4% as at 31 December 2023 (2022: 2.5%).

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

33 RELATED PARTY BALANCE 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 61.59% (2022: 61.59%) of the Company's shares as at 31 December 2023. The remaining 38.41% (2022: 38.41%) 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, party is 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 party 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 party of the Group where those party is an individual. Party is also considered to be related if it is subject to common control.

The directors are of the view that the following company was a related party that had balance and/or transactions with the Group as at and for the year ended 31 December 2022:

– HomePlus (Hong Kong) Limited (cessation of business on 15 March 2023)

(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 31 December	
	2023	2022
	HK$'000	HK$'000
Trade and other receivables	–	510

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

33 RELATED PARTY BALANCE AND TRANSACTIONS (Continued)

(b) Transactions with a related party

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Sale of goods	**–**	428
Service income	**–**	594

(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 31 December	
	2023	2022
	HK$'000	HK$'000
Fees	**774**	774
Salaries, allowances and benefits in kind	**18,342**	17,316
Pension costs	**193**	247
	19,309	18,337

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000 (Restated)
(Loss)/profit before income tax		**(44,937)**	540
Adjustments for:			
Interest income	10	**(121)**	(67)
Interest expenses	10	**8,680**	4,609
Losses on disposal of property, plant and equipment	34(b)	**382**	84
Depreciation of property, plant and equipment	15	**36,666**	38,093
Depreciation of right-of-use assets	17(a)	**102,552**	96,827
Provision for reinstatement costs		**298**	312
Provision for obsolete inventories	18	**606**	434
Write-off of inventories	18	**4,122**	–
Provision for impairment on right-of-use assets	17(a)	**3,452**	880
Provision for impairment on property, plant and equipment	15	**364**	–
Write-off of property, plant and equipment	15	**3,120**	–
Amortisation charges of intangible assets	16	**662**	560
Impairment loss on financial assets	8	**3,409**	934
Provision for employee benefit obligations	27(c)	**498**	2,745
		119,753	145,951
Changes in working capital:			
Decrease/(increase) in inventories		**11,304**	(3,551)
Increase in trade receivables		**(1,779)**	(12,669)
(Increase)/decrease in prepayments, deposits and other receivables		**(6,008)**	4,177
(Decrease)/increase in trade payables		**(2,865)**	5,492
Decrease in accruals and other payables and receipts in advance		**(11,059)**	(13,153)
Cash generated from operations		**109,346**	126,247

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Disposal of property, plant and equipment

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000
Property, plant and equipment			
Net book value	15	**382**	90
Losses on disposal of property, plant and equipment	7	**(382)**	(84)
Proceeds from disposal of property, plant and equipment		**–**	6

(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.

Net debt	As at 31 December 2023 HK$'000	2022 HK$'000
Cash and cash equivalents	**88,530**	103,906
Borrowings – repayable within one year	**(36,566)**	(28,867)
Borrowings – repayable after one year	**–**	(7,323)
Lease liabilities	**(155,380)**	(133,476)
Net debt	**(103,146)**	(65,760)
Cash and liquid investments	**88,530**	103,906
Gross debt – variable interest rates	**(36,566)**	(36,190)
Gross debt – fixed interest rates	**(155,380)**	(133,476)
Net debt	**(103,416)**	(65,760)

34 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 2022	116,676	(22,069)	(17,631)	(149,549)	(72,573)
Non-cash movement on leases – net	–	–	–	(81,418)	(81,418)
Reclassification	–	(8,343)	8,343	–	–
Cash flows	(11,030)	1,545	1,965	97,491	89,971
Foreign exchange adjustments	(1,740)	–	–	–	(1,740)
Net cash/(debt) as at 31 December 2022	103,906	(28,867)	(7,323)	(133,476)	(65,760)
Non-cash movement on leases – net	–	–	–	(124,213)	(124,213)
Reclassification	–	(7,323)	7,323	–	–
Cash flows	(15,345)	(376)	–	102,309	86,588
Foreign exchange adjustments	(31)	–	–	–	(31)
Net cash/(debt) as at 31 December 2023	88,530	(36,566)	–	(155,380)	(103,416)

35 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.

36 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 31 December	
	2023 HK$'000	2022 HK$'000
Contracted but not provided for:		
Property, plant and equipment	12,689	13,017

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**31,927**	31,927
Amounts due from subsidiaries	**278,219**	281,102
	310,146	313,029
Current assets		
Prepayments, deposits and other receivables	**99**	258
Cash and cash equivalents	**125**	1,000
	224	1,258
Total assets	**310,370**	314,287
EQUITY		
Share capital	**6,559**	6,559
Reserves (Note (a))	**302,457**	306,541
Total equity	**309,016**	313,100
LIABILITIES		
Current liabilities		
Accruals and other payables	**1,354**	1,187
Total equity and liabilities	**310,370**	314,287

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2024 and were signed on its behalf.

Tse Po Tat
Director

Wong Pui Chu
Director

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

Statement of Financial Position of the Company (Continued)

Note:

(a) Reserve movement of the Company

	Share premium HK$'000	Capital reserve HK$'000	Share based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 31 December 2021 and 1 January 2022	196,632	107,992	5,421	864	310,909
Total comprehensive income					
Profit for the year	–	–	–	93	93
Transaction with owners					
2021 final and special dividends	(4,461)	–	–	–	(4,461)
At 31 December 2022	192,171	107,992	5,421	957	306,541
At 31 December 2022 and 1 January 2023	**192,171**	**107,992**	**5,421**	**957**	**306,541**
Total comprehensive loss					
Loss for the year	**–**	**–**	**–**	**(17)**	**(17)**
Transaction with owners					
2022 final and special dividends	**(4,067)**	**–**	**–**	**–**	**(4,067)**
At 31 December 2023	**188,104**	**107,992**	**5,421**	**940**	**302,457**

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the Directors is set out below respectively:

For the year ended 31 December 2023

	Emoluments paid or payable 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	–	2,244	292	18	2,554
Mr. Tse Po Tat	–	2,694	350	18	3,062
Dr. Szeto Wing Fu	–	3,061	398	18	3,477
	–	7,999	1,040	54	9,093
Independent non-executive directors					
Mr. Kiu Wai Ming	258	–	–	–	258
Prof. Sin Yat Ming	258	–	–	–	258
Mr. Andrew Look	258	–	–	–	258
	774	–	–	–	774

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of the Directors is set out below respectively: (Continued)

For the year ended 31 December 2022

	Emoluments paid or payable 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	–	2,138	293	18	2,449
Mr. Tse Po Tat	–	2,565	352	68	2,985
Dr. Szeto Wing Fu	–	2,915	400	18	3,333
	–	7,618	1,045	104	8,767
Independent non-executive directors					
Mr. Kiu Wai Ming	258	–	–	–	258
Prof. Sin Yat Ming	258	–	–	–	258
Mr. Andrew Look	258	–	–	–	258
	774	–	–	–	774

There was no arrangement during the years ended 31 December 2023 and 2022 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.

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' termination benefits

None of the Directors received any termination benefits during the years ended 31 December 2023 and 2022.

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

During the years ended 31 December 2023 and 2022, 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 2023 and 2022, 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 2023 and 2022 or at any time during the years ended 31 December 2023 and 2022.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

39.1 Principles of consolidation

39.1.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where 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 to direct the activities of the entity. Subsidiaries are fully 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 39.2).

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.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.1 Principles of consolidation (Continued)

39.1.2 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or a 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. This may mean that 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 or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

39.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.2 Business combinations (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

39.3 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.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.4 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

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.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.5 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are tested 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

39.6 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured 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 ("FVPL") or other comprehensive income ("FVOCI"). 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.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on 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.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.6 Investments and other financial assets (Continued)

(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 the 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 the 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 the consolidated statement of comprehensive income as "other income" when the Group's right to receive payments is established.

(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.

39.7 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 2023 and 2022.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.8 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

39.9 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.

39.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

39.11 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of comprehensive income as finance costs.

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 reporting period.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.11 Borrowings and borrowing costs (Continued)

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

39.12 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.

39.13 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 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.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.13 Employee benefits (Continued)

(b) Retirement benefit obligations (Continued)

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 in the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension schemes.

(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 owners of the Company after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(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.

(e) Long service payments

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.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.14 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 options granted is recognised as an employee benefits expense with a corresponding increase in equity. 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).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the 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.

39.15 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 can be 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.

39 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

39.15 Provisions (Continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

39.16 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.

39.17 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 "other income, net".

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).

39.18 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

39.19 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.

39.20 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 who make strategic decisions.

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				
	2023 HK$'000	2022 HK$'000 (Restated)	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**672,729**	686,718	695,996	702,473	775,789
(Loss)/profit before income tax	**(44,937)**	540	9,499	66,776	13,670
Income tax credit/(expense)	**2,321**	(4,668)	(2,357)	(5,463)	(3,268)
(Loss)/profit for the year	**(42,616)**	(4,128)	7,142	61,313	10,402
(Loss)/profit attributable to:					
Owners/equity holders of the Company	**(34,621)**	5,271	8,223	62,530	10,012
Non-controlling interests	**(7,995)**	(9,399)	(1,081)	(1,217)	390
	(42,616)	(4,128)	7,142	61,313	10,402

ASSETS AND LIABILITIES

	As at 31 December				
	2023 HK$'000	2022 HK$'000 (Restated)	2021 HK$'000	2020 HK$'000	2019 HK$'000
Assets					
Non-current assets	**485,324**	494,473	548,953	575,424	549,299
Current assets	**228,439**	265,315	265,113	259,103	239,823
Total assets	**713,763**	759,788	814,066	834,527	789,122
Equity and liabilities					
Total equity	**255,876**	306,645	334,961	334,608	271,767
Non-current liabilities	**88,492**	80,728	90,079	104,015	134,591
Current liabilities	**369,395**	372,415	389,026	395,904	382,764
Total liabilities	**457,887**	453,143	479,105	499,919	517,355
Total equity and liabilities	**713,763**	759,788	814,066	834,527	789,122

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