



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

2024 中期報告
INTERIM REPORT



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CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Mr. TSE Po Tat (*Chairman*)

Dr. SZETO Wing Fu (*Chief Executive Officer*)

Ms. WONG Pui Chu

Independent Non-executive Directors

Mr. KIU Wai Ming (*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
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Central
Hong Kong

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Hong Kong

COMPANY WEBSITE

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STOCK CODE

1446



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to face stiff headwinds during the six months ended 30 June 2024 ("1H2024" or the "Review Period"), as the retail sector remained under the cloud of a lacklustre economy and consumer confidence still shaky amid persistently high interest rates and a complex geopolitical environment. Compounding matters for the food and beverage industry have been the prevailing outbound travel trend, with Hong Kong residents choosing to travel and spend their income in neighbouring Mainland China cities. Against an adverse economic backdrop, the Group's total revenue declined to HK\$308.0 million, down 7.1% from HK\$331.7 million recorded for the six months ended 30 June 2023 ("1H2023"). Gross profit contracted by 6.4% to HK\$181.5 million (1H2023: HK\$193.9 million). However, the gross profit margin edged up by 0.4 percentage point to 58.9% (1H2023: 58.5%), owing to the Group's successful efforts in cost control and enhancing manufacturing efficiency. During the Review Period, the Group implemented various measures to effectively reduce selling, administrative and other corporate/operating expenses. Consequently, the Group was able to narrow the loss attributable to owners of the Company by 17.9% to HK\$7.9 million in the first half of 2024 (1H2023: loss of HK\$9.6 million).

Despite the headwinds, the Group remains in a healthy financial state and has stable operating cash flows. It has sufficient cash and cash equivalents as well as unutilised banking facilities amounting to approximately HK\$79.4 million and HK\$30.2 million, respectively, as at 30 June 2024 (31 December 2023: HK\$88.5 million and HK\$44.7 million, respectively).

BUSINESS SEGMENT ANALYSIS

Hong Kong Retail

Continuing its position as principal revenue contributor for the Group, the Hong Kong retail business generated HK\$236.3 million (1H2023: HK\$251.7 million) in segment revenue during the Review Period, down 6.1% from the corresponding period last year, and accounted for 76.7% of the Group's total revenue. The operating environment of the Hong Kong retail sector remained challenging as residents have flocked north to spend their leisure time while inbound tourism has yet to reach pre-pandemic levels. While this inevitably affected traffic to the Group's stores which in turn impacted on same-store sales, we continue to see opportunities for growth and are taking proactive steps to navigating the challenges. Segment profit increased by 39.6% to HK\$5.3 million (1H2023: HK\$3.8 million), mainly attributable to an improvement in gross profit margin and reduction in administrative expenses.

While adopting a more prudent approach towards shop openings and has been strategically optimising its store network, the Group has maintained its position as the largest herbal retailer in Hong Kong based on retail network. As at 30 June 2024, there were 108 self-operated shops in the city, including 8 HFT Life café concept stores ("HFT Life").

To drive store traffic and tap new revenue streams, the Group implemented strategic initiatives during the Review Period, including ongoing optimisation of its product portfolio and expansion of sales network.

With respect to optimising its product portfolio, the Group introduced new items such as the Hemp Seed Latte (火麻仁拿鐵) at HFT Life. It also sought to cater for the evolving needs of health-conscious consumers and vegetarians by adding a plant-based option to the Group's postpartum confinement product series, namely, the Home-Made Tangerine Peel and Ginger in Sweet Vinegar (自家老陳皮素薑醋).

As for sales network expansion, the Group actively sought joint-promotion opportunities to increase brand exposure and footfall. This included collaborating with various telecommunications companies and continuing to provide exclusive offers to customers of different banking institutions.

In regard to broadening market reach to capture opportunities from various market segments, the Group initiated a promotion strategy that focused on bolstering sales from tourists. This involved the leveraging of diverse social media platforms such as Xiao Hong Shu (小紅書), Tik Tok (抖音) to disseminate and promote the unique product offerings under the Hung Fook Tong brand. The Group also exerted tremendous effort on strengthening the loyalty of JIKA CLUB (自家 CLUB) members by curating highly customised membership experiences. In addition, the Group continued to provide exclusive offers to reward its valued customers under its loyalty programmes. Moreover, it launched an official WhatsApp account to enhance customer engagement and communication. As a result, JIKA CLUB memberships rose to over 1,398,000 as at 30 June 2024, or an increase of approximately 40,000 members during the Review Period. The number of Hung Fook Tong mobile application ("APP") downloads has increased as well, up by 19% year-on-year, with 40% of total member transactions completed through the APP. Additionally, over 90% of coupon were redeemed by JIKA CLUB members via e-format.

It is worth noting that the Group's JIKA ON! (自家 ON!) online marketplace is undergoing an optimisation exercise that will lead to updated product offerings, which will go towards promoting return visits and patronage.

Wholesale

The wholesale operation experienced a decline in revenue, slipping 10.4% to HK\$71.7 million (1H2023: HK\$80.0 million), and accounted for 23.3% of the Group's total revenue. The segment profit, meanwhile, dropped by 7.0% to HK\$8.8 million (1H2023: HK\$9.4 million). The contraction reflects the weak sentiment of consumers in Hong Kong and Mainland China during the Review Period.

Hong Kong

In Hong Kong, the wholesale segment registered a 7.6% decline in revenue to HK\$61.5 million (1H2023: HK\$66.6 million), amid a downturn in market demand during the Review Period. In a bid to stimulate development of the Hong Kong operation, the Group further enriched its product portfolio and launched various promotions to better meet customers' diverse preferences and needs for healthy products. In partnership with PARKnSHOP, the Group launched a number of new products, such as wolfberry soy sauce (杞子豉油) and two new flavours for their "Slash New Generation Herbal Tea" series, which use natural herbal formulas and feature fruity aromas. The Group also unveiled new packaging for five of its low-sugar and sugar-free products to better capture the attention of health-conscious consumers.

Mainland China

In Mainland China, consumer confidence remained downbeat, dragged by the stagnant property and stock markets, heightened employment pressure and weak economic outlook. Affected by the lacklustre economic conditions and fierce market competition, revenue from the Group's wholesale business in Mainland China declined 24.1% to HK\$10.2 million (1H2023: HK\$13.4 million). Nonetheless, the Group has expanded the reach of its products by forging closer partnership with key accounts and a major distributor. Consequently, long shelf-life and fresh beverage products are now available at over 15,000 convenience stores across 13 provinces, including in cities such as Guangzhou, Dongguan, Shenzhen and Shanghai, as well as various supermarkets and department stores. The Group has also tapped more local supermarkets by leveraging ties with relevant partners.

Mindful of today's tech-savvy consumers, the Group has continued to devote resources into promoting sales at flagship stores on popular online platforms such as JD.com (京東), Tmall (天貓), Tmall overseas (天貓海外), Tik Tok (抖音) and Xiao Hong Shu (小紅書) online stores. Moreover, it has introduced sugar-free products to diversify the local product portfolio and cater for the nation's growing demand for healthier food and drink options.



MANAGEMENT DISCUSSION AND ANALYSIS

Other Markets

In line with the Group's strategy of targeting overseas Chinese communities, it has sought to further tap such markets as the United States, Canada, Australia, the United Kingdom, Malaysia and Singapore. This resulted in moderate business growth during the Review Period with the Southeast Asia region experiencing the highest rebound.

PROSPECTS

The business environment for retailers in Hong Kong is expected to remain complex and challenging, with little to no signs of recovery in the second half of 2024. Contributing factors include slow economic growth, change in consumption pattern and reduced spending power of tourists. In Mainland China, the slowdown in consumption and overall economic growth, combined with increasingly intense market competition, will continue to present obstacles to the Group's operations. The Group will therefore adopt a cautious approach and prioritise financial prudence. It will optimise cost and capital structures to maintain healthy cash flow and a low gearing ratio to minimise interest costs. At the same time, the Group will seek to return to a growth trajectory by actively pursuing new revenue sources and enhancing its market presence. This will involve focusing efforts on diversifying its product portfolio, further expanding sales channels, and pursuing cross-brand collaborations and new opportunities in Mainland China – especially the Greater Bay Area, and overseas markets. Through such efforts, the Group is confident in its ability to weather the challenging operating environment and outperform the broader market.

Hong Kong Retail

The Group will also diversify product offerings so that they align with the evolving retail landscape. To tap the dietary needs of women in pregnancy and new mothers, the Group will further promote confinement meals and other food items. The Group will also develop more ambient temperature products that are easy to carry and consume, hence are suitable for gift giving as well. Similarly, HFT Life will continue to introduce more novel food and drink items to broaden its product offerings and appeal to evolving tastes. On the JIKA CLUB front, it will seek to increase memberships and enhance customer loyalty by introducing exciting new promotions, including the use of popular cartoon characters in the launch of special edition packaging and merchandise.

Taking into consideration the slow recovery of the retail market, the Group will continuously review its store network and strive to maintain an effective retail footprint. The Group will keep a close eye on operations, and will carefully consider closing underperforming stores. It will also continue to proactively negotiate with landlords for better lease terms, having achieved progress in this regard during the Review Period. Overall, the Group will rigorously implement cost controls so that margins and profits are well maintained.

Wholesale

As for the wholesale operation in **Hong Kong**, the Group will explore more cross-brand partnerships in developing products and marketing campaigns. The Group will also seek to introduce more healthy beverage options, including sugar-free or low-sugar drinks.

Regarding the **Mainland China** market, the Group will deliver a greater variety of sugar-free and ginseng products to convenience stores and supermarkets to suit the tastes of local consumers.

In respect of **other markets**, the Group will maintain close communication with suppliers in the United Kingdom and Southeast Asia with the goal of seizing more market opportunities.

CONCLUSION

Despite the persistent macroeconomic uncertainties, the Group is fully committed to strengthening its market position and diversifying its revenue streams. It will closely monitor the dynamic environment and will be agile and responsive in navigating the changing retail landscape. Leveraging its brand equity, diversified product offerings and customer-centric approach, The Group is confident in its ability to overcome the current market forces, emerge stronger and create sustainable value over the long term for its shareholders.

FINANCIAL REVIEW

Revenue

In 1H2024, the number of Hong Kong residents traveling abroad increased significantly compared to the same period last year. This, coupled with shifting consumption patterns among both visitors and local residents, has had an adverse impact on our business performance. The Group's revenue amounted to HK\$308.0 million, representing a decrease of 7.1% from HK\$331.7 million in 1H2023. Revenue from Hong Kong retail operations declined to HK\$236.3 million, representing a decrease of 6.1% from HK\$251.7 million in 1H2023. Meanwhile, revenue from wholesale business also decreased to HK\$71.7 million, representing a decrease of 10.4% from HK\$80.0 million in 1H2023.

Cost of Sales

In 1H2024, the Group's cost of sales amounted to HK\$126.5 million, representing a decrease of 8.2% from HK\$137.8 million in 1H2023. As a percentage of revenue, cost of sales represented 41.1% and 41.5% in 1H2024 and 1H2023 respectively.

Gross Profit and Gross Profit Margin

In 1H2024, the Group's gross profit amounted to HK\$181.5 million, representing a decrease of 6.4% from HK\$193.9 million in 1H2023. The Group's gross profit margin increased by 0.4 percentage point to 58.9% as compared to 58.5% in 1H2023. This improvement in gross profit margin was achieved through the consolidation of our manufacturing capacity in both Hong Kong and Mainland China.

Staff Costs

In 1H2024, the Group's staff costs amounted to HK\$93.7 million, representing a decrease of 10.6% from HK\$104.8 million in 1H2023. The staff costs-to-revenue ratio is 30.4% as compared to 31.6% in 1H2023.

Rental Expenses

In 1H2024, rental expenses in relation to the Group's retail shops in Hong Kong (being the aggregate of lease rental in respect of retail outlets, depreciation of right-of-use assets for shop properties and the interest expense arisen from lease liabilities) amounted to HK\$50.8 million, representing a decrease of 1.7% from HK\$51.7 million in 1H2023 arising from the closed underperforming shops. Rental expenses-to-revenue ratio for the Hong Kong retail shops is 21.5% as compared to 20.5% in 1H2023.

Advertising and Promotion Expenses

In 1H2024, the Group's advertising and promotion expenses amounted to HK\$5.6 million, representing a decrease of 4.4% from HK\$5.8 million in 1H2023. This accounted for 1.8% in percentage to revenue in both 1H2024 and 1H2023.



MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation

In 1H2024, the depreciation of property, plant and equipment of the Group amounted to HK\$16.9 million, representing a decrease of 10.0% from HK\$18.7 million in 1H2023. The decrease was primarily due to the fact that fewer new shops were opened and less renovation work was performed to existing retail shops as compared with 1H2023. The depreciation-to-revenue ratio is 5.5% as compared to 5.7% in 1H2023.

Loss Attributable to Owners of the Company

For the six-month period ended 30 June 2024, the Group's loss attributable to owners narrowed from HK\$9.6 million recorded in the same period of 2023 to HK\$7.9 million.

Reflecting the Group's improved financial performance, the loss per share attributable to owners narrowed to HK1.21 cents for the six-month period ended 30 June 2024, down from HK1.47 cents in the corresponding period of the prior year.

Capital Expenditure

Capital expenditure incurred during 1H2024 amounted to HK\$5.8 million (1H2023: HK\$6.6 million), primarily for revamping of existing retail shops and acquiring production facilities and equipment in Mainland China plants.

Liquidity and Financial Resources Review

As at 30 June 2024, the Group had bank deposits and cash balance amounted to HK\$79.4 million (31 December 2023: HK\$88.5 million).

As at 30 June 2024, the gearing ratio of the Group was 0.70 (31 December 2023: 0.69), which was calculated based on total debts including bank borrowings and lease liabilities divided by equity attributable to owners of the Company.

As at 30 June 2024, the Group had total banking facilities of HK\$70.0 million (31 December 2023: HK\$83.1 million) of which HK\$39.8 million (31 December 2023: HK\$38.4 million) had been utilised.

As at 30 June 2024, the Group's current liabilities exceeded its current assets by HK\$139.8 million (31 December 2023: HK\$141.0 million). Included in current liabilities are receipts in advance relating to sales of prepaid coupons and credits to customers in Hong Kong of HK\$142.0 million (31 December 2023: HK\$149.0 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\$2.2 million (31 December 2023: HK\$8.0 million) and current ratio of 1.01 (31 December 2023: 1.04).

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

Material Acquisitions, Disposals and Significant Investments

There were no material acquisitions, disposals and significant investments during the six months ended 30 June 2024.

Foreign Currency Risk

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

Contingent Liabilities

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

Human Resources

As at 30 June 2024, the Group employed approximately 796 employees. Remuneration was based on market price, individual qualification and experience, and there was discretionary bonus based on years of service and performance appraisal.

During the six months ended 30 June 2024, 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.



AWARDS AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE

AWARDS AND RECOGNITION

Committed to the advancement of society, industry and workforce, the Group has continued to wholeheartedly fulfil relevant commitments, as reflected by the honours listed below:

Award		Issuer of Award
1	15 Years Plus Caring Company Logo 2006-2024	The Hong Kong Council of Social Service
2	PARKnSHOP Super Brands Award 2023 – Healthy Drinks	PARKnSHOP Supermarket
3	Sport-Friendly Action – Awarded Corporate	Chinese YMCA of Hong Kong
4	GS1 Consumer Caring Scheme 10 Years+ Award	GS1 Hong Kong
5	Happiness-at-Work Promotional Scheme – Happy Company 10 Years+	The Chinese Manufacturers' Association of Hong Kong
6	ERB Manpower Developer Award Scheme: Super Manpower Developer (2023-2028)	Employees Retaining Board
7	Social Capital Builder Logo Award 2022-2024	Labour and Welfare Bureau – Community Investment and Inclusion Fund
8	Hong Kong Green Organisation	Environmental Campaign Committee
9	Green Office 5+ Label and Eco-Healthy Workplace Label 2024	World Green Organisation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the first half of 2024, the Group continued with its ESG efforts, including supporting different stakeholders through various undertakings.

Environmental

The Group continues to make concerted efforts to enhance environmental sustainability across its operation. Since 2023, the Group has been gradually phasing out the use of plastic tableware in all of its Hung Fook Tong and HFT Life stores, replacing with more eco-friendly paper or wooden utensils in order to reduce plastic consumption. The Group has also continued to support plastic recycling by installing two reverse vending machines ("RVM") and three plastic bottle recycling bins at selected retail shops to promote the cleaning and recycling of plastic beverage bottles. Approximately 155 kg of plastic beverage bottles were subsequently recycled through these means during 1H 2024. Yet another effort made by the Group since 2022 involves the use of rPET ("Recycled Polyethylene Terephthalate") in the production of beverage bottles for its Ice Lemon Tea. During the Review Period, the Group expanded the use of this sustainable packaging to two additional drink types. In total, the Group utilised 12 tonnes of rPET, which is equivalent to the reduction in carbon emissions of approximately 38 tonnes.

With regard to food waste management, the Group has again achieved its goal of zero food waste disposal in landfills. This was accomplished through the recycling and conversion of food waste into biogas and compost at the Organic Resources Recovery Centre Phase 1 ("O ·Park 1"), as well as a collaboration with the green social enterprise FoodCycle+, which locally produces "MixO' Plus", an organic compost. From these undertakings, approximately 186.3 tonnes of food waste were recycled during 1H 2024 (1H2023: 391.9 tonnes), translating to a reduction in carbon dioxide equivalent ("CO₂-e") greenhouse gas emissions of approximately 39.7 tonnes (1H2023: 83.5 tonnes).

In terms of reducing the Group's carbon footprint, it has long been an advocate of renewable energy, employing solar panels since 2020. During the six months ended 30 June 2024, these solar panels – installed on the rooftop of the Hong Kong factory, contributed 74MWh of renewable energy to the CLP Feed in Tariff (FiT) Scheme. Solar panels have also been installed at the Kaiping factory since early 2022, and generated 1,330MWh of renewable energy during 1H2024, part of which was used by the factory itself for operation.

Social

In its commitment to contributing to society, the Group has maintained its longstanding support for the Community Chest Skip Lunch Day. Representing its 15th consecutive year of sponsorship, the Group made a significant contribution by providing over 13,000 food coupons and helping to raise nearly \$1.0M for the Community Chest during the Review Period. The Group's dedication to community involvement was further exemplified through the volunteering work. The Hung Fook Tong volunteer team joined the "Used Book Recycling Campaign 2024", organised by World Vision Hong Kong in mid-July. The team directed their efforts to the sorting and classification, and selling of books. Funds raised from the campaign will be used for programmes that support grassroots children with Special Educational Needs (SEN) and their families in Hong Kong.

Being an advocate of staff development as well, which involves a workforce of 796 (Hong Kong: 594, Mainland China: 202), the Group conducted more than 2,000 hours of training that attracted an aggregate of over 700 staff members during the Review Period. To further support employee wellbeing, the Group cooperated with the Society for the Prevention of Cruelty to Animals (SPCA) in promoting a pet-friendly work environment. The initiative included an informative Animal Adoption Briefing and a fun-filled Day Toy Making Workshop, which allowed employees and their kids to directly interact with SPCA dogs and appreciate the joys and responsibilities of pet ownership.

These multifaceted community engagement and staff welfare initiatives demonstrate the Group's steadfast commitment to making a positive impact on the local community and fostering a supportive work culture for its employees.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		(Unaudited)	
		Six months ended 30 June	
		2024	2023
	Note	HK\$'000	HK\$'000
Revenue	5, 6	308,032	331,678
Cost of sales	7	<u>(126,503)</u>	<u>(137,771)</u>
Gross profit		181,529	193,907
Other income and other gains, net	6	1,281	2,890
Selling and distribution costs	7	(24,032)	(26,268)
Administrative and operating expenses	7	(164,674)	(182,070)
Reversal of impairment loss on financial assets		<u>–</u>	<u>961</u>
Operating loss		(5,896)	(10,580)
Finance income		36	58
Finance costs		<u>(4,967)</u>	<u>(3,223)</u>
Finance costs, net		<u>(4,931)</u>	<u>(3,165)</u>
Loss before income tax		(10,827)	(13,745)
Income tax credit/(expense)	8	<u>62</u>	<u>(159)</u>
Loss for the period		<u>(10,765)</u>	<u>(13,904)</u>
Loss attributable to:			
Owners of the Company		(7,925)	(9,649)
Non-controlling interests		<u>(2,840)</u>	<u>(4,255)</u>
		<u>(10,765)</u>	<u>(13,904)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME



FOR THE SIX MONTHS ENDED 30 JUNE 2024

		(Unaudited)	
		Six months ended 30 June	
		2024	2023
	Note	HK\$'000	HK\$'000
Other comprehensive (loss)/income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(4,389)	(4,134)
<i>Items that will not be reclassified to profit or loss</i>			
– Remeasurements of employee benefit obligations		–	75
Other comprehensive loss, net of tax		<u>(4,389)</u>	<u>(4,059)</u>
Total comprehensive loss for the period		<u>(15,154)</u>	<u>(17,963)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(12,216)	(13,633)
Non-controlling interests		<u>(2,938)</u>	<u>(4,330)</u>
		<u>(15,154)</u>	<u>(17,963)</u>
Loss per share for loss attributable to owners of the Company			
– Basic and diluted (HK cents)	9	<u>(1.21)</u>	<u>(1.47)</u>

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



CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

		As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	11(a)	240,539	254,880
Right-of-use assets	11(b)	187,533	196,290
Intangible assets	12	1,945	2,297
Prepayments and deposits		24,266	23,268
Deferred income tax assets		8,816	8,589
		<u>463,099</u>	<u>485,324</u>
Current assets			
Inventories		30,249	38,575
Trade receivables	13	55,314	56,260
Prepayments, deposits and other receivables		46,101	43,646
Prepaid tax		1,668	1,428
Cash and cash equivalents		79,381	88,530
		<u>212,713</u>	<u>228,439</u>
Total assets		<u>675,812</u>	<u>713,763</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	6,559	6,559
Reserves		259,376	271,592
		<u>265,935</u>	<u>278,151</u>
Non-controlling interests		<u>(25,213)</u>	<u>(22,275)</u>
Total equity		<u>240,722</u>	<u>255,876</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION



AS AT 30 JUNE 2024

	Note	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		66,688	72,934
Provision for reinstatement costs	18	5,751	5,324
Deferred income tax liabilities		6,113	6,113
Employee benefit obligations		3,976	4,121
		<u>82,528</u>	<u>88,492</u>
Current liabilities			
Trade payables	16	32,803	37,865
Accruals and other payables	17	54,510	59,274
Provision for reinstatement costs	18	2,628	3,355
Receipts in advance	19	141,986	149,002
Lease liabilities		81,920	82,446
Bank borrowings	20	37,964	36,566
Tax payable		751	887
		<u>352,562</u>	<u>369,395</u>
Total liabilities		<u>435,090</u>	<u>457,887</u>
Total equity and liabilities		<u>675,812</u>	<u>713,763</u>
Net current liabilities		<u>(139,849)</u>	<u>(140,956)</u>
Total assets less current liabilities		<u>323,250</u>	<u>344,368</u>

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



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to owners of the Company										Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share based compensation reserve HK\$'000	Other reserves HK\$'000	Financial asset at FVOCI reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 January 2024 (audited)	6,559	188,104	8,123	5,421	2,394	-	(7,793)	75,343	278,151	(22,275)	255,876
Comprehensive loss											
Loss for the period	-	-	-	-	-	-	-	(7,925)	(7,925)	(2,840)	(10,765)
Other comprehensive loss											
Currency translation differences	-	-	-	-	-	-	(4,291)	-	(4,291)	(98)	(4,389)
Total comprehensive loss for the period	-	-	-	-	-	-	(4,291)	(7,925)	(12,216)	(2,938)	(15,154)
Balance at 30 June 2024 (unaudited)	6,559	188,104	8,123	5,421	2,394	-	(12,084)	67,418	265,935	(25,213)	240,722
Restated balance at 1 January 2023	6,559	192,171	8,123	5,421	2,394	(5,000)	(4,138)	115,323	320,853	(14,208)	306,645
Comprehensive loss											
Loss for the period	-	-	-	-	-	-	-	(9,649)	(9,649)	(4,255)	(13,904)
Other comprehensive (loss)/income											
Currency translation differences	-	-	-	-	-	-	(4,059)	-	(4,059)	(75)	(4,134)
Remeasurements of employee benefit obligations	-	-	-	-	-	-	-	75	75	-	75
Total comprehensive loss for the period	-	-	-	-	-	-	(4,059)	(9,574)	(13,633)	(4,330)	(17,963)
Transaction with owners											
Dividend	-	(4,067)	-	-	-	-	-	-	(4,067)	-	(4,067)
Balance at 30 June 2023 (unaudited)	6,559	188,104	8,123	5,421	2,394	(5,000)	(8,197)	105,749	303,153	(18,538)	284,615

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS



FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	(Unaudited)	
		Six months ended 30 June 2024	2023
		HK\$'000	HK\$'000
Cash flows from operating activities			
Cash generated from operations		49,044	41,500
Income tax (paid)/refunded		(527)	6,520
Net cash generated from operating activities		48,517	48,020
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,393)	(5,696)
Payment for acquisition of right-of-use assets		–	(1,392)
Proceeds from disposal of property, plant and equipment		20	24
Reinstatement costs paid for shop and office premises	18	(755)	(114)
Interest received		36	58
Net cash used in investing activities		(5,092)	(7,120)
Cash flows from financing activities			
Payment for lease liabilities (including interest)		(52,062)	(54,128)
Dividend paid to the Company's shareholders		–	(4,067)
Proceeds from bank borrowings		65,000	48,500
Repayment of bank borrowings		(63,602)	(42,227)
Interest paid on borrowings		(1,323)	(1,224)
Net cash used in financing activities		(51,987)	(53,146)
Net decrease in cash and cash equivalents		(8,562)	(12,246)
Effect of currency translation differences		(587)	(794)
Cash and cash equivalents at beginning of the period		88,530	103,906
Cash and cash equivalents at end of the period		79,381	90,866

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Hung Fook Tong Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 10 January 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the “**Group**”) are principally engaged in the retail, wholesale and distribution of bottled drinks, other herbal products, soups and snacks in Hong Kong and other parts of the People’s Republic of China (“**PRC**” for the purpose of this condensed consolidated interim financial information).

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

This unaudited condensed consolidated interim financial information (the “**Interim Financial Information**”) is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. The Interim Financial Information has been approved for issue by the Board of Directors (the “**Board**”) of the Company on 23 August 2024.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This Interim Financial Information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Group’s current liabilities exceeded its current assets by HK\$139,849,000 as at 30 June 2024 (31 December 2023: HK\$140,956,000) and the Group incurred a loss for the period ended 30 June 2024 of HK\$10,765,000. The directors of the Company have reviewed the Group’s cash flow projections, which covers a period of 12 months from 30 June 2024. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operations as well as the possible changes in its operating performance and the continued availability of the Group’s banking facilities, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from 30 June 2024. Accordingly, the Interim Financial Information has been prepared on a going concern basis.

2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements.

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.1 Adoption of new accounting policy in the current interim period

(a) *Certain amendments to existing standards and interpretation adopted by the Group*

The following amendments to existing standards and interpretation are effective to the Group for accounting periods beginning on or after 1 January 2024:

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

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

(b) *New standards, amendments to existing standards and interpretation have been issued but not yet adopted*

The following new standards, amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 January 2024 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 21 and HKFRS 1 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5 (Amendments)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

2.2 Summary of significant accounting policies (Continued)

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

- (b) *New standards, amendments to existing standards and interpretation have been issued but not yet adopted (Continued)*

The Group will adopt the above new standards, 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 new standards, amendments to existing standards and interpretation, none of which is expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2023.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

There have been no significant changes in the risk management or in any risk management policies since the issue of the Group's annual financial statements for the year ended 31 December 2023.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Liquidity risk

Compared to the position as at 31 December 2023, there was no material change in the contractual undiscounted cash outflows for financial liabilities except for the increase in bank borrowings from HK\$36,566,000 as at 31 December 2023 to HK\$37,964,000 as at 30 June 2024. Of these borrowings, the Group expects HK\$33,668,000 will be settled within 1 year, HK\$1,906,000 in 1 to 2 years and HK\$2,390,000 in 2 to 5 years. Also, lease liabilities decreased from HK\$155,380,000 as at 31 December 2023 to HK\$148,608,000 as at 30 June 2024. Of these liabilities, the Group expects HK\$81,920,000 will be settled within 1 year and HK\$52,107,000 in 1 to 2 years and the remaining HK\$14,581,000 in 2 to 5 years.

4.3 Fair value estimation

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

5 REVENUE AND SEGMENT INFORMATION

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

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

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. They exclude prepaid tax, deferred income tax assets and assets used for corporate functions.

Capital expenditure comprises additions to property, plant and equipment and intangible assets for the six months ended 30 June 2024 and 2023.

Geographically, management considers the distribution of bottled drinks, other herbal products, soups and snacks through retail and wholesale channels are mainly located in Hong Kong and the PRC, which the revenue and segment results are determined by the nature of the business. The assets are determined based on where the assets are located. Information relating to segment liabilities is not disclosed as such information is not regularly reported to the chief operating decision-maker.

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

There is no single external customer that contributed more than 10% revenue to the Group's revenue for the six months ended 30 June 2024 and 2023 respectively.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the six months ended 30 June 2024 and 2023 are as follows:

	(Unaudited) Six months ended 30 June 2024		
	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Total HK\$'000
Segment revenue	241,072	73,056	314,128
Less: Inter-segment revenue	<u>(4,726)</u>	<u>(1,370)</u>	<u>(6,096)</u>
Revenue from external customers	<u>236,346</u>	<u>71,686</u>	<u>308,032</u>
Segment results	5,339	8,780	14,119
Corporate expenses (Note (a))			(20,015)
Finance costs, net			<u>(4,931)</u>
Loss before income tax			(10,827)
Income tax credit			<u>62</u>
Loss for the period			<u>(10,765)</u>
Other segment items:			
Capital expenditure	2,785	3,050	5,835
Depreciation and amortisation (excluding depreciation of right-of-use assets)	12,036	4,655	16,691
Depreciation of right-of-use assets	47,927	390	48,317
Losses on disposal of property, plant and equipment	<u>97</u>	<u>–</u>	<u>97</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (Continued)

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment assets as at 30 June 2024 and 31 December 2023 are as follows:

	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Elimination HK\$'000	Total HK\$'000
As at 30 June 2024 (Unaudited)	441,915	204,675	(682)	645,908
Segment assets				
Prepaid tax				1,668
Deferred income tax assets				8,816
Corporate assets (Note (b))				19,420
Total assets				675,812
As at 31 December 2023 (Audited)	466,256	217,410	(620)	683,046
Segment assets				
Prepaid tax				1,428
Deferred income tax assets				8,589
Corporate assets (Note (b))				20,700
Total assets				713,763

Notes:

- 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 six months ended 30 June 2024 and 2023.
- 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 30 June 2024 and 31 December 2023.

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

The Company is domiciled in the Cayman Islands while the Group operates its business primarily in Hong Kong and the PRC. For the six months ended 30 June 2024 and 2023, no revenue was generated from the Cayman Islands. As at 30 June 2024 and 31 December 2023, no assets were located in the Cayman Islands.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



6 REVENUE, OTHER INCOME AND OTHER GAINS, NET

The Group's revenue, other income and other gains, net recognised during the six months ended 30 June 2024 and 2023 are as follows:

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Revenue recognised at a point in time		
Sale of goods	308,032	331,678
Other income		
Service income	178	2,080
Others	1,045	703
	1,223	2,783
Other gains, net		
Exchange differences	150	124
Losses on disposal of property, plant and equipment	(92)	(17)
	58	107
Other income and other gains, net	1,281	2,890



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Cost of inventories sold	99,671	106,925
Lease rental in respect of retail outlets (Note (a))		
– Contingent rental	67	337
Lease rental in respect of storage spaces and office premises (Note (a))	5,159	6,255
Advertising and promotional expenditure	5,562	5,819
Depreciation of property, plant and equipment (Note 11(a))	16,863	18,745
Depreciation of right-of-use assets (Note 11(b))	49,417	51,294
Amortisation of intangible assets (Note 12)	352	327
Communication and utilities	13,489	15,527
Employee benefit expenses (including directors' emoluments)	93,701	104,836
Provision for impairment loss on right-of-use assets	472	2,191
Legal and professional fees	1,624	2,153
Auditor's remuneration		
– Audit services	1,400	1,400
Tools, repair and maintenance expenses	5,346	5,712
Transportation and distribution expenses	13,062	15,239
Others	9,024	9,349
Total cost of sales, selling and distribution costs and administrative and operating expenses	315,209	346,109

Note:

- (a) These expenses included short-term leases expenses of HK\$153,000 (2023: HK\$435,000), variable lease payment expenses of HK\$245,000 (2023: HK\$124,000) and other rental-related expenses of HK\$4,828,000 (2023: HK\$6,033,000) for the six months ended 30 June 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax and PRC Corporate Income Tax ("CIT") have been provided at the rate of 16.5% and 25% respectively (2023: Same).

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

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current income tax		
– Current year's provision	150	257
– Under-provision in prior years	17	39
Deferred income tax	(229)	(137)
Income tax (credit)/expense	(62)	159

9 LOSS PER SHARE

	(Unaudited) Six months ended 30 June	
	2024	2023
Loss attributable to owners of the Company (HK\$'000)	(7,925)	(9,649)
Weighted average number of ordinary shares for the calculation of basic loss per share (thousands)	655,944	655,944
Loss per share for loss attributable to owners of the Company		
– Basic loss per share (HK cents)	(1.21)	(1.47)
– Diluted loss per share (HK cents)	(1.21)	(1.47)

(a) Basic

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

(b) Diluted

Diluted loss 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 per share for the six months ended 30 June 2024 and 2023 equal basic loss per share as there were no potentially dilutive ordinary shares as at both period ends.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (2023: Nil).

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

(a) Property, plant and equipment

	(Unaudited)	
	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
At 1 January	254,880	285,637
Additions	5,835	6,603
Disposals	(112)	(41)
Depreciation	(16,863)	(18,745)
Exchange difference	(3,201)	(2,747)
At 30 June	240,539	270,707

Depreciation of HK\$5,345,000 (2023: HK\$5,389,000) has been charged in 'cost of sales' and HK\$11,518,000 (2023: HK\$13,356,000) in 'administrative and operating expenses' for the six months ended 30 June 2024.

(b) Right-of-use assets

	(Unaudited)	
	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
At 1 January	196,290	177,173
Inception of lease contracts	41,756	69,565
Depreciation (Note 7)	(49,417)	(51,294)
Modification of lease contracts	–	1,113
Provision for impairment loss on right-of-use assets	(472)	(2,191)
Exchange difference	(624)	(522)
At 30 June	187,533	193,844

12 INTANGIBLE ASSETS

	(Unaudited) Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
At 1 January	2,297	2,707
Addition	–	6
Amortisation (Note 7)	(352)	(327)
At 30 June	1,945	2,386

Amortisation of HK\$352,000 (2023: HK\$327,000) has been charged in 'administrative and operating expenses' for the six months ended 30 June 2024.

13 TRADE RECEIVABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade receivables from third parties	55,754	56,776
Less: Provision for impairment on trade receivables	(440)	(516)
Trade receivables, net	55,314	56,260

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days (31 December 2023: Same). As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Less than 30 days	23,903	22,679
31 to 90 days	23,060	25,934
Over 90 days	8,791	8,163
	55,754	56,776



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK\$'000
Authorised:		
At 31 December 2023, 1 January 2024 and 30 June 2024 (Unaudited)	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 31 December 2023, 1 January 2024 and 30 June 2024 (Unaudited)	<u>655,944,000</u>	<u>6,559</u>

15 SHARE BASED PAYMENTS

A share option scheme was approved on 11 June 2014 by the shareholders of the Company. The subscription price per share shall be determined by the Board of Directors and notified to the grantee at the time of offer of the option. The scheme was valid and effective for a period of 10 years from the 11 June 2014, being the date which the scheme was conditionally approved and adopted. There was no share option granted during the period ended 30 June 2024 (2023: Nil), and there was no outstanding share option as at 30 June 2024 (31 December 2023: Nil). The scheme has expired on 10 June 2024.

16 TRADE PAYABLES

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
0 to 30 days	15,433	14,185
31 to 60 days	11,669	14,552
61 to 90 days	5,216	5,513
Over 90 days	<u>485</u>	<u>3,615</u>
	<u>32,803</u>	<u>37,865</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Accruals for employee benefit expenses	8,168	15,466
Accruals for marketing and promotional expenses	3,344	4,864
Refund liabilities for sales rebate	1,369	1,649
Rental and related expenses payable	1,994	2,461
Office and utilities expenses payable	3,759	3,836
Deferred revenue	2,292	2,131
Consideration payable for property, plant and equipment acquired	8,405	6,714
Accruals for transportation and delivery charges	2,598	2,840
Accruals for audit fee	1,700	1,800
Other accruals and other payables	20,881	17,513
	54,510	59,274

18 PROVISION FOR REINSTATEMENT COSTS

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Non-current	5,751	5,324
Current	2,628	3,355
	8,379	8,679

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

	(Unaudited) Six months ended 30 June 2024 HK\$'000	2023 HK\$'000
At 1 January	8,679	9,380
Additional provision during the period	455	26
Utilisation	(755)	(114)
At 30 June	8,379	9,292



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 RECEIPTS IN ADVANCE

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

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
At 1 January	149,002	164,584
Receipt from sales of pre-paid coupons and credits during the period	148,371	147,447
Revenue recognised upon the redemption of products by customers and expiration	(155,387)	(161,785)
At 30 June	141,986	150,246

20 BANK BORROWINGS

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Unsecured bank borrowings:		
Portion due for repayment within 1 year or on demand	37,964	36,566

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Unsecured bank borrowings:		
Within 1 year	33,668	31,319
Between 1 and 2 years	1,906	1,895
Between 2 and 5 years	2,390	3,352
	37,964	36,566

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

21 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.

22 RELATED PARTY TRANSACTIONS

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

(a) Key management compensation

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

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	7,864	9,126
Pension costs	90	99
	<u>7,954</u>	<u>9,225</u>

23 COMMITMENTS

Capital commitments

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

	As at	As at
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracted but not provided for:		
Property, plant and equipment	<u>12,005</u>	<u>12,689</u>



OTHER INFORMATION

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the interests and short positions of the Directors of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which had been notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be disclosed, under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the "Code of Conduct for Securities Transactions by Directors of the Company" adopted by the Company (the "Code of Conduct") were as follows:

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

Notes:

- (1) Pursuant to a deed of confirmation dated 27 March 2014 executed by Ms. Wong Pui Chu, Mr. Tse Po Tat and the late Mr. Kwan Wang Yung (collectively referred to as the "Controlling Shareholders"), the Controlling Shareholders have agreed to jointly control their respective interests in the Company and decisions as to the business and operations of the Group shall be made in accordance with the unanimous consent. Each of the Controlling Shareholders shall exercise their respective voting rights in the Company in the same way. Hence, each of the Controlling Shareholders is deemed to be interested in all the Shares held by the Controlling Shareholders in aggregate by virtue of the SFO.
- (2) The Company was directly owned as to 1.02% (being 6,706,000 Shares) by Ms. Wong Pui Chu.
- (3) The Company was directly owned as to 29.21% (being 191,638,200 Shares) by Think Expert. By virtue of her 100% shareholding of Think Expert, Ms. Wong Pui Chu is deemed to be interested in the same number of Shares held by Think Expert.
- (4) The Company was directly owned as to 0.83% (being 5,500,000 shares) by Action Rich Investment Limited ("Action Rich"). By virtue of her 60% shareholding of Action Rich, Ms. Wong Pui Chu is deemed to be interested in the same number of Shares held by Action Rich.
- (5) The Company was directly owned as to 16.63% (being 109,122,400 Shares) by YITAO. By virtue of his 100% shareholding of YITAO, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by YITAO.
- (6) The Company was directly owned as to 0.83% (being 5,500,000 shares) by Action Rich. By virtue of his 40% shareholding of Action Rich, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by Action Rich.
- (7) The Company was directly owned as to 0.28% (being 1,850,000 Shares) by Dr. Szeto Wing Fu.
- (8) The Company was directly owned as to 3.76% (being 24,704,600 Shares) by Aolong Limited ("Aolong"). By virtue of his 100% shareholding of Aolong, Dr. Szeto Wing Fu is deemed to be interested in the same number of Shares held by Aolong.

Save as disclosed above, as at 30 June 2024, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and the Code of Conduct.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%)
Prestigious Time (Note 1)	Interests held jointly with other persons; beneficial owner	404,052,600 (Long position)	61.59
Think Expert (Note 2)	Interests held jointly with other persons; beneficial owner	404,052,600 (Long position)	61.59



OTHER INFORMATION

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

Notes:

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

Save as disclosed above, as at 30 June 2024, the Directors had not been notified of any other corporation or individual (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2024, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

SHARE OPTION SCHEME

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

The purpose of the Share Option Scheme was to enable the Company to grant options to the eligible participants to (1) motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and (2) attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group. The Board may, at its own discretion, grant an option to the eligible participants to subscribe for the shares of the Company at an exercise price (Note 2) and subject to the other terms of the Share Option Scheme.

The Share Option Scheme has remained in force for a period of ten years from its effective date and has expired 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 was no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including but not limited to those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

The Board confirms that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. During the six months ended 30 June 2024, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme. As the Share Option Scheme has expired on 10 June 2024, no more Shares are available for issue under the Share Option Scheme as at 30 June 2024.

Notes:

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

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



OTHER INFORMATION

CHANGE OF DIRECTOR'S INFORMATION

Subsequent to publication of the 2023 Annual Report, the change in information of Directors is set out below pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules:

- Mr. Andrew Look, an Independent Non-executive Director of the Company, has retired as an independent non-executive director of Ka Shui International Holdings Limited (stock code: 822) with effect from 31 May 2024.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2024.

CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in Appendix C1 of the Listing Rules throughout the six months ended 30 June 2024.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Code of Conduct based on the required standard set out in the Model Code. For the six months ended 30 June 2024, all of the Directors confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") which currently consists of all three independent non-executive Directors of the Company with written terms of reference which deal clearly with its authority and duties. Amongst the Audit Committee's principal duties are to review and supervise the Group's financial reporting process, risk management and internal control systems, including the review of the unaudited interim financial information of the Group for the six months ended 30 June 2024.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been reviewed by the external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

Tse Po Tat

Chairman and Executive Director

Hong Kong, 23 August 2024



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