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

2024 年報 Annual Report

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Celebrate panda twins' 100 days birthday with Hung Fook Tong products

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

Collaborated with PARKnSHOP to launch 2 new herbal tea flavour in 100% rPET recycled bottles, reducing carbon emission by about 68 tons annually

MAR - APR

Supported the Community Chest Skip Lunch Day for 15 consecutive years

Organised Animal Adoption Briefing and workshop with SPCA to promote pet-friendly working environment

Opened a new shop at Sau Mau Ping Shopping Centre

Launched a plant-based option to the Group's postpartum confinement product series, namely, the Home-Made Tangerine Peel and Ginger in Sweet Vinegar

MAY - JUN

Presented low-sugar and sugar-free products in new packaging

JUL - AUG

Volunteering team of Hung Fook Tong joined "Used Book Recycling Campaign 2024" organised by World Vision Hong Kong

Launched Hung Fook Tong x B.Duck product collaboration

SEP - OCT

Released new sugar-free Oolong Tea and Rye And Brown Rice Drink

Received BDO ESG Award 2024

NOV - DEC

Participated in 7th China International Import Expo for the first time, signing a strategic partnership agreement with Callista Foods Limited, under Fung Group

Offered exclusive rewards to celebrate the 100-day birthday of panda twins

Launched Hung Fook Tong x mofusand product collaboration

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 2024.

REFINING OPERATIONS AMID CONSTANT CHANGE

Over the past year, the business environment has continued to pose stiff challenges to the Hong Kong retail sector, the confluence of such factors as weak consumer sentiment, changing consumption patterns among local residents, and the more frugal nature of tourists due to a strong Hong Kong dollar. Compounding matters are cost pressures arising from higher labour and material-related expenses. Despite such adversities, the Group has achieved relatively stable sales performance that aligns with the present market conditions. Notably, the sustained popularity of our promotion offers and coupon sales testifies to the loyalty of our customers, as well as their faith in the high quality of the Group's products. At the same time, we have remained committed to innovating and enriching our product portfolio to meet the evolving demands for health and wellness, which also allows us to further enhance our brand equity and market-leading position. Our Joyous series products have achieved robust sales momentum, driven by the promotion of our stewed pork trotter and ginger gift cards for celebrating childbirths, which has helped increase brand awareness and bolster our market presence as well. With respect to optimising our product portfolio, we have partnered with the healthy diet brand Nutribite to provide even more nutritious meal offerings at our retail shops, and just as importantly, meet face-to-face with customers to personally address their evolving preferences for healthy diets. In tandem with the ongoing refinement of our product offerings, we have continued to direct efforts to increase the number of JIKA CLUB (自家CLUB) members to share our products. This has involved providing highly customised membership experiences, including exclusive offers and loyalty programmes. Consequently, memberships have risen by approximately 100,000 during the review year to over 1.4 million as of 31 December 2024. To reach customers in general, we have been continuously rationalising our retail network, which totalled 107 shops as of the close of the review year, thus making the Group the largest herbal retailer in Hong Kong based on network size once again. Yet other facets of operation that we have made inroads include controlling costs and raising manufacturing efficiency. Consequently, we have significantly narrowed our losses, underscoring the Group's ability to navigate the complex operating landscape.

PLANS IN PLACE, EFFORTS UNDERWAY

As we enter the new financial year, we anticipate the economic uncertainties and challenges faced by many retailers to persist. While the Hong Kong Government's efforts to boost tourism through various promotional campaigns and events will provide a degree of relief to the retail sector, it is unlikely to fully address the lacklustre local consumption trend and generally tepid economic outlook.

In view of the market conditions, we will continue to exercise extreme financial prudence, focusing on cost optimisation and enhancing efficiency by further utilising our Mainland China production plant. Concurrently, we will actively stimulate customer spending, explore new revenue streams and strengthen the Group's market presence by refining our product portfolio, expanding sales channels, pursuing cross-brand collaborations and intensifying digitalisation efforts. Through this multifaceted approach, we trust that our stable performance will continue in 2025, and will pave the way for a gradual turnaround in the near future.

EXPANDING BEYOND

Leveraging our long-standing success in the non-staple food arena, we aim to take a step further to become the go-to option for staple meals as well. We will therefore add fresh impetus to promote nutritious diets for women during their postpartum confinement or pregnancy (月子餐) via a wider array of meal options. We will also capitalise on the positive feedback received from customers, appreciative of the healthy meals offered in collaboration with Nutribite. The Group will be exploring even more collaborative meal selections for those seeking a balanced diet as well as addressing the needs of the elderly. Yet another opportunity that we will seize is our traditional festive Poon Choi dish which has demonstrated exceptional growth. Our goal will be to reposition this local favourite as a versatile, year-round dish, extending its appeal beyond traditional festivals to also include the modern consumer who prefers premium, hearty food that can be shared with loved ones at any time.

Having been an early adopter of point-of-sale (POS) technologies, we will be launching new solutions, including the revamped member management system in the first half year to better serve customers, encourage spending, and increase logistical efficiency. Also, with our members in mind, the Group will continue to collaborate with cartoon licensor to introduce visually appealing products as premiums, stimulate new registrations, and strengthen brand awareness and loyalty.

As for the wholesale network, we will seek to work with various brands to develop and launch functional drinks to grow the Group's footprint and promote product diversity. While focusing on launching additional sugar-free products and soups to diversify revenue streams and cater for health-conscious consumers in Mainland China, we will also maintain efforts in tapping the overseas markets such as the US, UK, Thailand, Indonesia, and Japan markets, and bolster its brand presence.

APPRECIATION

I would like to take this opportunity to extend my heartfelt gratitude to all of our dedicated employees, whose relentless efforts and unwavering commitment have been the driving force behind the Company's continued progress, even amidst the daunting challenges of the recent past. I also wish to thank our customers, business partners and shareholders for their steadfast support. Looking at the year ahead, we recognise that there will be continuing headwinds, yet we are also mindful of emerging opportunities which the Group will seek to capitalise on. Leveraging our thorough understanding of customers and markets, high-quality products and strong partnerships, we are confident in the ability to overcome obstacles, re-energise operations, and pursue sustainable development for all of the Group's stakeholders.

Tse Po Tat
Chairman and Executive Director
Hong Kong, 27 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the review year, the combination of macroeconomic headwinds and lacklustre equity and property markets that have yet to bottom out weighed on consumer confidence. Despite the resultant complex and uncertain business conditions in Hong Kong and Mainland China, the Group demonstrated resilience and maintained its market leadership position in 2024.

During the year ended 31 December 2024, total revenue decline 7.7% to HK$620.7 million (2023: HK$672.7 million). While gross profit slid by 6.2% to HK$369.0 million (2023: HK$393.5 million), the Group successfully improved the gross profit margin to 59.4% (2023: 58.5%), representing 0.9 percentage point year on year growth. This reflects effective efforts in controlling costs and boosting manufacturing efficiency. Through strategic cost optimization measures, the Group also significantly reduced selling, administrative and other corporate expenses during the year, resulting in a narrower loss attributable to owners of HK$13.7 million in 2024 (2023: loss of HK$34.6 million). The Group maintain its robust financial position and healthy operating cash flows. As at 31 December 2024, it held sufficient cash and cash equivalents as well as unutilised banking facilities, amounting to approximately HK$110.2 million and HK$82.3 million, respectively (31 December 2023: HK$88.5 million and HK$44.7 million, respectively).

It is worth noting that receipts in advance (which represent sales of prepaid coupons and credits, the revenue of which will be recognized in future upon redemption by customers) have increased by 9.1% from HK$149.0 million as at 31 December 2023 to HK$162.6 million as at 31 December 2024.

BUSINESS SEGMENT ANALYSIS

Hong Kong Retail

Continuing to be the principal contributor to the Group's top line, the Hong Kong retail business generated HK$467.3 million in revenue during the review year (2023: HK$503.8 million), down 7.2% year on year, and accounted for 75.3% of the Group's total revenue. The metrics are indicative of the challenging operating environment in Hong Kong, as the trend of residents travelling northbound and overseas has continued, compounded by more cautious spending by tourists due to the strong Hong Kong dollar. Such developments have led to a decline in the value of total retail sales in Hong Kong in 2024 – down 7.3% in value and 9% in volume year on year[1], according to the HKSAR Government Census and Statistics Department. As for the Group, it was significantly impacted in terms of store traffic and same-store sales, particularly during weekends and long holidays when Hong Kong residents tended to travel to neighbouring Mainland Chinese cities or overseas for leisure and spending. Nevertheless, the segment achieved notable turnaround to record a profit of HK$21.6 million (2023: loss of HK$5.3 million), mainly due to the improvement in gross profit margin and reduction in administrative expenses, despite ongoing pressure from labour and material-related costs.

Given the difficult business environment, the Group continued to take a prudent approach towards opening new stores while strategically optimising its retail network. As at 31 December 2024, the Group had a total of 107 self-operating shops in Hong Kong, comprising 99 HFT shops and 8 HFT Life café concept stores, thus retaining its position as the largest herbal retailer in Hong Kong based on retail network size.

[1] Source: Hong Kong SAR Government – Census and Statistics Department Press Release

To drive traffic to its retail network as well as raise brand awareness, the Group initiated various proactive marketing campaigns. This was complemented by the ongoing refinement of its product portfolio to expand revenue streams. To better reach the tourist and festive product market segments in particular, the Group promoted its offerings through different social media channels, including Xiaohongshu (小紅書). It also introduced several festive products during the Lunar New Year period to attract tourists and stimulate sales. With regard to the Joyous product series, the Group was able to generate strong sales momentum by promoting stewed pork trotter and ginger gift cards for celebrating childbirths. Additionally, given the city's growing panda economy, the Group worked closely with Ocean Park Hong Kong to celebrate the first month and 100-day birthdays of the panda twins, subsequently launching a series of panda-themed stewed pork trotter and ginger gift cards in November. The Group has also continued to nurture partnerships with different banks and collaborated with various telecommunication providers in Hong Kong to introduce exclusive offers to their customers. Still other initiatives taken by the Group include working with the baking solutions provider and distributor, Callista Foods Limited, to further expand its portfolio in the bakery sector by providing more product options. Similarly, the Group has partnered with the healthy diet brand, Nutribite, to provide nutritious meal offerings at its retail shops, personally reaching out to consumers to address their evolving dietary preferences.

A key pillar of the Hong Kong retail business continues to be the JIKA CLUB (自家 CLUB). To promote the uptake of its membership card, the Group has focused on providing exclusive services and highly customised membership experiences to reward members. As for the JIKA CLUB (自家 CLUB) membership programme itself, the Group has placed tremendous effort into rewarding its valued customers through exclusive discount offers and devising loyalty programmes that enrich the customer experience and foster stronger engagement. This has included collaborating with the cartoon brand mofusand in launching limited edition gifts for members. As at 31 December 2024, JIKA CLUB had amassed over 1,400,000 members, or a year-on-year increase of approximately 100,000 memberships. The Group's initiatives have also resulted in more than 80% of coupons being redeemed by members via e-format.

To enhance the Group's visibility and better engage with Hong Kong consumers and the broader market directly, it has participated in various exhibitions during the review year. This includes the Hong Kong Brands and Products Expo, Wedding and Baby Expo, and other large-scale gatherings. By erecting corporate booths at these events, the Group has been able to showcase its diverse products and services, fostering stronger connections with existing customers while reaching out to potential new customers.

Separately, amid the challenging business conditions, the Group has demonstrated considerable business acumen and the ability to be a skilled negotiator, successfully securing rental concessions and more favourable terms for the majority of its lease renewals as part of its cost optimisation initiative and optimise retail network to increase profitability.

Wholesale

The wholesale operation experienced a decline in revenue, receding by 9.2% to HK$153.4 million (2023: HK$168.9 million), and accounting for 24.7% of the Group's total revenue. The decline was largely attributable to the waning confidence of consumers in the Hong Kong and Mainland China markets. Despite the lower revenue, the segment profit increased by 13.4% to HK$19.8 million (2023: HK$17.5 million), as the Group took shrewd measures to consolidate resources and effectively leveraged its modern production facilities in Mainland China to increase manufacturing efficiency, leading to an increase in gross profit margin and a significant reduction in selling and administrative expenses.

Hong Kong

Regarding the Hong Kong wholesale operation specifically, revenue declined by 7.1% to HK$134.3 million (2023: HK$144.5 million), aligning with the overall decline in retail sales in Hong Kong. During the review year, the operation focused on bolstering partnerships, expanding product offerings and adapting to evolving consumer preferences to drive growth and enhance its market presence. It collaborated with key accounts to enhance product penetration. The wholesale operation leveraged ties that included PARKnSHOP to launch new products, such as wolfberry soy sauce (杞子豉油). It also partnered with Wellcome to promote its e-coupons and establish new sales channels.

On the product front, the Hong Kong wholesale business continued to introduce beverages to address the growing demand for healthier drink options. This included two new tea products, namely the sugar-free Oolong Tea (香檳烏龍茶) and Rye and Brown Rice Drink (黑麥玄米茶). In the Group's ongoing commitment to innovation and brand rejuvenation, selected health drinks were revitalised aesthetically through collaborations with popular cartoon character – B.duck, enhancing the aesthetic appeal. Additionally, the new packaging designs of the flagship herbal tea product helped to maintain their visual attractiveness as well as inject vitality into the brand. Aside from beverages, the operation introduced food items sourced from the Mainland China and Southeast Asia markets to provide more options and cater for the needs of a wider range of customers.

Mainland China

The Group's wholesale operation in Mainland China was directly affected by the slowing local economy, tepid consumer sentiment, weak Renminbi and increasingly fierce market competition. Revenue from the segment was down 21.7% to HK$19.1 million (2023: HK$24.4 million) during the review year. To overcome the challenging conditions, the Group sought to increase the availability of products by leveraging close partnerships with key accounts and major distributor. As a result, the Group's long shelf-life and fresh beverage products were available at over 17,000 convenience stores in 13 cities, including Guangzhou, Dongguan, Shenzhen and Shanghai, as well as various supermarkets and department stores by the end of the review year. Also mindful of the health consciousness of local consumers, the Group introduced sugar-free products to reach this segment as well as to diversify the wholesale product portfolio. To better reach customers from all walks of life, the Group has continued to direct resources to promote sales on such popular online platforms as JD.com (京東), Taobao (淘寶), Tmall (天貓), Meituan (美团), Douyin (抖音) and Xiaohongshu (小紅書). In addition, the Group has continued to participate in exhibitions to promote brand exposure and create opportunities for increasing the market presence.

Other Markets

The performance of the Group's wholesale business in other markets was impacted by weak global economic growth, stricter import policies and tariff increases. Despite these developments, the Group has been able to protect its share of overseas wholesale markets by maintaining close communication with key accounts.

PROSPECTS

Looking ahead to 2025, the business environment will continue to be fraught with challenges, resulting from changing consumption patterns among visitors, the decline in the overall purchasing power of consumers, the northbound spending trend and the sustained strength of the Hong Kong dollar. These developments will not only weigh on the Hong Kong economy, but also further impact an already lacklustre retail sector. The situation across the border is expected to be similar, as Mainland China will continue to grapple with economic uncertainties brought by heightened geopolitical tensions and cautious consumer sentiment. Businesses will therefore need to navigate a complex landscape marked by intense competition and shifting demand.

For the Group, it will maintain a cautious approach, prioritising financial prudence that is characterised by cost optimisation. Defensive measures will therefore include negotiating with landlords for rental reductions, better controlling logistic, labour and merchandising costs, and further utilising the production plant in Mainland China to increase efficiency. With the Group's adaptability and commitment to market innovation, it will actively pursue new sources of revenue and enhance its market presence to return to a growth trajectory. Consequently, the Group will look to diversify its product portfolio, further expand sales channels and seek cross-brand collaborations. Through such efforts, the Group is confident in its ability to perform in a stable manner in 2025 and achieve a subsequent turnaround.

Hong Kong Retail

Given the relatively flat retail market, the Group will continue to closely monitor its store network to ensure that it operates effectively. Additionally, it will seek to diversify product offerings to align with the dynamic retail landscape. This will include enhancing the market reach of gift cards for tailor-made and generic stewed pork trotter and ginger to boost sales of the ginger product category. The Group will also launch new products for the festive seasons, while at the same time further developing the traditional Poon Choi dish. It is the Group's intention to position its high-quality and additives-free Poon Choi as a delicious food item that families can enjoy all year round for family gathering, not just during traditional festivals.

As the Group plans to enrich its staple food offerings on top of its established non-staple offerings as well, it will be further promoting nutritious diets for women during postpartum confinement or pregnancy (月子餐) through a wider variety of meal options. Moreover, an upgraded delivery service for these meals will be launched in the first quarter of 2025 to complement the development of this product category. Also, given the positive feedback from customers regarding its healthy meals in collaboration with Nutribite, the Group will further examine opportunities for introducing other meal options catering for the needs of different group of people.

Still other business efforts that the Group will look to build on include diversifying the products offered at its HFT Life café. With regard to JIKA CLUB, the Group will seek to increase membership, encourage retention and stimulate spending by members. This will, in part, involve partnering with cartoon character licensor to launch exciting products to serve as member privileges and increase brand loyalty. On the digitalisation front, the Group will launch new POS and electronic member management systems in first half of 2025 to increase logistical efficiency and boost spending across different sales platform in the Group. Going forward, the Group will continue to maintain its retail network while work closely with landlords to negotiate for more favourable lease terms.

Wholesale

Hong Kong

To tackle the challenging wholesale market in Hong Kong, the Group will continue to pursue cross-brand partnerships for product development and marketing initiatives. Such efforts will be aimed at supporting the introduction of healthier beverage and food options. Similarly, the Group will collaborate with different brands to launch functional drinks to further capture the needs of health market.

Mainland China

In Mainland China, which is a market that is expected to remain challenging, characterised by heightened geopolitical tension, weak consumer sentiment, and intense competition, the Group plans to participate in more exhibitions to enhance brand visibility. It will also focus on launching additional sugar-free products and soups to diversify revenue streams and cater for health-conscious consumers.

Other Markets

As each market that the Group operates in possesses its own set of unique challenges, it recognises that maintaining close communication with distributors is paramount. The Group will therefore strengthen such interactions to keep abreast of market developments, explore fresh opportunities in the US, UK, and Asian market, to bolster its brand presence.

CONCLUSION

Despite the economic headwinds, the Group remains committed to its current course of action, which includes capitalising on the growing demand for healthy products by leveraging its thorough understanding of consumer needs, capacity to tap new markets and ability to meet high quality standards. By remaining agile and customer-centric, the Group trusts that it is well-positioned to navigate future challenges and drive sustainable growth.

FINANCIAL REVIEW

Revenue

In 2024, the number of Hong Kong residents traveling abroad increased significantly compared to the last year. This, coupled with shifting consumption patterns among both visitors and local residents, has had an adverse impact on our business performance.

For the year ended 31 December 2024, the Group recorded a revenue of HK$620.7 million, representing a decrease of 7.7% from HK$672.7 million in 2023. Revenue from Hong Kong retail operation decreased to HK$467.3 million, representing a decrease of 7.2% from HK$503.8 million in 2023. Revenue from wholesale business decreased to HK$153.4 million, representing a decrease of 9.2% from HK$168.9 million in 2023.

Cost of Sales

For the year ended 31 December 2024, the Group incurred a cost of sales totaling HK$251.7 million, representing a decrease of 9.9% from HK$279.2 million in 2023. As a percentage of revenue, cost of sales represented 40.6% and 41.5% in 2024 and 2023 respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2024, the Group achieved a gross profit of HK$369.0 million, indicating a decrease of 6.2% from HK$393.5 million in 2023. The Group's gross profit margin experienced an increase of 0.9 percentage point, settling at 59.4% compared to 58.5% in 2023. This improvement in gross profit margin was achieved through the consolidation of our manufacturing capacity in both Hong Kong and Mainland China and the optimization of sales mix.

Staff Costs

For the year ended 31 December 2024, the Group's staff costs amounted to HK$189.7 million, representing a decrease of 10.6% from HK$212.2 million in 2023. The staff costs-to-revenue ratio is 30.6%, which is lower than the 31.5% recorded in 2023.

Rental Expenses

For the year ended 31 December 2024, 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$98.7 million, representing a decrease of 5.7% from HK$104.7 million in 2023 mainly due to the closing of certain underperforming shops. Rental expenses-to-revenue ratio for the Hong Kong retail shops is 21.1% as compared to 20.8% in 2023.

Depreciation

For the year ended 31 December 2024, depreciation of property, plant and equipment of the Group amounted to HK$33.9 million, representing a decrease of 7.4% from HK$36.7 million in 2023. 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 2024 and 2023.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2024 was HK$13.7 million, as compared to HK$34.6 million in 2023.

Loss per share for loss attributable to owners of the Company for the year ended 31 December 2024 amounted to HK2.09 cents, as compared to HK5.28 cents in 2023.

Capital Expenditure

During the year ended 31 December 2024, capital expenditure of the Group amounted to HK$16.6 million (2023: HK$13.1 million) primarily for revamping of existing retail shops, acquiring production facilities and equipment in Mainland China plant and acquiring equipment in retail shops.

Liquidity and Financial Resources Review

As at 31 December 2024, the Group had bank deposits and cash balance amounted to HK$110.2 million (31 December 2023: HK$88.5 million).

As at 31 December 2024, the gearing ratio of the Group was 0.66 (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 31 December 2024, the Group had total banking facilities of HK$122.5 million (31 December 2023: HK$83.1 million) of which HK$40.2 million (31 December 2023: HK$38.4 million) had been utilised.

As at 31 December 2024, the Group's current liabilities exceeded its current assets by HK$128.7 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$162.6 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$33.9 million (31 December 2023: HK$8.0 million) and current ratio of 1.17 (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 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 2024.

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 2024, the Group employed approximately 810 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 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.

The Group is fully committed to fulfilling its environmental, social and governance ("ESG") obligations by supporting different stakeholders. Besides the efforts outlined in this section, additional information can be obtained from the Group's 2024 ESG Report, which will be published in April 2025.

ENVIRONMENTAL

In line with the Group's longstanding commitment to reducing plastic waste and carbon emissions, it has continued supporting plastic recycling by installing two reverse vending machines ("RVM") and three plastic bottle recycling bins at selected retail shops, which at the same time encourages customers to clean and recycle plastic beverage bottles. During the review year, approximately 256kg of plastic beverage bottles were recycled through the aforementioned means. In addition, the Group has been using rPET ("Recycled Polyethylene Terephthalate") in the production of beverage bottles for its Iced Lemon Tea since 2022. During 2024, the Group expanded the use of this sustainable packaging material to two additional types of drinks. In total, the Group utilised 21 tonnes of rPET, which is equivalent to reducing approximately 68 tonnes of carbon emissions. Conversely, the Group has sought to curb the use of PET materials, particularly for 250ml bottled drinks, which it aims to cut by 8 tonnes in 2025. This initiative not only decreases plastic waste, but also reaffirms the Group's dedication to observing sustainable production practices.

Regarding food waste recycling, the Group has continued to achieve zero food waste disposal in landfills in 2024, thus contributing to the lowering of greenhouse gas emissions. The majority of the food waste generated at the Tai Po factory in Hong Kong was sent to the Organic Resources Recovery Centre Phase 1 (O ·Park 1) for recycling and conversion into biogas. Additionally, the Group's herbal tea residue was donated to the green social enterprise FoodCycle+ for the production of the organic compost "MixO' Plus". Via these initiatives, approximately 316 tonnes of food waste were recycled in 2024, translating to a reduction in carbon dioxide equivalent ("CO_2-e") greenhouse gas emissions of approximately 163 tonnes. The Group also partnered with various food banks such as People Service Centre (民社服務中心), which collected surplus food at selected retail stores and redistributed it to people in need. In 2024, over 800 surplus food items were retrieved from the Group's shops or factory.

Yet another means that the Group has employed to protect the environment has been the use of renewable energy. The solar panels fitted at the Hong Kong factory contributed approximately 174 MWh of renewable energy to CLP's Feed in Tariff (FiT) Scheme in 2024. In addition, the Group's factory in Kaiping, Mainland China, which also has solar panels (approx. 25,000 m^2) installed on its rooftop, generated 2,950 MWh of renewable energy during the review year.

SOCIAL

As at 31 December 2024, the Group had approximately 810 employees, comprising approximately 605 employees in Hong Kong and approximately 205 employees in Mainland China. The Group is a firm believer that employees are the most valued asset of a company, hence it aims to create a desirable workplace and promote the well-being of all its staff.

During the review year, the Group conducted nearly 366 hours of training programmes that were attended by over 1,000 staff members in aggregate. Mindful of the importance of work-life balance, the Group also continued to promote a pet-friendly culture during the review year. Its efforts included organising workshops with the Society for the Prevention of Cruelty to Animals (HK) to educate staff on responsibly adopting and caring for pets.

With respect to society, the Group is a staunch advocate of social care, which is reflected in its involvement in various public activities. For example, it has supported the Community Chest Skip Lunch Day for the 15th consecutive year. The Group donated over 13,000 food coupons for Skip Lunch Day, which led to the raising of more than HK$1.0 million for the Community Chest. Separately, the Hung Fook Tong volunteer team participated in the “Used Book Recycling Campaign 2024”, organised by World Vision Hong Kong. Funds raised will be used by the organisation to operate programmes that support grass-roots children with special educational needs (SEN) and their families. The Group has also continued to sponsor “Barrier Busters” in 2024. Funds raised from this event will help support the Hong Kong Rehabilitation Society in its efforts to assist more people with disabilities and long-term illnesses to reintegrate into the community. Yet another commitment that the Group has maintained is with Oxfam Trailwalker, providing soup sponsorship for the walkers and volunteers involved in the event. In addition to its sponsorship, the Hung Fook Tong team also participated in this charitable sports activity to demonstrate its dedication to enhancing staff welfare through direct action.

In recognition of the Group's commitment to advancing society, the industry and its employees, it has been honoured with a number of awards over the past year, as summarised in the below list:

	Award	Issuer of Award
	In Recognition of Brand Management and Customer Service	
1.	2024 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 2024 – Outstanding Chinese Herbal Products Corporation with a Modern Wellness Concept	ET Net Limited
5.	PARKnSHOP Super Brands Award 2023 – Healthy Drinks	PARKnSHOP Supermarket
	In Recognition of Environmental and Governance Efforts	
6.	Hong Kong Green Organisation	Environmental Campaign Committee
7.	Green Office 5+ Label and Eco-Healthy Workplace Label 2024	World Green Organisation
8.	CarbonCare® Star Label	CarbonCare InnoLab
9.	CarbonCare® ESG Label (Level 3)	
10.	BDO ESG Awards 2024 – Best in Reporting Awards – Small Market Cap	BDO Hong Kong
11.	ESG Pledge	The Chinese Manufacturers' Association of Hong Kong and Hong Kong Brand Development Council
	In Recognition of Community Investment	
12.	15 Years Plus Caring Company Logo 2006-2024	The Hong Kong Council of Social Service
13.	Social Capital Builder Logo Award 2022-2024	Home and Youth Affairs Bureau – Community Investment and Inclusion Fund
14.	Award of Distinction 2023/2024	The Community Chest of Hong Kong
	In Recognition of Talent Development	
15.	Happiness-at-Work Promotional Scheme – Happy Company 10 Years+	The Hong Kong Productivity Council
16.	ERB Manpower Developer Award Scheme: Super Manpower Developer 2023-2024	Employees Retaining Board
17.	Sport-Friendly Action – Awarded Corporate	Chinese YMCA of Hong Kong
18.	SportsHour Company Scheme 2023-2025	InspiringHK Sports Foundation

EXECUTIVE DIRECTORS

Mr. TSE Po Tat, aged 71, 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 38 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. Mr. Tse had obtained "2016 Honorary Fellow" from The Professional Validation Council of Hong Kong Industries in 2016.

Dr. SZETO Wing Fu, aged 63, 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 non-official member of the Minimum Wage Committee, 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 Long Term Care Committee, and the member of Fundraising and Social Enterprise Committee of The Hong Kong Society for Rehabilitation, and a professor of practice (finance) 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 65, 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 38 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 69, 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 until his retirement in July 2016. Prof. Sin obtained a Doctor of Philosophy in Business Administration from the University of British Columbia, a Master of Business Administration from the University of Texas at Arlington and a Bachelor of Business Administration from CUHK. He is currently the Honorary Institute Fellow of The Asia-Pacific Institute of Business, an adjunct professor of Department of Management of CUHK Business School, CUHK and an advisor to the Hong Kong Institute of Marketing. Prof. Sin was an independent non-executive director of Bossini International Holdings Limited (stock code: 592) until the listing of its shares was withdrawn from The Stock Exchange of Hong Kong Limited ("Stock Exchange") in March 2025.

Mr. Andrew LOOK, aged 60, 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 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 from the Stock Exchange on 30 September 2016), Man Sang Jewellery Holdings Limited (stock code: 1466), Cowell e Holdings Inc. (stock code: 1415) and Ka Shui International Holdings Limited (stock code: 822).

Mr. YEUNG Chu Kwong, aged 64, 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 62, 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 31 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 54, is the general manager of wholesales business development division, and is responsible for the division's business development, and sales and marketing. She has over 31 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 47, is the group financial controller and the general manager of the financial service division. Mr. Lo joined the Group in 2015. He has focused on promoting profitability and creating long-term value for the Group by overseeing the Group's financial management and reporting, investment and risk management strategies, treasury management, and investor relations. In addition, Mr. Lo was responsible for and is now assisting with factory management at the Hong Kong plant, including production, research and development, procurement, factory operations and engineering, quality management, logistics and warehouse management. He has executed the transition from manufacturing operations to logistics hub at the Hong Kong facility. Mr. Lo is also responsible for the Information Technology ("IT") function in Mainland China, which includes implementation of Enterprise Resource Planning ("ERP") system, IT infrastructure development, server and database management, cybersecurity and cloud systems.

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. Lo has held various roles on the relevant board committees, serving as either chairman or member of the audit committee, remuneration committee, and nomination committee for the listed companies mentioned above.

Mr. LEE Bang Lau, aged 67, is the general manager of PRC production division, and is 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 36 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 60, is the assistant general manager of directors' office, and is responsible for facilitating and coordinating all matters involving treasury, production, trademark, legal and compliance. He has over 27 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 48, is the assistant general manager of group marketing and PR division, and is responsible for marketing, advertising, visual merchandising and corporate public relations. Ms. Chou has over 21 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 48, 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 25 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 49, is the senior manager of business development division, and is responsible for customer relationship management and institutional sales. Mr. Sun has over 26 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 2024.

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 2024 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 2024 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 15 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 2024, there are over 1,458,000 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 135 and 13 to 15, 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 16 and 17 of this Annual Report and further details will be disclosed in our 2024 Environmental, Social and Governance ("ESG") Report to be published in April 2025 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 2024 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 15, 16 to 17 and 34 to 48, respectively, of this Annual Report, further details will be disclosed in our 2024 ESG Report to be published in April 2025.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of comprehensive income on pages 57 to 58 of this Annual Report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2024 (2023: Nil).

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in Note 37 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 2024, 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 Tuesday, 3 June 2025, the register of members of the Company will be closed from Thursday, 29 May 2025 to Tuesday, 3 June 2025, 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 Wednesday, 28 May 2025.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 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 2024 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 2024.

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2024 amounted to HK$5,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, 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:

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

In addition, Mr. Kiu Wai Ming served as an independent non-executive Director of the Company until his resignation 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. Mr. Tse Po Tat and Prof. Sin Yat Ming shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 19 to 22 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 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 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 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 31 December 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 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 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' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the year ended 31 December 2024 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. 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 remained in force for a period of ten years from its effective date. 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. No option had been granted, exercised, cancelled or lapsed under the Share Option Scheme. The Share Option Scheme expired on 10 June 2024.

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 2024 or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 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.

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.

CHANGES IN INFORMATION OF DIRECTORS

Subsequent to publication of the 2024 Interim Report, the changes in information of Directors are set out below pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules:

– Mr. Tse Po Tat, the Chairman and executive Director of the Company, has ceased to be the member of Food Business and Related Services Task Force under the Business Facilitation Advisory Committee on 31 December 2024.

– Dr. Szeto Wing Fu, the Chief Executive Officer and executive Director of the Company, has been appointed by the Government of the HKSAR as a non-official member of the Minimum Wage Committee for a term of two years from 21 February 2025 to 20 February 2027.

– Prof. Sin Yat Ming, an Independent non-executive Director of the Company, has resigned as an independent non-executive Director of Bossini International Holdings Limited (stock code: 592) with effect from 18 March 2025.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2024.

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 2024.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 34 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 Tuesday, 3 June 2025 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. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed. The Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31 December 2024.

On behalf of the Board

Tse Po Tat
Chairman and Executive Director

Hong Kong, 27 March 2025

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 2024.

CORPORATE CULTURE

The Company is committed to developing a culture that is aligned with its vision, mission and core values set out below:—

Vision

Our vision is to emerge as a frontrunner in the sustainable food and beverage production industry, championing healthy lifestyles to enhance the well-being of the community.

Mission

Our mission is to harness our industrial expertise and capabilities to generate long-term value for sustainable corporate growth. We are committed to preserving the authenticity of herbal traditions while adopting modern and innovative methods to produce healthy, high-quality food and beverage products for our customers. As both a retailer and manufacturer, Hung Fook Tong is dedicated to conserving resources throughout our production and business operations, contributing to a sustainable environment for future generations.

We firmly believe that fostering the well-being of individuals is central to building a thriving society. This belief is reflected in our commitment to being a caring employer and our efforts to provide wholesome dietary choices that enhance the quality of life within the community.

Core Values

Our core values serve as the guiding force propelling us towards our sustainable vision and the realisation of a positive future.

- Authentic operation – keeping tradition in an authentic and innovative way;
- Sustainable environment – conserving resources for future generations;
- Caring people – caring for the well-being of our people;
- Healthy community – enhancing health and quality of life.

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 2024.

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 19 and 20 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 2024. 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

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 2024, 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 2024 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	5	5	1	1
Dr. Szeto Wing Fu	5	5	1	1
Ms. Wong Pui Chu	5	5	1	1
Mr. Kiu Wai Ming *(resigned on 25 March 2024)*	2	0	0	0
Prof. Sin Yat Ming	5	5	1	1
Mr. Andrew Look	5	5	1	1
Mr. Yeung Chu Kwong *(appointed on 25 March 2024)*	3	3	1	1

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

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 2024 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)*	1	0
Prof. Sin Yat Ming	3	3
Mr. Yeung Chu Kwong *(appointed on 25 March 2024)*	2	2

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

- reviewed the audited annual financial statements for the year ended 31 December 2023;
- reviewed the unaudited interim financial statements for the six months ended 30 June 2024;
- 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	0
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	4
HK$1,000,001 to HK$1,500,000	4

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	0
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 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 no single gender should account for more than 90% 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 19 to 22 of this Annual Report.

As at 31 December 2024, the overall workforce of the Group consisted of approximately 28% male and 72% 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 2024 ESG Report which will be published in April 2025.

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 firm of 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 2024, 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 audit and non-audit services, was as follows:

	2024 HK$'000
Audit services	
– Interim review for six months ended 30 June 2024 and the audit services for the year ended 31 December 2024	2,290
Non-audit service	
– Agreed-upon procedures in respect of preliminary announcement (PN730)	10
Total	2,300

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 2024 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 2024, 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.

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 135, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- 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 policy information 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 2024, 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$620,732,000 for the year ended 31 December 2024, of which HK$467,362,000 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$233,150,000 and HK$172,034,000 of property, plant and equipment ("PPE") and right-of-use ("ROU") assets as at 31 December 2024 respectively, of which approximately HK$8,904,000 and HK$122,983,000 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 2024.	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 ROU assets of HK$195,000 were recognised in the consolidated statement of comprehensive income 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 retail 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 2024 Annual Report other than 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, 27 March 2025

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Revenue	5,6	**620,732**	672,729
Cost of sales	8	**(251,732)**	(279,248)
Gross profit		**369,000**	393,481
Other income, net	7	**2,773**	3,606
Selling and distribution costs	8	**(51,474)**	(57,190)
Administrative and operating expenses	8	**(328,482)**	(372,866)
Impairment loss on financial assets	8	**(141)**	(3,409)
Operating loss		**(8,324)**	(36,378)
Finance income	10	**148**	121
Finance costs	10	**(10,108)**	(8,680)
Finance costs, net	10	**(9,960)**	(8,559)
Loss before income tax		**(18,284)**	(44,937)
Income tax credit	11	**2,474**	2,321
Loss for the year		**(15,810)**	(42,616)
Loss attributable to:			
Owners of the Company		**(13,693)**	(34,621)
Non-controlling interests		**(2,117)**	(7,995)
		(15,810)	(42,616)

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss			
– Currency translation differences		**(5,738)**	(3,720)
Item that will not be reclassified to profit or loss			
– Remeasurements of employee benefit obligations		**873**	(366)
Other comprehensive loss, net of tax		**(4,865)**	(4,086)
Total comprehensive loss for the year		**(20,675)**	(46,702)
Total comprehensive loss attributable to:			
Owners of the Company		**(18,400)**	(38,635)
Non-controlling interests		**(2,275)**	(8,067)
		(20,675)	(46,702)
Loss per share for loss attributable to owners of the Company			
– Basic and diluted (HK cents)	12	**(2.09)**	(5.28)

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

AS AT 31 DECEMBER 2024

	Note	As at 31 December 2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**233,150**	254,880
Right-of-use assets	17(a)	**172,034**	196,290
Intangible assets	16	**1,593**	2,297
Prepayments and deposits	21	**21,083**	23,268
Deferred income tax assets	26	**10,568**	8,589
		438,428	485,324
Current assets			
Inventories	18	**24,938**	38,575
Trade receivables	20	**53,049**	56,260
Prepayments, deposits and other receivables	21	**43,291**	43,646
Prepaid tax		**296**	1,428
Cash and cash equivalents	22	**110,247**	88,530
		231,821	228,439
Total assets		**670,249**	713,763
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**6,559**	6,559
Reserves	24	**253,192**	271,592
		259,751	278,151
Non-controlling interests		**(24,550)**	(22,275)
Total equity		**235,201**	255,876

AS AT 31 DECEMBER 2024

	Note	As at 31 December 2024 HK$'000	2023 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	17(b)	**55,464**	72,934
Provision for reinstatement costs	30	**5,057**	5,324
Deferred income tax liabilities	26	**5,014**	6,113
Bank borrowings	32	**5,001**	–
Employee benefit obligations	27	**3,992**	4,121
		74,528	88,492
Current liabilities			
Trade payables	28	**30,140**	37,865
Accruals and other payables	29	**52,277**	59,274
Provision for reinstatement costs	30	**3,485**	3,355
Receipts in advance	31	**162,555**	149,002
Lease liabilities	17(b)	**77,551**	82,446
Bank borrowings	32	**33,753**	36,566
Taxation payable		**759**	887
		360,520	369,395
Total liabilities		**435,048**	457,887
Total equity and liabilities		**670,249**	713,763
Net current liabilities		**(128,699)**	(140,956)
Total assets less current liabilities		**309,729**	344,368

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

The consolidated financial statements on pages 57 to 135 were approved by the Board of Directors on 27 March 2025 and were signed on its behalf.

TSE Po Tat
Director

WONG Pui Chu
Director

FOR THE YEAR ENDED 31 DECEMBER 2024

	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 2024											
Balance at 1 January 2024	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 year	-	-	-	-	-	-	-	(13,693)	(13,693)	(2,117)	(15,810)
Other comprehensive (loss)/income											
Currency translation differences	-	-	-	-	-	-	(5,600)	-	(5,600)	(138)	(5,738)
Remeasurements of employee benefit obligations	-	-	-	-	-	-	-	893	893	(20)	873
Total comprehensive loss for the year	-	-	-	-	-	-	(5,600)	(12,800)	(18,400)	(2,275)	(20,675)
Balance at 31 December 2024	6,559	188,104	8,123	5,421	2,394	-	(13,393)	62,543	259,751	(24,550)	235,201
For the year ended 31 December 2023											
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 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

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

FOR THE YEAR ENDED 31 DECEMBER 2024

		Year ended 31 December	
		2024	2023
	Note	**HK$'000**	HK$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**140,438**	109,346
Income tax refunded		**426**	5,516
Net cash generated from operating activities		**140,864**	114,862
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(15,509)**	(13,302)
Payment for acquisition of right-of-use assets		**–**	(1,393)
Proceeds from disposal of property, plant and equipment	34(b)	**28**	–
Reinstatement costs paid for shop and office premises		**(755)**	(1,079)
Interest received	10	**148**	121
Net cash used in investing activities		**(16,088)**	(15,653)
Cash flows from financing activities			
Payment for lease liabilities (including interest)	17(b)	**(102,095)**	(108,173)
Proceeds from bank borrowings		**118,512**	105,500
Repayment of bank borrowings		**(116,324)**	(105,124)
Dividend paid to the Company's shareholders	13	**–**	(4,067)
Interest paid on borrowing	10	**(2,433)**	(2,690)
Net cash used in financing activities		**(102,340)**	(114,554)
Net increase/(decrease) in cash and cash equivalents		**22,436**	(15,345)
Effect of currency translation difference		**(719)**	(31)
Cash and cash equivalents at beginning of year		**88,530**	103,906
Cash and cash equivalents at end of year	22	**110,247**	88,530

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 27 March 2025.

2 BASIS OF PREPARATION

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 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.

2.2 Historical cost convention

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

2.3 Basis of going concern

The Group's current liabilities exceeded its current assets by HK$128,699,000 as at 31 December 2024 (31 December 2023: HK$140,956,000) and the Group incurred a loss for the year ended 31 December 2024 of HK$15,810,000 (2023: HK$42,616,000). The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 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 31 December 2024. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 BASIS OF PREPARATION (Continued)

2.4 Certain amendments to existing standards and interpretation adopted by the Group

The Group has applied the following amendments to existing standards and interpretation for the first time for their annual reporting period commencing 1 January 2024:

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

2.5 Certain new standards, amendments to existing standards and interpretation issued 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 annual periods beginning on or after
HKAS 21 and HKFRS 1 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 (Amendments)	Annual Improvements to HKFRS Accounting Standards	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (new standard)	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5	Hong Kong Interpretation 5 Presentation of Financial Statements	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

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 material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 2024, if RMB had strengthened/weakened by 5% (2023: 5%) against Hong Kong dollar with all other variables held constant, post-tax loss for the year would have been approximately HK$192,000 lower/higher (2023: HK$199,000) 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 2024, 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$258,000 higher/lower (2023: HK$250,000) 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 2024 and 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 2024, top five customers of the Group accounted for approximately 49% (2023: 52%) 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 2024				
Customers conducting wholesale business in Hong Kong and other regions:				
Provision for individual basis	0%	18,513	–	18,513
Provision for collective basis	1.4%	12,283	(170)	12,113
Customers conducting wholesale business in PRC:				
Provision for individual basis	0%	13	–	13
Provision for collective basis	3.6%	1,921	(70)	1,851
Corporate customers in Hong Kong retail segment:				
Provision for individual basis	0%	10,381	–	10,381
Provision for collective basis	2.6%	9,133	(241)	8,892
Receivables from electronic payment service providers in Hong Kong retail segment:				
Provision for individual basis	0%	1,286	–	1,286
Total		53,530	(481)	53,049
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

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.

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

Other financial assets at amortised costs

Management 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.

(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	
	2024	2023
	HK$'000	HK$'000
Within one year	**32,213**	33,610
Between 1 and 2 years	**2,477**	2,039
Between 2 and 5 years	**6,238**	3,599
	40,928	39,248

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 2024				
Trade payables	**30,140**	**–**	**–**	**30,140**
Accruals and other payables	**37,579**	**–**	**–**	**37,579**
Bank borrowings	**33,753**	**5,156**	**–**	**38,909**
Lease liabilities	**82,705**	**44,980**	**12,428**	**140,113**
	184,177	**50,136**	**12,428**	**246,741**
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

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 2024 and 2023 were as follows:

	2024 HK$'000	2023 HK$'000
Bank borrowings (Note 32)	**38,754**	36,566
Lease liabilities (Note 17(b))	**133,015**	155,380
Less: Cash and cash equivalents (Note 22)	**(110,247)**	(88,530)
Net debt	**61,522**	103,416
Total equity	**235,201**	255,876
Total capital	**296,723**	359,292
Gearing ratio	**20.7%**	28.8%

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 difference from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates have been changed.

(f) Provision for reinstatement costs

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

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

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 2024 and 2023.

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 2024 and 2023 is as follows:

	Year ended 31 December 2024		
	Hong Kong Retail HK$'000	Wholesale HK$'000	Total HK$'000
Segment revenue	477,810	156,407	634,217
Less: Inter-segment revenue	(10,448)	(3,037)	(13,485)
Revenue from external customers	467,362	153,370	620,732
Segment results	21,557	19,802	41,359
Corporate expenses (Note (a))			(49,683)
Finance costs, net			(9,960)
Loss before income tax			(18,284)
Income tax credit			2,474
Loss for the year			(15,810)
Other segment items:			
Capital expenditure	5,819	8,304	14,123
Depreciation and amortisation (excluding depreciation of right-of-use assets)	23,169	10,325	33,494
Depreciation of right-of-use assets	92,801	771	93,572
Losses on disposal of property, plant and equipment	197	–	197

5 SEGMENT INFORMATION (Continued)

	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)

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

	Hong Kong Retail HK$'000	Wholesale HK$'000	Elimination HK$'000	Total HK$'000
As at 31 December 2024				
Segment assets	**436,237**	**204,682**	**(743)**	**640,176**
Prepaid tax				**296**
Deferred income tax assets				**10,568**
Corporate assets (Note (b))				**19,209**
Total assets				**670,249**
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

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 2024 and 2023.

(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 2024 and 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 year ended 31 December 2024, no revenue was generated from the Cayman Islands and no assets were located in the Cayman Islands (2023: 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	
	2024	2023
	HK$'000	HK$'000
Hong Kong	**588,217**	634,871
The PRC	**19,113**	24,406
Overseas	**13,402**	13,452
	620,732	672,729

There is no single external customer contributing more than 10% to the Group's revenue for the years ended 31 December 2024 and 2023.

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	
	2024	2023
	HK$'000	HK$'000
Hong Kong	**483,472**	512,672
The PRC	**156,704**	170,374
	640,176	683,046

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Hong Kong	**297,117**	336,458
The PRC	**130,743**	140,277
	427,860	476,735

6 REVENUE

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

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Sale of goods	**620,732**	672,729

(a) Revenue recognition in relation to contract liabilities

As at 31 December 2024 and 2023, contract liabilities included receipts in advance and deferred revenue amounting to HK$162,555,000 (2023:HK$149,002,000) and HK$2,268,000 (2023: HK$2,131,000) 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:

	2024	2023
	HK$'000	HK$000
Revenue recognised that was included in the receipts in advance and deferred revenue balance at the beginning of the year	**151,133**	168,043

There is no revenue recognised during the current year (2023: 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	
	2024	2023
	HK$'000	HK$'000
Insurance claim	**193**	–
Service income	**483**	2,221
Exchange gains/(losses)	**191**	(425)
Losses on disposal of property, plant and equipment (Note 34(b))	**(192)**	(382)
Others	**2,098**	2,192
Total other income	**2,773**	3,606

8 EXPENSES BY NATURE

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Cost of inventories sold		**198,263**	218,396
Lease rental in respect of retail outlets (Note (a))			
– Contingent rental		**117**	474
Lease rental in respect of storage spaces and office premises (Note (a))		**10,019**	12,253
Advertising and promotional expenditure		**13,832**	15,612
Depreciation of property, plant and equipment	15	**33,943**	36,666
Depreciation of right-of-use assets	17(a)	**95,770**	102,552
Amortisation of intangible assets	16	**704**	662
Communication and utilities		**28,732**	32,115
Employee benefit expenses (including directors' emoluments)	9	**189,661**	212,192
Provision for obsolete inventories	18	**169**	606
Impairment loss on financial assets		**141**	3,409
Provision for impairment on right-of-use assets	17(a)	**195**	3,452
Provision for impairment on property, plant and equipment	15	**–**	364
Write-off of property, plant and equipment	15	**–**	3,120
Legal and professional fees		**3,827**	4,459
Auditors' remuneration			
– Audit services		**2,300**	2,300
Tools, repair and maintenance expenses		**9,836**	12,643
Transportation and distribution expenses		**26,548**	30,859
Others		**17,772**	20,579
Total cost of sales, selling and distribution costs, administrative and operating expenses and impairment loss on financial assets		**631,829**	712,713

Note:

(a) These expenses included short-term leases expenses of HK$284,000 (2023:HK$910,000), variable leases payment expenses of HK$546,000 (2023:HK$2,257,000), and other rental-related expenses of HK$9,306,000 (2023:HK$9,560,000) and are charged in 'administrative and operating expenses' for the year ended 31 December 2024.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Wages, salaries and bonuses	**175,062**	196,643
Medical and other employee benefits	**7,476**	7,968
Retirement benefit costs – defined contribution plans	**7,123**	7,581
	189,661	212,192

(a) Five highest paid individuals

For the year ended 31 December 2024, the five individuals whose emoluments were the highest in the Group include three directors (2023: three directors), whose emoluments are reflected in the analysis shown in Note 38(a). The emoluments paid/payable to the remaining two individuals (2023: two individuals) are as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Wages, salaries and benefits in kind	**2,441**	2,582
Bonuses	**105**	292
Retirement benefit costs – defined contribution plans	**36**	31
	2,582	2,905

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	
	2024	2023
Emolument band		
HK$1,000,001 to HK$1,500,000	**2**	2

10 FINANCE COSTS, NET

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Finance income:		
– Interest income	**148**	121
Finance costs:		
– Interest expenses on employee benefit obligations (Note 27(c))	**(144)**	(126)
– Interest expenses on borrowings	**(2,433)**	(2,690)
– Interest and finance charges for lease liabilities (Note 17(b))	**(7,531)**	(5,864)
	(10,108)	(8,680)
Finance costs, net	**(9,960)**	(8,559)

11 INCOME TAX CREDIT

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% (2023: 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% (2023: 25%).

11 INCOME TAX CREDIT (Continued)

The amount of income tax credit represents:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax for the year	**86**	71
PRC CIT for the year	**521**	563
Under/(over)-provision in prior years	**2**	(16)
Deferred income tax:		
Derecognition of unutilised tax loss	**125**	8
Other temporary differences	**(3,208)**	(2,947)
Income tax credit	**(2,474)**	(2,321)

The tax on the Group's loss 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	
	2024	2023
	HK$'000	HK$'000
Loss before income tax	**(18,284)**	(44,937)
Tax calculated at 16.5% (2023: 16.5%)	**(3,017)**	(7,415)
Effect of different tax rates applicable to subsidiaries in the respective locations	**(195)**	(596)
Income not subject to tax	**(27)**	(294)
Expenses not deductible for tax purposes	**811**	1,814
Temporary difference not recognised	**(78)**	780
Tax loss not recognised	**1,762**	3,607
Deferred tax assets not recognised in prior year (Note)	**(1,409)**	–
Utilisation of previously unrecognised tax loss	**(448)**	(209)
Derecognition of unutilised tax loss	**125**	8
Under/(over)-provision in prior years	**2**	(16)
Income tax credit	**(2,474)**	(2,321)

Note:

The Financial Secretary announced in the 2024-25 Budget that the Government would introduce a tax deduction for reinstatement costs. The tax deduction will apply to a year of assessment beginning on or after 1 April 2024. As such, deferred tax assets of approximately HK$1,409,000 is recognised as at 31 December 2024 for leases entered into before 18 December 2024.

11 INCOME TAX CREDIT (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 PER SHARE

	Year ended 31 December	
	2024	2023
Loss attributable to owners of the Company (HK$'000)	**(13,693)**	(34,621)
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)	**(2.09)**	(5.28)
– Diluted loss per share (HK cents)	**(2.09)**	(5.28)

(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 year.

(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 years ended 31 December 2024 and 2023 equal basic loss per share as there were no potentially dilutive ordinary shares as at both years end.

13 DIVIDENDS

	2024	2023
	HK$'000	HK$'000
Dividends paid during the year		
2022 final and special dividends totalling HK0.62 cent per ordinary share	**–**	4,067

The Board has resolved not to propose or declare any final dividend for the year ended 31 December 2024 (2023: Nil).

14 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2024 and 2023 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	
				2024	2023	2024	2023
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 2024	2023	Ownership interest held by non-controlling interests 2024	2023
Indirectly held by the Company (Continued)							
HFT Life Company Limited	Hong Kong, 4 January 2024, limited liability company	Inactive	HK$6,000	100%	–	–	–
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%

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 2024	2023	Ownership interest held by non-controlling interests 2024	2023
Indirectly held by the Company (Continued)							
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%
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	–	–	–	–
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 2024 and 2023 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 Bakery"). 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.

Summarised statement of financial position	Speedy Pro As at 31 December 2024 HK$'000	Speedy Pro As at 31 December 2023 HK$'000	Handmade Bakery As at 31 December 2024 HK$'000	Handmade Bakery As at 31 December 2023 HK$'000
Current				
Assets	**1,201**	1,778	**13,592**	13,303
Liabilities	**(6,374)**	(9,381)	**(62,866)**	(57,338)
Total current net liabilities	**(5,173)**	(7,603)	**(49,274)**	(44,035)
Non-current				
Assets	**2,750**	3,172	**934**	2,555
Liabilities	**(882)**	(1,037)	**(476)**	(476)
Total non-current net assets	**1,868**	2,135	**458**	2,079
Net liabilities	**(3,305)**	(5,468)	**(48,816)**	(41,956)
Accumulated non-controlling interests	**(1,322)**	(2,187)	**(23,920)**	(20,558)

14 SUBSIDIARIES (Continued)

(a) Non-controlling interests (Continued)

Summarised statement of comprehensive income	Speedy Pro Year ended 31 December 2024 HK$'000	Speedy Pro Year ended 31 December 2023 HK$'000	Handmade Bakery Year ended 31 December 2024 HK$'000	Handmade Bakery Year ended 31 December 2023 HK$'000
Revenue	**28,498**	31,257	**27,689**	33,646
Profit/(loss) before tax	**2,214**	1,022	**(6,852)**	(19,115)
Income tax credit/(expense)	**1**	–	**(8)**	(3)
Remeasurements of employee benefit obligations	**(51)**	(18)	**–**	–
Profit/(loss) and total comprehensive income/(loss)	**2,164**	1,004	**(6,860)**	(19,118)
Profit/(loss) and total comprehensive income/(loss) allocated to non-controlling interests	**865**	402	**(3,362)**	(9,368)

Summarised statement of cash flows	Speedy Pro Year ended 31 December 2024 HK$'000	Speedy Pro Year ended 31 December 2023 HK$'000	Handmade Bakery Year ended 31 December 2024 HK$'000	Handmade Bakery Year ended 31 December 2023 HK$'000
Cashflow generated from/(used in) operating activities	**900**	1,038	**(7,882)**	(19,406)
Cashflow used in investing activities	**(27)**	(1,638)	**(24)**	(90)
Cashflow (used in)/generated from financing activities	**(499)**	(159)	**7,063**	18,476
Net increase/(decrease) in cash and cash equivalents	**374**	(759)	**(843)**	(1,020)

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 2024								
Opening net book amount	170,269	2,558	20,830	6,284	48,198	1,968	4,773	254,880
Additions	–	2,907	6,889	346	4,945	–	1,512	16,599
Disposals (Note 34(b))	–	–	(6)	–	(187)	(2)	(25)	(220)
Transfer	761	(761)	–	–	–	–	–	–
Depreciation (Note 8)	(6,143)	–	(11,176)	(1,452)	(12,596)	(699)	(1,877)	(33,943)
Exchange difference	(2,757)	(142)	(77)	(5)	(1,139)	(8)	(38)	(4,166)
Closing net book amount	162,130	4,562	16,460	5,173	39,221	1,259	4,345	233,150
At 31 December 2024								
Cost	220,011	4,562	151,855	20,661	172,515	7,028	34,481	611,113
Accumulated depreciation and impairment	(57,881)	–	(135,395)	(15,488)	(133,294)	(5,769)	(30,136)	(377,963)
Net book amount	162,130	4,562	16,460	5,173	39,221	1,259	4,345	233,150
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

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$10,559,000 (2023: HK$10,821,000) has been charged in 'cost of sales' and HK$23,384,000 (2023: HK$25,845,000) in 'administrative and operating expenses' for the year ended 31 December 2024.

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 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
Year ended 31 December 2024	
Opening net book amount	**2,297**
Amortisation (Note 8)	**(704)**
Closing net book amount	**1,593**
At 31 December 2024	
Cost	**3,519**
Accumulated amortisation	**(1,926)**
Net book amount	**1,593**

16 INTANGIBLE ASSETS (Continued)

Amortisation of HK$704,000 (2023: HK$662,000) has been charged in 'administrative and operating expenses' for the year ended 31 December 2024.

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 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
At 1 January 2024	**47,840**	**145,944**	**2,506**	**196,290**
Inception of lease contracts	**–**	**72,915**	**–**	**72,915**
Depreciation (Note 8) (included in administrative and operating expenses)	**(1,613)**	**(93,600)**	**(557)**	**(95,770)**
Modification of lease contracts	**–**	**(377)**	**–**	**(377)**
Provision for impairment (Note 8)	**–**	**(195)**	**–**	**(195)**
Exchange difference	**(829)**	**–**	**–**	**(829)**
At 31 December 2024	**45,398**	**124,687**	**1,949**	**172,034**

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

	2024 HK$'000	2023 HK$'000
At 1 January	**155,380**	133,476
Inception of lease contracts	**72,575**	123,579
Interest expenses on lease liabilities (Note 10) (included in finance costs)	**7,531**	5,864
Payment for lease liabilities (including interest)	**(102,095)**	(108,173)
Modification of lease contracts	**(376)**	634
At 31 December	**133,015**	155,380

	2024 HK$'000	2023 HK$'000
Amount due for settlement within 12 months (shown under current liabilities)	**77,551**	82,446
Amount due for settlement after 12 months	**55,464**	72,934
As at 31 December	**133,015**	155,380

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 2024 was HK$112,231,000 (2023: HK$120,900,000).

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 2024, the total future lease payments for short-term leases and low value leases amounted to HK$391,000 (2023: HK$404,000). As at 31 December 2024, leases committed but not yet commenced are relatively insignificant (2023: 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	
	2024	2023
	HK$'000	HK$'000
Raw materials	**11,323**	13,070
Work-in-progress	**3,382**	4,757
Finished goods	**11,843**	22,189
	26,548	40,016
Less: Provision for obsolete inventories	**(1,610)**	(1,441)
	24,938	38,575

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

	2024	2023
	HK$'000	HK$'000
At 1 January	**1,441**	835
Provision for obsolete inventories (Note 8)	**169**	606
At 31 December	**1,610**	1,441

The cost of inventories recognised as expenses and included in 'cost of sales' amounted to HK$194,742,000 (2023: HK$215,313,000) during the year ended 31 December 2024.

During the year ended 31 December 2023, the Group has written off inventories 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 2024 HK$'000	2023 HK$'000
Financial assets			
Financial assets at amortised cost			
– Trade receivables	20	**53,049**	56,260
– Deposits and other receivables (excluding prepayments and value-added tax recoverable)		**42,053**	41,189
– Cash and cash equivalents	22	**110,247**	88,530
Financial liabilities			
Liabilities at amortised cost			
– Trade payables	28	**30,140**	37,865
– Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)		**37,579**	40,028
– Bank borrowings	32	**38,754**	36,566
– Lease liabilities	17(b)	**133,015**	155,380

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	
	2024	2023
	HK$'000	HK$'000
Trade receivables from third parties	**53,530**	56,776
Less: Provision for impairment of trade receivables	**(481)**	(516)
Trade receivables, net	**53,049**	56,260

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Less than 30 days	**21,332**	22,679
31-90 days	**21,808**	25,934
Over 90 days	**10,390**	8,163
	53,530	56,776

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:

	2024 HK$'000	2023 HK$'000
At 1 January	516	898
Provision for/(reversal of) impairment of trade receivables	141	(342)
Receivables written off during the year as uncollectible	(176)	(40)
At 31 December	481	516

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	
	2024 HK$'000	2023 HK$'000
HK$	51,776	54,711
RMB	1,273	1,549
	53,049	56,260

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	
	2024	2023
	HK$'000	HK$'000
Non-current portion		
Prepayments for property, plant and equipment	**3,578**	4,065
Rental and other deposits	**17,505**	19,203
Total	**21,083**	23,268
Current portion		
Prepayments	**13,706**	16,090
Rental and other deposits	**14,771**	14,316
Value-added tax recoverable	**5,037**	5,570
Other receivables	**9,777**	7,784
Total	**43,291**	43,760
Less: Provision for impairment of other receivables	**–**	(114)
	43,291	43,646

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

	2024	2023
	HK$'000	HK$'000
At 1 January	**114**	579
Reversal of impairment of other receivables	**(114)**	(465)
At 31 December	**–**	114

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	
	2024	2023
	HK$'000	HK$'000
HK$	**39,355**	39,215
RMB	**2,698**	1,974
	42,053	41,189

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Cash at bank and cash on hand	**110,247**	88,530

As at 31 December 2024, cash and cash equivalents of HK$6,035,000 (2023: HK$6,311,000) 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	
	2024	2023
	HK$'000	HK$'000
HK$	**98,513**	76,582
USD	**259**	54
RMB	**10,642**	11,093
Others	**833**	801
	110,247	88,530

23 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 January 2023, 31 December 2023 and 31 December 2024	**1,000,000,000**	**10,000**

	Number of shares	Nominal value of ordinary shares HK$'000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	**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 2024, retained earnings included statutory reserves fund amounting to HK$2,189,000 (2023: HK$2,046,000).

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 2024 (2023: Nil), and there was no outstanding share option as at 31 December 2024 (2023: Nil).

26 DEFERRED INCOME TAX

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Deferred income tax assets		
– to be recovered after more than 12 months	**33,012**	34,627
– to be recovered within 12 months	**–**	130
	33,012	34,757
Deferred income tax liabilities		
– to be recovered after more than 12 months	**27,458**	32,281

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	
	2024	2023
	HK$'000	HK$'000
Deferred income tax assets – net	**10,568**	8,589
Deferred income tax liabilities – net	**5,014**	6,113

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

	HK$'000
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
At 1 January 2024	**2,476**
Credited to the consolidated statement of comprehensive income (Note 11)	**3,083**
Exchange difference	**(5)**
At 31 December 2024	**5,554**

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	Provision of reinstatement cost HK$'000	Total HK$'000
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
At 1 January 2024	**6,278**	**25,428**	**2,616**	**435**	**–**	**34,757**
Credited/(charged) to the consolidated statement of comprehensive income	**415**	**(3,696)**	**132**	**–**	**1,409**	**(1,740)**
Exchange difference	**–**	**–**	**(5)**	**–**	**–**	**(5)**
At 31 December 2024	**6,693**	**21,732**	**2,743**	**435**	**1,409**	**33,012**

Deferred income tax liabilities

	Right-of-use assets HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
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)
At 1 January 2024	**(24,181)**	**(8,100)**	**(32,281)**
Credited to the consolidated statement of comprehensive income	**3,793**	**1,030**	**4,823**
At 31 December 2024	**(20,388)**	**(7,070)**	**(27,458)**

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$12,242,000 (2023: HK$13,816,000) as at 31 December 2024 in respect of tax losses in Hong Kong and in the PRC.

The Group has unrecognised tax losses of HK$63,051,000 (2023: HK$59,290,000) as at 31 December 2024, 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$7,353,000 (2023: HK$16,131,000) as at 31 December 2024, to carry forward against future profit in the PRC. These tax losses expire in the following years:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Expiry in year:		
2024	–	11,330
2025	**943**	980
2026	**339**	353
2027	**1,598**	1,660
2028	**1,836**	1,808
2029	**2,637**	–
	7,353	16,131

As at 31 December 2024, management is of the view that undistributed earnings of certain subsidiaries in the PRC totalling HK$8,801,000 (2023: HK$7,142,000) are for re-investment in the PRC and not for distribution. Accordingly, deferred income tax liabilities of HK$440,100 (2023: HK$357,000) have not been recognised as at 31 December 2024 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 2024 and 31 December 2023 specifically designated for the Group's employees was completed by a qualified actuary, Palace Consulting Limited (2023: Same), using projected unit credit method. (2023: Same)

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Present value of defined benefit obligations	**3,992**	4,121

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

	2024	2023
	HK$'000	HK$'000
At 1 January	**4,121**	3,348
Expenses recognised in the consolidated statement of profit or loss	**758**	624
Remeasurements recognised in other comprehensive (income)/loss	**(873)**	366
Benefits paid directly by employer	**(14)**	(217)
At 31 December	**3,992**	4,121

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	
	2024	2023
	HK$'000	HK$'000
Current service cost	**614**	498
Interest cost	**144**	126
	758	624

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

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Remeasurements of employee benefit obligations	**(873)**	366

(e) The principal actuarial assumptions used as at 31 December 2024 and 2023 (expressed as weighted average) are as follows:

	2024	2023
Discount rate	**3.7%**	3.5%
Future salary increment	**2.0%**	3.0%
Return of MPF balances	**4.5%**	4.5%

28 TRADE PAYABLES

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Trade payables	**30,140**	37,865

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
0 to 30 days	**14,480**	14,185
31 to 60 days	**7,929**	14,552
61 to 90 days	**4,862**	5,513
Over 90 days	**2,869**	3,615
	30,140	37,865

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
HK$	**12,754**	20,315
RMB	**17,386**	17,550
	30,140	37,865

29 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Accruals for employee benefit expenses	**10,433**	15,466
Accruals for marketing and promotional expenses	**5,671**	4,864
Refund liabilities for sales rebate	**1,997**	1,649
Rental and related expenses payable	**1,713**	2,461
Office and utilities expenses payable	**4,010**	3,836
Deferred revenue	**2,268**	2,131
Consideration payable for property, plant and equipment acquired	**7,317**	6,714
Accruals for transportation and delivery charges	**1,963**	2,840
Accruals for audit fee	**1,800**	1,800
Other accruals and other payables	**15,105**	17,513
	52,277	59,274

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
HK$	**40,589**	47,570
RMB	**11,688**	11,704
	52,277	59,274

30 PROVISION FOR REINSTATEMENT COSTS

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Non-current		
Provision for reinstatement costs	**5,057**	5,324
Current		
Provision for reinstatement costs	**3,485**	3,355
	8,542	8,679

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

	2024	2023
	HK$'000	HK$'000
At 1 January	**8,679**	9,380
Additional provision during the year	**340**	80
Utilisation	**(477)**	(781)
At 31 December	**8,542**	8,679

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	
	2024	2023
	HK$'000	HK$'000
Receipts in advance	**162,555**	149,002

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

	2024	2023
	HK$'000	HK$'000
At 1 January	**149,002**	164,584
Receipts from sales of pre-paid coupons and credits during the year	**313,535**	291,398
Revenue recognised upon the redemption of products by customers and expiration	**(299,982)**	(306,980)
At 31 December	**162,555**	149,002

32 BANK BORROWINGS

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Unsecured bank borrowings:		
Portion due for repayment within 1 year or on demand	**33,753**	36,566
Portion due for repayment after 1 year but within 5 years without repayment on demand clause	**5,001**	–
	38,754	36,566

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

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Unsecured bank borrowings:		
Within 1 year	**30,408**	31,319
Between 1 and 2 years	**2,341**	1,895
Between 2 and 5 years	**6,005**	3,352
	38,754	36,566

The carrying amounts of bank borrowings approximate their fair values.

The weighted average interest rate is 6.5% as at 31 December 2024 (2023: 7.4%).

Out of the total carrying amount, approximately HK$30,242,000 (2023: HK$36,566,000) and HK$8,512,000 (2023: Nil) are denominated in Hong Kong dollars and Renminbi respectively.

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% (2023: 61.59%) of the Company's shares as at 31 December 2024. The remaining 38.41% (2023: 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.

(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:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Fees	**682**	774
Salaries, allowances and benefits in kind	**16,982**	18,342
Pension costs	**198**	193
	17,862	19,309

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Loss before income tax		**(18,284)**	(44,937)
Adjustments for:			
Interest income	10	**(148)**	(121)
Interest expenses	10	**10,108**	8,680
Losses on disposal of property, plant and equipment	34(b)	**192**	382
Depreciation of property, plant and equipment	15	**33,943**	36,666
Depreciation of right-of-use assets	17(a)	**95,770**	102,552
Provision for reinstatement costs		**278**	298
Provision for obsolete inventories	18	**169**	606
Write-off of inventories	18	**–**	4,122
Provision for impairment on right-of-use assets	17(a)	**195**	3,452
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	**704**	662
Impairment loss on financial assets	8	**141**	3,409
Provision for employee benefit obligations	27(c)	**614**	498
		123,682	119,753
Changes in working capital:			
Decrease in inventories		**13,024**	11,304
Decrease/(increase) in trade receivables		**3,029**	(1,779)
Decrease/(increase) in prepayments, deposits and other receivables		**1,778**	(6,008)
Decrease in trade payables		**(7,300)**	(2,865)
Increase/(decrease) in accruals and other payables and receipts in advance		**6,225**	(11,059)
Cash generated from operations		**140,438**	109,346

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Disposal of property, plant and equipment

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Property, plant and equipment			
Net book value	15	**220**	382
Losses on disposal of property, plant and equipment	7	**(192)**	(382)
Proceeds from disposal of property, plant and equipment		**28**	–

(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 2024 HK$'000	2023 HK$'000
Cash and cash equivalents	**110,247**	88,530
Borrowings – repayable within one year	**(33,753)**	(36,566)
Borrowings – repayable after one year	**(5,001)**	–
Lease liabilities	**(133,015)**	(155,380)
Net debt	**(61,522)**	(103,416)
Cash and liquid investments	**110,247**	88,530
Gross debt – variable interest rates	**(38,754)**	(36,566)
Gross debt – fixed interest rates	**(133,015)**	(155,380)
Net debt	**(61,522)**	(103,416)

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 2023	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)**
Non-cash movement on leases – net	**–**	**–**	**–**	**(72,199)**	**(72,199)**
Cash flows	**22,436**	**2,813**	**(5,001)**	**94,564**	**114,812**
Foreign exchange adjustments	**(719)**	**–**	**–**	**–**	**(719)**
Net cash/(debt) as at 31 December 2024	**110,247**	**(33,753)**	**(5,001)**	**(133,015)**	**(61,522)**

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	
	2024 HK$'000	2023 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**9,799**	12,689

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**31,927**	31,927
Amounts due from subsidiaries	**277,704**	278,219
	309,631	310,146
Current assets		
Prepayments, deposits and other receivables	**228**	99
Cash and cash equivalents	**310**	125
	538	224
Total assets	**310,169**	310,370
EQUITY		
Share capital	**6,559**	6,559
Reserves (Note (a))	**302,420**	302,457
Total equity	**308,979**	309,016
LIABILITIES		
Current liabilities		
Accruals and other payables	**1,190**	1,354
Total equity and liabilities	**310,169**	310,370

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2025 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 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
At 31 December 2023 and 1 January 2024	**188,104**	**107,992**	**5,421**	**940**	**302,457**
Total comprehensive loss					
Loss for the year	**–**	**–**	**–**	**(37)**	**(37)**
At 31 December 2024	**188,104**	**107,992**	**5,421**	**903**	**302,420**

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 2024

	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	–	2,152	94	18	2,264
Mr. Tse Po Tat	–	2,582	112	18	2,712
Dr. Szeto Wing Fu	–	2,935	128	18	3,081
	–	7,669	334	54	8,057
Independent non-executive directors					
Mr. Kiu Wai Ming (i)	60	–	–	–	60
Prof. Sin Yat Ming	258	–	–	–	258
Mr. Andrew Look	258	–	–	–	258
Mr. Yeung Chu Kwong (ii)	199	–	–	–	199
	775	–	–	–	775

(i) Mr. Kiu Wai Ming resigned on 25 March 2024 as director of the Company due to personal reason and he has confirmed that he has no disagreement with the board of directors of the Company and nothing relating to the affairs of the Company needed to be brought to the attention of shareholder of the Company.

(ii) Mr. Yeung Chu Kwong joined on 25 March 2024 as independent non-executive director of the Company.

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 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

There was no arrangement during the years ended 31 December 2024 and 2023 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 2024 and 2023.

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

During the years ended 31 December 2024 and 2023, 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 2024 and 2023, 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 2024 and 2023 or at any time during the years ended 31 December 2024 and 2023.

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 2024 and 2023.

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 pre-payment 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, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the group is required to comply with after the reporting period do not affect the classification at the reporting date.

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				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Revenue	**620,732**	672,729	686,718	695,996	702,473
(Loss)/profit before income tax	**(18,284)**	(44,937)	540	9,499	66,776
Income tax credit/(expense)	**2,474**	2,321	(4,668)	(2,357)	(5,463)
(Loss)/profit for the year	**(15,810)**	(42,616)	(4,128)	7,142	61,313
(Loss)/profit attributable to:					
Owners/equity holders of the Company	**(13,693)**	(34,621)	5,271	8,223	62,530
Non-controlling interests	**(2,117)**	(7,995)	(9,399)	(1,081)	(1,217)
	(15,810)	(42,616)	(4,128)	7,142	61,313

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Assets					
Non-current assets	**438,428**	485,324	494,473	548,953	575,424
Current assets	**231,821**	228,439	265,315	265,113	259,103
Total assets	**670,249**	713,763	759,788	814,066	834,527
Equity and liabilities					
Total equity	**235,201**	255,876	306,645	334,961	334,608
Non-current liabilities	**74,528**	88,492	80,728	90,079	104,015
Current liabilities	**360,520**	369,395	372,415	389,026	395,904
Total liabilities	**435,048**	457,887	453,143	479,105	499,919
Total equity and liabilities	**670,249**	713,763	759,788	814,066	834,527

HUNG FOOK TONG

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