



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



H F T Life

鴻福堂

自家CLUB
JIKA CLUB

JIKA
自家ON!

2021
INTERIM
REPORT
中期報告



CONTENTS

Corporate Information	2
Management Discussion and Analysis	
— Business Review	4
— Financial Review	9
Awards and Corporate Social Responsibility	12
Interim Financial Information	
— Condensed Consolidated Interim Statement of Comprehensive Income	13
— Condensed Consolidated Interim Statement of Financial Position	15
— Condensed Consolidated Interim Statement of Changes in Equity	17
— Condensed Consolidated Interim Statement of Cash Flows	18
— Notes to the Condensed Consolidated Interim Financial Information	19
Other Information	42



CORPORATE INFORMATION

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Mr. TSE Po Tat (*Chairman*)
Dr. SZETO Wing Fu (*Chief Executive Officer*)
Ms. WONG Pui Chu

Independent Non-executive Directors

Mr. KIU Wai Ming
Prof. SIN Yat Ming
Mr. Andrew LOOK

AUDIT COMMITTEE

Mr. Andrew LOOK (*Chairman*)
Mr. KIU Wai Ming
Prof. SIN Yat Ming

REMUNERATION COMMITTEE

Prof. SIN Yat Ming (*Chairman*)
Mr. KIU Wai Ming
Ms. WONG Pui Chu

NOMINATION COMMITTEE

Mr. KIU Wai Ming (*Chairman*)
Dr. SZETO Wing Fu
Mr. Andrew LOOK
Prof. SIN Yat Ming

STRATEGY AND DEVELOPMENT COMMITTEE

Dr. SZETO Wing Fu (*Chairman*)
Ms. WONG Pui Chu

AUTHORIZED REPRESENTATIVES

Dr. SZETO Wing Fu
Mr. LAU Siu Ki

COMPANY SECRETARY

Mr. LAU Siu Ki

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11 Dai King Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central

Hong Kong

Bank of China (Hong Kong) Limited

Bank of China Tower

1 Garden Road

Central

Hong Kong

Hang Seng Bank Limited

83 Des Voeux Road Central

Central

Hong Kong

COMPANY WEBSITE

www.hungfooktong.com

STOCK CODE

1446



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2021 (“1H2021”), the world remained in the grip of the Coronavirus Disease 2019 (“COVID-19”) pandemic. In Hong Kong, many segments continued to be impacted by weak consumer sentiment, including the retail industry. The Group was invariably affected, as reflected by a modest decline in retail segment revenue when compared with the six months ended 30 June 2020 (“1H2020”). In regard to the wholesale operation, both the Hong Kong and Mainland China businesses performed more favourably – the latter owing to the resumption of business ties with certain key accounts. Overall, the Group’s revenue increased by 0.3% to HK\$346.3 million (1H2020: HK\$345.2 million) during 1H2021.

However, gross profit decreased by 5.4% to HK\$210.5 million (1H2020: HK\$222.4 million), and gross profit margin slipped to 60.8% (1H2020: 64.4%). The contractions were primarily due to lower gross profit from the Hong Kong retail business as a result of higher raw material and labour costs, as well as higher production costs at the Kaiping plant owing to the appreciation of the Renminbi.

Furthermore, due to increases in rental expenses and staff costs associated with new shop openings, increase in utility expenses, greater advertising and promotion expenses, higher development costs from certain new lines of business, together with the significant decrease in government grants and subsidies received or receivable, mainly comprising subsidies for the retail sector and food licence holders of HK\$1.4 million (1H2020: HK\$9.6 million), profit attributable to owners of the Company dropped by 68.4% to HK\$7.3 million (1H2020: HK\$23.0 million).

The Group remains in sound financial health, and has stable operating cash flows. It also has sufficient cash and cash equivalents as well as unutilised banking facilities, amounting to approximately HK\$128.5 million and HK\$102.2 million, respectively, as at 30 June 2021 (31 December 2020: HK\$134.9 million and HK\$92.2 million, respectively).

BUSINESS SEGMENT ANALYSIS

Hong Kong Retail

Continuing to be the Group’s major revenue contributor, the Hong Kong retail operation generated HK\$270.6 million (1H2020: HK\$276.9 million) in revenue – a year-on-year decline of 2.3%, which equated to 78.1% of total revenue in 1H2021. The modest decline was mainly due to the lingering effects of COVID-19 that kept certain social distancing and health measures in place, as well as weak consumer sentiment, which in turn resulted in a decline in footfall and same-store sales. Moreover, income derived from its participation in exhibitions and expos was lower as certain events were either cancelled or of a smaller scale. The retail operation also experienced a drop in profit; down by 58.0% to HK\$23.8 million (1H2020: HK\$56.6 million). The contraction was due to a combination of factors, including a decline in revenue; deep promotional discounts which affected the gross profit margin; increase in raw material, labour and rental costs; and a drop in government grants and subsidies – falling from HK\$9.6 million in 1H2020 to about HK\$1.4 million in 1H2021.

Despite the challenging conditions, the Group has prudently scaled up its business and expedited brand development. During 1H2021, the Group’s network of self-operated shops expanded to 121, including the opening of five “HFT Life” café concept stores and one new shop located at the Tuen Ma Line. Such expansion efforts have thereby preserved the Group’s standing as the largest herbal retailer in Hong Kong based on retail network size.

Introduced in February 2021, the “HFT Life” brand represents an innovative new café concept developed by the Group. In line with the principle of bringing together Western and Chinese culinary cultures, HFT Life’s offerings include baked goods from Handmade Bakery (嚙麥手作) and the Group’s signature soups and drinks. What is more, corresponding with the objective of meeting today’s urbanites pursuit of a healthy lifestyle, HFT Life offers a simple, stylish environment in which to relax and enjoy its diverse food and drink offerings, all the while allowing the Group to also broaden its customer base, tap new culinary areas and boost its image among the younger generation. To further enhance the exposure of HFT Life, the store at Happy Valley consists of a two-storey complex that doubles as a community space, thus allowing the HFT Life brand to build ties with the local community.

In view of the new normal, which includes “stay-at-home” and “work-from-home” arrangements, as well as growing awareness of the importance of a healthy diet driven by the pandemic, the Group has launched more bulk pack frozen products and snack (自家小食) options, that allow for convenient cooking at home. Separately, as a more premium alternative for customers seeking to strengthen their health, especially their immune system, the Group has extended the chicken essence line with the launch of Cordyceps Organic Chicken Essence (野生冬蟲夏草有機滴雞精) in January 2021.

To mark the 35th anniversary of Hung Fook Tong, the Group launched a special campaign to celebrate the occasion and to boost customer traffic. This included introducing weekly HK\$35 special offers which received favourable customer response. Furthermore, to enhance engagement with JIKA CLUB (自家CLUB) members as well as raise memberships, special high spending and top up promotions were launched. As a result, JIKA CLUB memberships exceeded 1,080,000 as at 30 June 2021, or an increase of over 60,000 members within the first six months of 2021. Moreover, a rise in average spending per member was achieved, the consequence of a series of bulk purchase promotions and exclusive offers. With regard to the Hung Fook Tong mobile application (“APP”), its download has increased steadily, and accounted for about 22% of member transactions in 1H2021 (1H 2020: 17%).

As at 30 June 2021, 18 HUNG+ Smart Vendor machines were in operation in commercial buildings and residential estates across Hong Kong.

Wholesale

Revenue from the wholesale segment picked up; rising by 10.9% to HK\$75.7 million (1H2020: HK\$68.2 million), which was mainly due to an improvement in sales derived from the Mainland China market in 1H2021. What is more, segment profit rose appreciably by 1,431.0% to HK\$7.9 million (1H2020: HK\$0.5 million), which can be attributed to an increase in segment results from the Hong Kong wholesale operation resulting from lower advertising expenses and transportation costs. The Mainland China wholesale business also moved from a loss to profit making position, following the re-engineering of the Group’s business processes.

Hong Kong

In Hong Kong, the local operation continued to provide a steady source of income to the Group, which totalled HK\$60.5 million (1H2020: HK\$60.7 million), due to stable ties with key accounts, distributors and online resellers. Moreover, the Group was able to tap more wholesale channels including online sales platforms such as BNYBUY, yuehwa.com, jetssoappshop.com, and Bonjour HKMall Online Shop, and other smaller e-shops. Still other efforts aimed at driving sales included the cross branding of products with the theme of “Old Hong Kong” (懷舊•香港地) for tapping the public’s love of nostalgia for the past. Under this theme, the Group collaborated with Honolulu Cafe (檀島咖啡餅店) in launching an Ice Lemon Tea Drink with special packaging, as well as partnered with the renowned Hong Kong savoury snack company Koon Wah Food (冠華食品) in introducing a new Tangerine Peel Mandarin Drink (陳皮柑桔). The two collaborations are particularly meaningful as both companies were founded in Hong Kong decades ago.



MANAGEMENT DISCUSSION AND ANALYSIS

Mainland China

Revenue from the Mainland China wholesale segment soared by 102.1% to HK\$15.2 million (1H2020: HK\$7.5 million), during 1H2021. The upturn can be attributed to the Group's unremitting effort to restore business ties with key accounts, mainly in South China, which were severed due to social activities in Hong Kong in the second half of 2019 – the Group's products were available again at certain key accounts from April 2020 onwards, hence also explains the relatively lower revenue base in 1H2020.

During the period, the Group principally focused on bringing its products back to Guangdong Province. Owing to such effort, a greater array of fresh and long shelf-life bottled drinks became available once again at over 10,000 convenience stores in Guangzhou, Dongguan, Shenzhen, etc. Consequently, the Group recorded significant sales growth from a number of key accounts and a distributor in Guangzhou. Apart from convenience stores, the Group's products were also available at supermarkets, department stores, local grocery stores and through online platforms such as JD.com (京東), Taobao (淘寶) and Meituan (美團).

On a more fundamental level, the performance of the Mainland China wholesale operation has also been boosted through business optimisation. This has involved the re-engineering of business processes, including the shifting of logistics and brand maintenance activities to distributors. The upshot of such changes has been the Group's ability to operate a single office, located in Guangzhou, which in turn has allowed it to save both operational and management costs.

Other Markets

Many of the Group's overseas wholesale markets remained severely affected by COVID-19 lockdowns in 1H2021. Consequently, Australia, Canada, Malaysia and the United States all recorded lacklustre sales. Moreover, the Group chose to delay entering new markets for the time being.

Safety and Production Capability

Food safety and personal hygiene are always major concerns of the Group. Consequently, it has been carefully monitoring the development of the pandemic during the period. Moreover, it has ensured that health and safety measures are fully implemented at its shops, factories and offices so that both customers and staff are protected. Such measures have included enhanced cleaning at its factories and observance of ISO22000 food safety guidelines. In addition, the Group has encouraged staff to get vaccinated, and has offered such incentives as vaccination leave. Consequently, it observed a steady increase in vaccination rate among the workforce.

With reference to production, the Group has added new facilities to support the production of Joyous Series products, owing to increased demand. In addition, to further reduce its carbon footprint, the Group has installed solar panels at the rooftop of its Tai Po plant in late 2020, which generated over 143 MWh of green electricity during 1H2021.

PROSPECTS

Hong Kong has recently gained the upper hand on the pandemic crisis, due in part to a steady rise in vaccinations. Consequently, the Hong Kong Retail Management Association anticipates the local tourism, trade and economy will eventually return to normal. This prognosis will undoubtedly gain traction with the rollout of the Consumption Voucher Scheme and the easing of quarantine requirements for Mainland travellers. The Group believes that it is in a strong position to take advantage of the gradual recovery. Ahead of this eventuality, it has been actively preparing for the opening of new stores while concurrently boosting its online shopping and delivery services to capitalise on the digital shopping trend – a trend that has gathered momentum in the wake of the pandemic. The Group will also continue to engage in cross brand collaborations to achieve mutual success and launch cross brand products or promotions to arouse the interest of customers. As COVID-19 has raised public awareness of the importance of leading a healthy lifestyle, which includes consuming healthy food, this awareness will play to the traditional and longstanding strengths of Hung Fook Tong.

Hong Kong Retail

With respect to the Hong Kong retail segment specifically, the Group will seek to reinforce its position as the largest herbal retailer in Hong Kong by capitalising on more favourable rental rates as well as leveraging the potential of its HFT Life and Handmade Bakery brands. The Group therefore plans to open a minimum of three new shops in the second half of 2021. Already, subsequent to the review period, two HFT Life cafés opened at Cyberport and Hong Kong Polytechnic University in July and August respectively, thus bringing the total number of HFT Life cafés to seven. Another new shop for the Hung Fook Tong brand has opened in Kowloon in August, with more HFT Life café openings in the works.

Besides network expansion, the Group has partnered with SunnyHills (微熱山丘), a popular Taiwan brand, in launching the FORBIDDEN Durian Mooncake Series and other popular pastries, such as the traditional pineapple cake since July this year. More festive products from Hung Fook Tong are also in the pipeline for tapping the Winter Solstice and Lunar New Year. In addition, to appeal to the tastes of male customers, the Group will be launching new product as part of the Essence Category. Also, Handmade Bakery will be launching baked goods for different seasons and as follow-ups to the Matcha Bakery Series.

Still other strategies that the Group will employ to enhance its performance include making price adjustments for certain products, so as to offset rising production costs. In addition, the Group will introduce attractive offers and promotions to capitalise on the rollout of the Consumption Voucher Scheme in August 2021. The Group will also continue to engage its brand ambassador, Alfred Hui (許廷鏗), in advertising campaigns for promoting chicken essence and other products.

On the membership and digitisation fronts, which deliver synergistic benefits to the Group, a referral programme will be launched in the second half year as part of a major initiative to reach potential new members. Meanwhile, for existing members, corporate clients and online resellers, the Group will be promoting e-coupons. Also recognising the potential and importance of its APP, the Group will improve its user experience by adding new features, such as offering electronic discount coupons and rolling out the “JIKA Pay” e-Card campaign to encourage download and usage.



MANAGEMENT DISCUSSION AND ANALYSIS

As an omnichannel retailer, the Group will further strengthen its exposure both offline and online. In the case of the former, it will continue to participate in relevant physical exhibitions. As for the latter, the Group will also take part in online expos as well as conduct more promotions via online resellers. Furthermore, the Group will present a revamped “JIKI ON!” online platform in the third quarter of 2021, which will widen the spectrum of products to include more health, beauty and household products.

Wholesale

With reference to the wholesale business, the Group expects sales from key accounts, grocery stores and restaurants to continue improving now that Hong Kong has been able to better manage the pandemic crisis. To capitalise on the more favourable conditions, the Group will be strengthening both its online sales and exposure. This will involve the launch of new products, comprising limited edition and brand collaboration products. Correspondingly, new soy milk drinks and fruit tea series that are part of the bottled drinks line up will be introduced. With regard to brand collaboration, the Group has partnered with KFC in launching a collaborative product, i.e. Heat Relief Herbal Drink (下火茶). In addition, more food items are set for introduction in the second half year, and will include a new vegetarian ambient soup and pre-packed vegetarian dishes.

In Mainland China, retailers are expected to continue promoting and selling their products online, as well as bolstering their delivery service against weaker shop traffic. To remain competitive, the Group will be vigorously promoting its products via online platforms. In addition, it will seek to strengthen ties with key accounts, principally in Guangdong Province, so that more of the Group’s products can be restocked in convenience stores and supermarkets.

As for other markets that the Group has wholesale exposure, such as Malaysia, special limited-edition products will be introduced to encourage greater take-up. Furthermore, the Group will continue discussion with overseas markets, with the aim of tapping such countries as Singapore, South Korea, Thailand and the United Kingdom.

CONCLUSION

Over the past 35 years, Hung Fook Tong has established itself as a market leader in the wellness food and beverage industries. By providing high-quality, wholesome products that are the culmination of innovation and passion, Hung Fook Tong has also built a sterling reputation and earned widespread trust. The Group therefore remains confident in its ability to weather whatever conditions that may come as well as address the interests of its stakeholders.

FINANCIAL REVIEW

Revenue

In 1H2021, the Group's revenue amounted to HK\$346.3 million, representing an increase of 0.3% from HK\$345.2 million in 1H2020. Revenue from Hong Kong retail operation experienced a decline to HK\$270.6 million, representing a decrease of 2.3% from HK\$276.9 million in 1H2020 as the pandemic weakened consumption activities and consumer sentiment remained weak despite slow economic recovery. Revenue from wholesale business has increased to HK\$75.7 million, representing an increase of 10.9% from HK\$68.2 million in 1H2020 as a result of gradual recovery of the Group's business and operations in Mainland China market.

Cost of Sales

In 1H2021, the Group's cost of sales amounted to HK\$135.8 million, representing an increase of 10.7% from HK\$122.7 million in 1H2020. As a percentage of revenue, cost of sales represented 39.2% and 35.6% in 1H2021 and 1H2020 respectively.

Gross Profit and Gross Profit Margin

In 1H2021, the Group's gross profit amounted to HK\$210.5 million, representing a decrease of 5.4% from HK\$222.4 million in 1H2020. The Group's gross profit margin decreased by 3.6 percentage points to 60.8% as compared to 64.4% in 1H2020. The decrease was mainly due to the increase in raw material cost, higher staff costs and appreciation of the Renminbi causing an increase in production costs.

Staff Costs

In 1H2021, the Group's staff costs amounted to HK\$102.5 million, representing an increase of 0.9% from HK\$101.7 million in 1H2020. The increase was mainly due to the non-recurrent receipt of government grant from the Employment Support Scheme in 1H2021. The staff costs-to-revenue ratio is 29.6% as compared to 29.4% in 1H2020.

Rental Expenses

In 1H2021, rental expenses in relation to the Group's retail shops in Hong Kong (being the aggregate of lease rental in respect of retail outlets, depreciation of right-of-use assets for shop properties and the interest expense arisen from lease liabilities) amounted to HK\$51.4 million, representing an increase of 3.3% from HK\$48.6 million in 1H2020. Rental expenses-to-revenue ratio for the Hong Kong retail shops is 14.8% as compared to 14.1% in 1H2020.

Advertising and Promotion Expenses

In 1H2021, the Group's advertising and promotion expenses amounted to HK\$12.6 million, representing a decrease of 3.7% from HK\$13.1 million in 1H2020. This accounted for 3.7% and 3.8% respectively in percentage to revenue in 1H2021 and 1H2020. The Group was more prudent in managing marketing expenses during the period.



MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation

In 1H2021, the depreciation of property, plant and equipment of the Group amounted to HK\$17.8 million, representing an increase of 7.2% from HK\$16.6 million in 1H2020. The depreciation-to-revenue ratio is 5.1% as compared to 4.8% in 1H2020.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2021 was HK\$7.3 million, representing a decrease of 68.4% from HK\$23.0 million in 1H2020. The net profit margin (calculated as profit attributable to owners of the Company for the period as a ratio of revenue) for six months ended 30 June 2021 was 2.1%, as compared to 6.7% in 1H2020.

Earnings per share for profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to HK1.11 cents, as compared to HK3.51 cents in 1H2020.

Capital Expenditure

During 1H2021, capital expenditure amounted to HK\$13.6 million (1H2020: HK\$11.8 million). This amount was mainly used for the opening of new shops, revamping of existing retail shops and acquisition of production facilities in Mainland China and Tai Po plants.

Liquidity and Financial Resources Review

As at 30 June 2021, the Group had bank deposits and cash balance amounted to HK\$128.5 million (31 December 2020: HK\$134.9 million).

As at 30 June 2021, the gearing ratio of the Group was 0.10 (31 December 2020: 0.12), which was calculated based on total bank borrowings divided by equity attributable to owners of the Company.

As at 30 June 2021, the Group had total banking facilities of HK\$139.7 million (31 December 2020: HK\$135.6 million) of which HK\$37.5 million (31 December 2020: HK\$43.4 million) had been utilised.

As at 30 June 2021, the Group's current liabilities exceeded its current assets by HK\$132.7 million (31 December 2020: HK\$136.8 million). Included in current liabilities are receipts in advance relating to sales of prepaid coupons and cards to customers in Hong Kong of HK\$162.2 million (31 December 2020: HK\$157.3 million) which will reduce gradually over the time of each redemption by customers and are not expected to be settled by cash under normal business circumstances. Excluding the aforementioned receipts in advance, the Group would have net current assets of HK\$29.5 million (31 December 2020: HK\$20.5 million) and current ratio of 1.13 (31 December 2020: 1.09).

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

Foreign Currency Risk

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

Material Acquisitions, Disposals and Significant Investments

There were no material acquisitions, disposals and significant investments during the six months ended 30 June 2021.

Contingent Liabilities

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

Human Resources

As at 30 June 2021, the Group employed approximately 924 employees. Remuneration was based on market price, individual qualification and experience, and there was discretionary bonus based on years of service and performance appraisal.

During the six months ended 30 June 2021, various training activities, such as orientation on retail shop and back office operations, customer services and sales skills, product knowledge and retail operations, have been conducted to improve the quality of frontline services, as well as enhance customer experience and to ensure the smooth and effective operation of the Point-of-Sales (“POS”) system. A supervisor trainee program was also implemented to attract production talents, enhancing the leadership skills of the participants including their professional and managerial techniques as well as their knowledge in machinery monitoring and production processes.



AWARDS AND CORPORATE SOCIAL RESPONSIBILITY

Commitment to serving customers, staff and society is an integral part of the Hung Fook Tong ethos. In addressing the concerns of stakeholders and the community at large, the Group has been honoured with various awards and accolades, as listed below.

Award		Issuer of Award
1.	Trusted Brands 2021 – Gold Award (Chinese Soup/ Herbal Tea Shop)	Reader's Digest
2.	GS1 Consumer Caring 5 years+	GS1 Hong Kong
3.	Green Office 3+ Label and Eco-Healthy Workplace Label 2021	World Green Organisation
4.	15 Years plus Caring Company 2006-2021	The Hong Kong Council of Social Service
5.	Happiness-at-Work 5 years+	The Hong Kong Productivity Council
6.	2019/20 Y-Care CSR Scheme (Bronze Partner)	Chinese YMCA of Hong Kong
7.	Sport-Friendly Action – Certificate of Appreciation	Chinese YMCA of Hong Kong

CORPORATE SOCIAL RESPONSIBILITY

The COVID-19 pandemic has continued to affect the world at large; impacting people's quality of life, the environment and social wellbeing. For its part, the Group has sought to help the local community through various efforts, which is consistent with its commitment to corporate social responsibility (CSR).

In contributing to society, the Group has continued its support for the Community Chest of Hong Kong and its Skip Lunch Day for the 12th consecutive year. In 2021, the Group was pleased to raise over HK\$1.3 million for the Community Chest's charity programs via this initiative. More effort to help the underprivileged include partnering with WE+ (established by Social Ventures Hong Kong), in donating Chinese New Year pudding to Pei Ho Counterparts (北河同行). In addition, the Group organised a volunteer event with Pei Ho Counterparts to distribute pudding to the disadvantaged living in Sham Shui Po.

Collaboration between the Group and WE+ has involved still other endeavours, including events and workshops on health and wellness, covering both physical and mental health. Conducted at HFT Life stores and their neighbourhood, small group classes such as Handmade Herbal Soap Workshop, Forest Bathing, running and stretching classes, etc., attracted people from all walks of life. The Group also provided support to various charities, including Ronald McDonald House Charities Hong Kong Limited (麥當勞叔叔之家慈善基金有限公司), The Hong Kong Society for Rehabilitation (香港復康會), Hong Chi Association (匡智會), etc.

Protecting the environment is of grave concern to Hung Fook Tong as well, which is why it continues to sponsor over 80 recycling machines that can be found across Hong Kong. Owing to these machines, more than 116,000 bottles were collected and recycled in 1H2021. An additional recycling machine and four recycling bins have been placed at selected HFT shops during the period, with over 130 kg of plastic bottles (approximately 2,500 bottles) collected for recycling. Moreover, one more recycling machine has since been installed subsequent to the reporting period in July 2021 at its store at Cyberport.

To further protect the environment, the Group has successfully curbed all food waste disposal at landfills. In achieving this, the Group has delivered the majority of its food waste to the Organic Resources Recovery Centre Phase 1 ("O-PARK1") for the production of biogas and compost. In 1H2021, approximately 706.2 tonnes of food waste were recycled (1H2020: 570.7 tonnes) by the Group, thus cutting CO₂-equivalent greenhouse gas emissions by more than 150.4 tonnes (1H2020: 121.6 tonnes). To reduce its carbon footprint still further, the Group leverages renewable energy technologies with the installation of solar panels on the rooftop of its Hong Kong factory (2,300 m² in surface area) in late 2020. Consequently, approximately 143.6 MWh of green electrical energy was generated in 1H2021.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME



FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	(Unaudited)	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Revenue	5, 6	346,286	345,172
Cost of sales	7	<u>(135,816)</u>	<u>(122,739)</u>
Gross profit		210,470	222,433
Other income and other losses, net	6	4,856	10,393
Selling and distribution costs	7	(33,756)	(33,901)
Administrative and operating expenses	7	(170,530)	(165,714)
Impairment on trade receivables	7	–	(790)
Operating profit		11,040	32,421
Finance income		47	25
Finance costs		(2,834)	(3,947)
Finance costs, net		(2,787)	(3,922)
Share of losses of a joint venture accounted for using the equity method	12	–	(15)
Profit before income tax		8,253	28,484
Income tax expense	8	(1,391)	(5,158)
Profit for the period		6,862	23,326
Profit/(loss) attributable to:			
Owners of the Company		7,272	23,043
Non-controlling interests		(410)	283
		6,862	23,326



CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	(Unaudited)	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Other comprehensive income/(loss):			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		<u>5,088</u>	<u>(3,577)</u>
Other comprehensive income/(loss), net of tax		<u>5,088</u>	<u>(3,577)</u>
Total comprehensive income for the period		<u>11,950</u>	<u>19,749</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		12,314	19,503
Non-controlling interests		<u>(364)</u>	<u>246</u>
		<u>11,950</u>	<u>19,749</u>
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (HK cents per share)	9	<u>1.11</u>	<u>3.51</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION



AS AT 30 JUNE 2021

	Note	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	309,560	310,348
Right-of-use assets		204,114	213,571
Financial asset at fair value through other comprehensive income	13	5,000	–
Investments in an associate and joint ventures	12	36	36
Prepayments and deposits		36,580	36,578
Deferred income tax assets		13,582	14,891
		<u>568,872</u>	<u>575,424</u>
Current assets			
Inventories		49,469	46,047
Trade receivables	14	45,667	42,438
Prepayments, deposits and other receivables		35,236	32,225
Amount due from a related company	23(a)	–	690
Tax recoverable		839	2,798
Cash and cash equivalents		128,509	134,905
		<u>259,720</u>	<u>259,103</u>
Total assets		<u>828,592</u>	<u>834,527</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	6,559	6,559
Reserves		341,354	329,040
		<u>347,913</u>	<u>335,599</u>
Non-controlling interests		<u>(1,355)</u>	<u>(991)</u>
Total equity		<u>346,558</u>	<u>334,608</u>



CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		69,227	81,077
Provision for reinstatement costs	19	5,241	5,268
Deferred income tax liabilities		9,457	9,457
Bank borrowings	21	5,720	8,213
		<u>89,645</u>	<u>104,015</u>
Current liabilities			
Trade payables	17	37,180	29,078
Accruals and other payables	18	60,977	74,687
Provision for reinstatement costs	19	2,711	2,437
Receipts in advance	20	162,194	157,298
Lease liabilities		96,244	94,705
Bank borrowings	21	29,955	33,386
Tax payable		3,128	4,313
		<u>392,389</u>	<u>395,904</u>
Total liabilities		<u>482,034</u>	<u>499,919</u>
Total equity and liabilities		<u>828,592</u>	<u>834,527</u>
Net current liabilities		<u>(132,669)</u>	<u>(136,801)</u>
Total assets less current liabilities		<u>436,203</u>	<u>438,623</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY



FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share based		Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
				compensation reserve HK\$'000	Exchange reserve HK\$'000				
Balance at 1 January 2021(audited)	6,559	209,489	8,123	5,421	4,436	101,571	335,599	(991)	334,608
Comprehensive income/(loss)									
Profit/(loss) for the period	-	-	-	-	-	7,272	7,272	(410)	6,862
Other comprehensive income									
Currency translation differences	-	-	-	-	5,042	-	5,042	46	5,088
Total comprehensive income/(loss) for the period	-	-	-	-	5,042	7,272	12,314	(364)	11,950
Balance at 30 June 2021 (unaudited)	6,559	209,489	8,123	5,421	9,478	108,843	347,913	(1,355)	346,558
Balance at 1 January 2020 (audited)	6,559	214,999	8,123	5,421	(8,362)	44,944	271,684	83	271,767
Comprehensive income									
Profit for the period	-	-	-	-	-	23,043	23,043	283	23,326
Other comprehensive loss									
Currency translation differences	-	-	-	-	(3,540)	-	(3,540)	(37)	(3,577)
Total comprehensive (loss)/income for the period	-	-	-	-	(3,540)	23,043	19,503	246	19,749
Balance at 30 June 2020 (unaudited)	6,559	214,999	8,123	5,421	(11,902)	67,987	291,187	329	291,516

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



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	(Unaudited)	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Cash flows from operating activities			
Cash generated from operations		71,994	84,981
Income tax refund/(paid)		785	(17)
Net cash generated from operating activities		72,779	84,964
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,489)	(13,534)
Proceeds from disposal of property, plant and equipment		46	84
Reinstatement costs paid for shop and office premises	19	(41)	(62)
Repayment from a related party		690	–
Investment in an associate		(5,000)	–
Interest received		47	25
Net cash used in investing activities		(21,747)	(13,487)
Cash flows from financing activities			
Payment for lease liabilities (including interest)		(51,721)	(38,850)
Proceeds from bank borrowings		–	30,000
Repayment of bank borrowings		(5,924)	(48,586)
Interest paid on borrowings		(319)	(1,750)
Net cash used in financing activities		(57,964)	(59,186)
Net (decrease)/increase in cash and cash equivalents		(6,932)	12,291
Effect of currency translation differences		536	(227)
Cash and cash equivalents at beginning of the period		134,905	95,353
Cash and cash equivalents at end of the period		128,509	107,417

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

1 GENERAL INFORMATION

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

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

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

These unaudited condensed consolidated interim financial information (the “**interim financial information**”) are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. These unaudited interim financial information have been approved for issue by the Board of Directors (the “**Board**”) of the Company on 27 August 2021.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Group’s current liabilities exceeded its current assets by HK\$132,669,000 as at 30 June 2021 (31 December 2020: HK\$136,801,000). The directors of the Company have reviewed the Group’s cash flow projections, which covers a period of 12 months from 30 June 2021. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operations as well as the possible changes in its operating performance and the continued availability of the Group’s banking facilities, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from 30 June 2021. Accordingly, these condensed consolidated interim financial information have been prepared on a going concern basis.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

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

2.2.1 Equity investments

(i) *Classification*

The Group classifies its financial assets to be measured subsequently at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL") and at amortised cost.

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

(ii) *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 profit or loss.

(iii) *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 profit or loss as "other income" when the Group's right to receive payments is established.

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

2.2 Summary of significant accounting policies (Continued)

2.2.2 Adoption of new accounting policy in the current interim period

(a) *Amended standards adopted by the Group*

The following amendments to existing standards are effective to the Group for accounting periods beginning on or after 1 January 2021:

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

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

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

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

2.2 Summary of significant accounting policies (Continued)

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

- (b) *New standard, amendments to standards, improvements, interpretation and accounting guideline have been issued but not yet adopted*

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

		Effective for annual periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual Improvements Project	Annual Improvements to HKFRSs Standards 2018 – 2020	1 January 2022
HKFRS 3, HKAS 16, and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements	1 January 2023
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors	1 January 2023
HKFRS Practice Statement 2 (Amendment)	Making Materiality Judgements	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK (IFRIC) – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
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 standard, amendments to existing standards, improvements, interpretation and accounting guideline when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments, improvements, interpretation and accounting guideline, none of which is expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2020.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

There have been no significant changes in the risk management or in any risk management policies since the Group's annual financial statements for the year ended 31 December 2020.

4.2 Liquidity risk

Compared to the position as at 31 December 2020, there was no material change in the contractual undiscounted cash outflows for financial liabilities except for the decrease in bank borrowings from HK\$41,599,000 as at 31 December 2020 to HK\$35,675,000 as at 30 June 2021. Of these borrowings, the Group expects HK\$11,916,000 will be settled within 1 year, HK\$12,137,000 in 1 to 2 years and the remaining HK\$11,622,000 in 2 to 5 years. Also, lease liabilities decreased from HK\$175,782,000 as at 31 December 2020 to HK\$165,471,000 as at 30 June 2021. Of these liabilities, the Group expects HK\$96,244,000 will be settled within 1 year and HK\$56,222,000 in 1 to 2 years and the remaining HK\$13,005,000 in 2 to 3 years.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial statements.

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

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

The following table presents the Group's financial asset that is measured at fair value as of 30 June 2021.

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

There were no transfers between levels 1, 2 and 3 during the period (2020: Nil). There are no changes in valuation techniques during the period (2020: Nil). The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2021 (2020: Nil).

See Note 13 for the fair value measurement of the above unlisted equity investment.

The Group also has a number of financial instruments which are not measured at fair value in the condensed consolidated interim statement of financial position. The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, amount due from a related company and cash and cash equivalents, and financial liabilities, including trade payables, accruals and other payables, lease liabilities and bank borrowings, approximate their fair values.

5 REVENUE AND SEGMENT INFORMATION

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

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

Segment assets consist primarily of property, plant and equipment, right-of-use assets, inventories, trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. They exclude deferred income tax assets, amount due from a related company, investments in an associate and joint ventures, financial assets at FVOCI, tax recoverable and assets used for corporate functions.

Capital expenditure comprises additions to property, plant and equipment for the six months ended 30 June 2021 and 2020.

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

Unallocated corporate expenses, share of losses of a joint venture accounted for using the equity method, finance income and costs and income tax expense are not included in segment results.

There is no single external customer that contributed more than 10% revenue to the Group's revenue for the six months ended 30 June 2021 and 2020 respectively.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the six months ended 30 June 2021 and 2020 are as follows:

	(Unaudited)		
	Six months ended 30 June 2021		
	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Total HK\$'000
Segment revenue	274,516	77,532	352,048
Less: Inter-segment revenue	(3,900)	(1,862)	(5,762)
Revenue from external customers	270,616	75,670	346,286
Segment results	23,809	7,946	31,755
Corporate expenses			(20,715)
Finance costs, net (Note)			(2,787)
Profit before income tax			8,253
Income tax expense			(1,391)
Profit for the period			6,862
Other segment items:			
Capital expenditure	10,041	3,577	13,618
Depreciation and amortisation	60,927	6,357	67,284
Loss on disposal of property, plant and equipment	46	–	46

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



5 REVENUE AND SEGMENT INFORMATION (Continued)

	(Unaudited)		
	Six months ended 30 June 2020		
	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Total HK\$'000
Segment revenue	281,546	70,122	351,668
Less: Inter-segment revenue	(4,601)	(1,895)	(6,496)
Revenue from external customers	276,945	68,227	345,172
Segment results	56,633	519	57,152
Corporate expenses			(24,731)
Share of losses of a joint venture accounted for using the equity method			(15)
Finance costs, net (Note)			(3,922)
Profit before income tax			28,484
Income tax expense			(5,158)
Profit for the period			23,326
Other segment items:			
Capital expenditure	4,406	7,433	11,839
Depreciation and amortisation	57,678	6,017	63,695
Loss on disposal of property, plant and equipment	13	–	13
Provision for impairment on trade receivables	790	–	790

Note: Finance costs include interest expenses arisen from lease liabilities of HK\$2,515,000 (2020: HK\$2,197,000).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment assets as at 30 June 2021 and 31 December 2020 are as follows:

	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Elimination HK\$'000	Total HK\$'000
As at 30 June 2021 (Unaudited)				
Segment assets	501,848	278,592	(338)	780,102
Investments in an associate and a joint venture				36
Financial asset at fair value through other comprehensive income				5,000
Tax recoverable				839
Deferred income tax assets				13,582
Corporate assets				<u>29,033</u>
Total assets				<u>828,592</u>
As at 31 December 2020 (Audited)				
Segment assets	526,938	281,100	(429)	807,609
Amount due from a related company				690
Investments in joint ventures				36
Tax recoverable				2,798
Deferred income tax assets				14,891
Corporate assets				<u>8,503</u>
Total assets				<u>834,527</u>

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

6 REVENUE, OTHER INCOME AND OTHER LOSSES, NET

The Group's revenue, other income and other losses, net recognised during the six months ended 30 June 2021 and 2020 are as follows:

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue recognised at a point in time		
Sale of goods	346,286	345,172
Other income		
Government grants (Note (a))	1,400	9,600
Management income from an associate (Note 23(b))	723	–
Service income (Note (b))	2,268	485
Insurance claim	216	39
Others	275	614
	4,882	10,738
Other losses, net		
Exchange differences	20	(332)
Losses on disposal of property, plant and equipment	(46)	(13)
	(26)	(345)
Other income and other losses, net	4,856	10,393

Notes:

- (a) Government subsidies of HK\$1,400,000 were granted from the Catering Business Subsidy Scheme (2020: HK\$9,600,000 from the one-off Retail Sector Subsidy Scheme and the Food Licence Holders Subsidy Scheme) under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region. The Group has complied all attached conditions before the respective period end date and recognised in profit or loss.
- (b) The Group has entered into a cooperation agreement with an independent third party for the provision of marketing distribution services for twelve-month period ending 31 December 2021 at HK\$4,000,000. The service income is recognised when the related services are rendered.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	105,264	94,237
Lease rental in respect of retail outlets (Note (a))		
– Contingent rental	217	150
Lease rental in respect of storage spaces and office premises (Note (a))	5,279	4,981
Advertising and promotional expenditure	12,644	13,133
Depreciation of property, plant and equipment	17,786	16,590
Depreciation of right-of-use assets	49,498	47,105
Communication and utilities	13,548	12,317
Employee benefit expenses (including directors' emoluments) (Note (b))	102,528	101,651
Provision for impairment on trade receivables	–	790
Legal and professional fees	3,773	3,782
Tools, repair and maintenance expenses	5,444	5,076
Transportation and distribution expenses	15,013	13,661
Others	9,108	9,671
	<u>340,102</u>	<u>323,144</u>
Total cost of sales, selling and distribution costs, administrative and operating expenses and impairment on trade receivables	<u>340,102</u>	<u>323,144</u>

Notes:

- (a) These expenses included short-term leases expenses of HK\$531,000 (2020: HK\$609,000), variable lease payment expenses of HK\$1,253,000 (2020: HK\$845,000) and other rental-related expenses of HK\$3,712,000 (2020: HK\$3,677,000) for the six months ended 30 June 2021.
- (b) During the six months ended 30 June 2020, wage subsidies of HK\$5,074,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to August 2020 have been received. The amounts of HK\$851,000 and HK\$840,000 were recognised in "cost of sales" and "administrative and operating expenses" respectively and had been offset against with the employee benefit expenses. The remaining amount of HK\$3,383,000 was recognised as deferred government grants as of 30 June 2020.

8 INCOME TAX EXPENSE

Hong Kong Profits Tax and PRC Corporate Income Tax ("CIT") have been provided at the rate of 16.5% and 25% respectively (2020: 16.5% and 25% respectively).

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– Over-provision in prior years	(20)	–
Deferred income tax	1,411	5,158
Income tax expense	1,391	5,158

9 EARNINGS PER SHARE

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (HK\$'000)	7,272	23,043
Weighted average number of ordinary shares for the calculation of basic earnings per share (thousands)	655,944	655,944
Earnings per share for profit attributable to owners of the Company		
– Basic earnings per share (HK cents)	1.11	3.51
– Diluted earnings per share (HK cents)	1.11	3.51

(a) Basic

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share for the six months ended 30 June 2021 and 2020 equal basic earnings per share as there were no potentially dilutive ordinary shares as at both period ends.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (30 June 2020: no interim dividend but a special dividend of HK0.90 cent per ordinary share).

11 PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
At 1 January	310,348	309,148
Additions	13,618	11,839
Disposals	(92)	(97)
Depreciation	(17,786)	(16,590)
Exchange difference	3,472	(2,506)
	309,560	301,794
At 30 June	309,560	301,794

Depreciation of HK\$5,682,000 (2020: HK\$6,396,000) has been charged in 'cost of sales', HK\$12,104,000 (2020: HK\$10,194,000) in 'administrative and operating expenses' for the six months ended 30 June 2021.

12 INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
At 1 January	36	55
Capital injection (Note)	5,000	–
Share of losses of a joint venture	–	(15)
Transfer to financial assets at fair value through other comprehensive income (Note)	(5,000)	–
At 30 June	36	40

Note:

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

On 4 May 2021, the Group's representative resigned from the board of directors of the investee, and management confirmed to the co-investors for surrendering its right to appoint a representative, and the co-investors have acknowledged that the Group will not appoint any replacement after the resignation of their representative. In addition, the Group would exercise their respective rights of dilution and elect not to subscribe to the second subscription, and accordingly its respective shareholdings in investee will be diluted. Management considered that the Group ceased to have significant influence over the investee, and the investment has been reclassified as financial assets at FVOCI since 4 May 2021. Management assessed that the fair value of the investment approximated to its carrying amount as at 4 May 2021, and therefore there was no fair value gain or loss recognised in the profit or loss on the date of reclassification. For details of the fair value measurement, refer to Note 13.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Unlisted equity investment	<u>5,000</u>	<u>–</u>

	(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
At 1 January	–	–
Transfer from the investment in an associate (Note 12)	<u>5,000</u>	<u>–</u>
At 30 June	<u>5,000</u>	<u>–</u>

Financial asset at fair value through other comprehensive income (“FVOCI”) comprises unlisted equity investment which is transferred from the investment in an associate (Note 12). The investment is not held for trading, and which the Group has irrevocably elected at initial recognition to recognise the investment as FVOCI. This is a strategic investment and the Group considers this classification to be more relevant.

The Group has engaged AVISTA Valuation Advisory Limited, an independent professional qualified valuer, to assist management to determine the fair value of the equity investment as of 4 May 2021, being the date of initial recognition, and 30 June 2021. Management reviewed the valuation report and discussed the valuation processes and results with the external valuer.

The fair value of the investment was measured at level 3 of fair value hierarchy, based on its net asset value attributable to the Group as at 4 May 2021 and 30 June 2021. The fair values as at 4 May 2021 and 30 June 2021 are approximated to the investment cost, since the investee still not yet commenced its e-commerce business. Therefore, there was no fair value gain or loss recognised during the six months ended 30 June 2021. Other than the net asset value of the investment, no other significant unobservable inputs (i.e. inputs for which market data are not available and that are developed using the best information available) were noted.

14 TRADE RECEIVABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade receivables from third parties	47,050	44,699
Trade receivables from an associate (Note 23(a))	1,858	980
	48,908	45,679
Less: Provision for impairment on trade receivables	(3,241)	(3,241)
Trade receivables, net	45,667	42,438

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Less than 30 days	19,447	17,156
31 – 90 days	23,817	21,561
Over 90 days	2,403	3,721
	45,667	42,438



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK\$'000
Authorised:		
At 31 December 2020, 1 January 2021 and 30 June 2021 (Unaudited)	1,000,000,000	10,000
Issued and fully paid:		
At 31 December 2020, 1 January 2021 and 30 June 2021 (Unaudited)	655,944,000	6,559

16 SHARE BASED PAYMENTS

A share option scheme was approved on 11 June 2014 by the shareholders of the Company. The subscription price per share shall be determined by the Board and notified to the grantee at the time of offer of the option. The scheme shall be valid and effective for a period of 10 years from the 11 June 2014, being the date which the scheme was conditionally approved and adopted. There was no share option granted during the period ended 30 June 2021 (2020: Nil), and there was no outstanding share option as at 30 June 2021 (2020: Nil).

17 TRADE PAYABLES

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables, based on invoice date are as follows:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0 – 30 days	18,490	19,232
31 – 60 days	14,643	8,069
61 – 90 days	3,734	591
Over 90 days	313	1,186
	37,180	29,078

18 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Accruals for employee benefit expenses	15,947	24,886
Accruals for marketing and promotional expenses	3,216	1,173
Refund liabilities for sales rebate	1,155	4,149
Rental and related expenses payable	3,229	2,554
Office and utilities expenses payable	3,255	1,834
Deferred revenue	3,132	3,011
Consideration payable for property, plant and equipment acquired	5,027	9,659
Accruals for transportation and delivery charges	2,385	2,780
Other accruals and other payables	23,631	24,641
	60,977	74,687

19 PROVISION FOR REINSTATEMENT COSTS

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Non-current	5,241	5,268
Current	2,711	2,437
	7,952	7,705

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

	(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
At 1 January	7,705	7,354
Additional provision during the period	288	418
Utilisation	(41)	(62)
At 30 June	7,952	7,710



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 RECEIPTS IN ADVANCE

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Receipts in advance	162,194	157,298

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

	(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
At 1 January	157,298	162,044
Receipt from sales of pre-paid coupons and credits during the period	184,627	175,225
Revenue recognised upon the redemption of products by customers	(179,731)	(179,215)
Exchange differences	–	(109)
At 30 June	162,194	157,945

21 BANK BORROWINGS

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Unsecured bank borrowings:		
Portion due for repayment within 1 year	29,955	33,386
Portion due for repayment after 1 year but within 5 years without repayment on demand clause	5,720	8,213
	35,675	41,599

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Unsecured bank borrowings:		
Within 1 year	11,916	11,778
Between 1 and 2 years	12,137	12,008
Between 2 and 5 years	11,622	17,813
	35,675	41,599

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

22 CONTINGENT LIABILITIES

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 RELATED PARTIES BALANCES AND TRANSACTIONS

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

The directors are of the view that the following companies were related parties that had transactions or balances with the Group.

- Aqua Pure Distilled Water Company Limited
- HomePlus (Hong Kong) Limited

(a) Amounts due from related parties

The amounts due from related parties are unsecured, interest-free and repayable on demand.

The Group had the following material balances due from the related parties:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Amount due from a related company	-	690
Trade receivables due from an associate (Note 14)	1,858	980

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

23 RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

(b) Transactions with an associate

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Management income	723	–
Sales of goods	551	–
Purchase of goods	165	–

(c) Key management compensation

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	12,123	8,599
Pension costs	90	90
	12,213	8,689

24 COMMITMENTS

Capital commitments

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

	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Property, plant and equipment	7,950	8,967
Equity investment (Note 12)	–	5,000



OTHER INFORMATION

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (1H2020: no interim dividend but a special dividend of HK0.90 cent per ordinary share).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the interests and short positions of the Directors of the Company and their associates in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which had been notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be disclosed, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") and the "Code of Conduct for Securities Transactions by Directors of the Company" adopted by the Company (the "Code of Conduct") were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%)
Ms. Wong Pui Chu (Notes 1, 2 & 3)	Interests held jointly with other persons; beneficial owner; interest of controlled corporation	398,552,600 (Long position)	60.76
Mr. Tse Po Tat (Notes 1 & 4)	Interests held jointly with other persons; interest of controlled corporation	398,552,600 (Long position)	60.76
Dr. Szeto Wing Fu (Notes 5 & 6)	Beneficial owner; interest of controlled corporation	25,704,600 (Long position)	3.91

Notes:

- (1) Pursuant to a deed of confirmation dated 27 March 2014 executed by Ms. Wong Pui Chu, Mr. Tse Po Tat and the late Mr. Kwan Wang Yung, Think Expert Investments Limited (“Think Expert”), YITAO Investments Limited (“YITAO”) and Prestigious Time Limited (“Prestigious Time”) (collectively the “Controlling Shareholders”), the Controlling Shareholders have agreed to jointly control their respective interests in the Company. Decisions as to the business and operations of the Group shall be made in accordance with the unanimous consent of all the Controlling Shareholders. Each of the Controlling Shareholders shall exercise their respective voting rights in the Company in the same way. Hence, each of the Controlling Shareholders is deemed to be interested in all the Shares held by the Controlling Shareholders in aggregate by virtue of the SFO.
- (2) The Company was directly owned as to 1.02% (being 6,706,000 Shares) by Ms. Wong Pui Chu.
- (3) The Company was directly owned as to 29.22% (being 191,638,200 Shares) by Think Expert. By virtue of her 100% shareholding of Think Expert, Ms. Wong Pui Chu is deemed to be interested in the same number of Shares held by Think Expert.
- (4) The Company was directly owned as to 16.63% (being 109,122,400 Shares) by YITAO. By virtue of his 100% shareholding of YITAO, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by YITAO.
- (5) The Company was directly owned as to 0.15% (being 1,000,000 Shares) by Dr. Szeto Wing Fu.
- (6) The Company was directly owned as to 3.77% (being 24,704,600 Shares) by Aolong Limited (“Aolong”). By virtue of his 100% shareholding of Aolong, Dr. Szeto Wing Fu is deemed to be interested in the same number of Shares held by Aolong.

Save as disclosed above, as at 30 June 2021, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and the Code of Conduct.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%)
Prestigious Time (Note 1)	Interests held jointly with other persons; beneficial owner	398,552,600 (Long position)	60.76
Think Expert (Note 2)	Interests held jointly with other persons; beneficial owner	398,552,600 (Long position)	60.76



OTHER INFORMATION

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%)
YITAO (Note 3)	Interests held jointly with other persons; beneficial owner	398,552,600 (Long position)	60.76
Ms. Chan Suk Hing Comita (Note 4)	Interest of spouse	398,552,600 (Long position)	60.76
Mr. Kwan Wang Yung (deceased)	Interests held jointly with other persons; interest of controlled corporation	398,552,600 (Long position)	60.76
Mrs. Kwan Chan Lai Lai (Note 5)	Interest of spouse	398,552,600 (Long position)	60.76

Notes:

- (1) The Company was directly owned as to 13.89% (being 91,086,000 Shares) by Prestigious Time. By virtue of his 100% shareholding of Prestigious Time, the late Mr. Kwan Wang Yung (the former managing Director and an executive Director of the Company) is deemed to be interested in the same number of Shares held by Prestigious Time.
- (2) The interest of Think Expert was disclosed as the interest of Ms. Wong Pui Chu in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares".
- (3) The interest of YITAO was disclosed as the interest of Mr. Tse Po Tat in the above section headed "Directors' Interests and Short Positions in Shares and Underlying Shares".
- (4) Ms. Chan Suk Hing Comita is the spouse of Mr. Tse Po Tat and is therefore deemed to be interested in the Shares that Mr. Tse Po Tat is interested in under the SFO.
- (5) Mrs. Kwan Chan Lai Lai is the spouse of the late Mr. Kwan Wang Yung and is therefore deemed to be interested in the Shares that the late Mr. Kwan Wang Yung is interested in under the SFO.

Save as disclosed above, as at 30 June 2021, the Directors had not been notified of any other corporation or individual (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2021, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2014. As at 30 June 2021, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 63,200,000 Shares, being 10% of the total number of Shares in issue at the time dealings in the Shares first commenced on the Stock Exchange. The total number of Shares issued and to be issued upon the exercise of the options granted to each eligible participant (Note 1) under the Share Option Scheme and any other schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

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

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

The Board confirms that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. During the six months ended 30 June 2021, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme. A total of 63,200,000 Shares are available for issue under the Share Option Scheme, representing approximately 9.63% of the total issued capital of the Company as at 30 June 2021.

Notes:

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

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



OTHER INFORMATION

CHANGE OF DIRECTOR'S INFORMATION

Subsequent to publication of the 2020 Annual Report, the change in information of Directors is set out below pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules:

- Dr. Szeto Wing Fu, the Chief Executive Officer and Executive Director of the Company, has been appointed by the Hospital Authority as a member of the Hospital Governing Committee of MacLehose Medical Rehabilitation Centre for a term of one year from 1 April 2021 to 31 March 2022.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2021.

CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Code of Conduct based on the required standard set out in the Model Code. For the six months ended 30 June 2021, all of the Directors confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") which currently consists of all three independent non-executive Directors of the Company with written terms of reference which deal clearly with its authority and duties. Amongst the Audit Committee's principal duties is to review and supervise the Group's financial reporting process, risk management and internal control systems, including the review of the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021.

PricewaterhouseCoopers, the external auditors of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 27 August 2021



HUNG FOOK TONG

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