

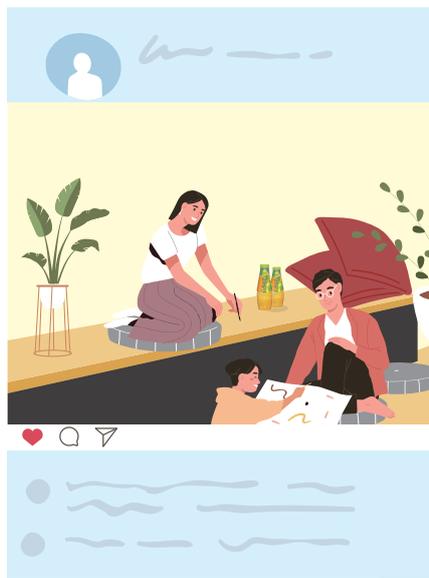


# Hung Fook Tong Group Holdings Limited 鴻福堂集團控股有限公司

(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

# 2022 INTERIM REPORT 中期報告



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## CORPORATE INFORMATION

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### PLACE OF INCORPORATION

Cayman Islands

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Independent Non-executive Directors

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### STRATEGY AND DEVELOPMENT COMMITTEE

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

### 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**  
17th Floor, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

# CORPORATE INFORMATION



## PRINCIPAL BANKERS

### **The Hongkong and Shanghai Banking Corporation Limited**

1 Queen's Road Central  
Hong Kong

### **Bank of China (Hong Kong) Limited**

Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

### **Hang Seng Bank Limited**

83 Des Voeux Road Central  
Central  
Hong Kong

## COMPANY WEBSITE

[www.hungfooktong.com](http://www.hungfooktong.com)

## STOCK CODE

1446



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2022 (“1H2022” or the “Review Period”), the Group’s operations in both Hong Kong and Mainland China were severely impacted by strict social distancing measures imposed by respective governments to combat the newest waves of the Coronavirus Disease 2019 (“COVID-19”) pandemic. Consequently, consumer sentiment was dampened and retail traffic was weakened. Despite daunting challenges during 1H2022, the Group managed to maintain relatively stable sales performance, with revenue totalling HK\$340.0 million, down 1.8% from HK\$346.3 million recorded for the six months ended 30 June 2021 (“1H2021”). Gross profit edged downward by 3.6% to HK\$202.8 million (1H2021: HK\$210.5 million), while the gross profit margin dipped to 59.6% (1H2021: 60.8%), due primarily to the decline in revenue, higher raw material costs and higher utility expenses. However, profit attributable to owners of the Company increased by 39.8% to HK\$10.2 million (1H2021: HK\$7.3 million), owing mainly to the receipt of more government grants under the pandemic relief measures as compared with the same period in 2021. In total, HK\$12.3 million (1H2021: HK\$1.4 million) was received, comprising funds from the Employment Support Scheme and subsidies for food license holders.

## BUSINESS SEGMENT ANALYSIS

### Hong Kong Retail

Contributing the largest portion of the Group’s revenue, the Hong Kong retail business generated HK\$262.9 million (1H2021: HK\$270.6 million) during 1H2022, or a year-on-year decline of 2.8%, though still equating to 77.3% of total revenue. As the first quarter of the year witnessed the fifth wave of COVID-19, which involved the most contagious strain to affect the population since the COVID-19 outbreak, particularly rigorous social distancing measures were introduced, which resulted in a sharp fall in store traffic and decline in same-store sales. Moreover, there were numerous exhibitions and expos cancelled when the fifth wave of the pandemic was at its height, which further contributed to the revenue shortfall.

Despite efforts to curb operational costs, such as negotiating for more preferential rental concessions, segment profit declined by 1.8% to HK\$23.4 million (1H2021: HK\$23.8 million). This was the consequence of higher raw material prices and utility expenses.

In the face of stiff headwinds, the Group sought to further fortify its leading market position. This included the careful reinforcement of its presence in the city, which stood at 124 self-operated shops as at 30 June 2022, hence remaining the largest Chinese herbal retailer in Hong Kong based on retail network size. During the Review Period, the Group opened a total of six new shops, comprising two “HFT Life” cafés at the Hong Kong Science Park and a shopping mall, and four Hung Fook Tong shops located along MTR stations – including the newly opened Exhibition Centre station, and in a shopping mall. As a result of such efforts, there are now a total of nine HFT Life cafés that appeal to the younger generations. It is important to note as well that owing to the agile management of human resources and the dedicated efforts of frontline staff, most of the Group’s retail stores continued to deliver services to customers despite the severity of the COVID-19 situation in 1H2022; hence helped mitigate the impact of the pandemic on the Group’s retail operation.

Along with an enlarged market presence, the Group employed marketing and product launches to promote spending and increase the average transaction amount. Such efforts were able to partly offset the decline in transaction volume in the wake of the fifth wave of pandemic. Average spending per customer consequently increased when compared with 1H2021, in particular, average spending per JIKA CLUB (自家CLUB) member rose by over 10%.

Amid the challenging times, and particularly the stay-at-home trend arising from the pandemic, the Group introduced more rice, noodles and snack options to facilitate home-cooking. Certain bulk purchase orders of its pre-packaged products and coupons were also received from different organisations when the fifth wave suddenly and severely impacted Hong Kong. Yet another product line that enjoyed strong uptake was the Group's new sugar-free herbal tea series which capitalized on the increasing health consciousness and wellness needs of the public.

Also receiving favourable response was the Group's marketing campaigns which were particularly developed to capitalise on the Consumption Voucher Scheme that commenced disbursements in April 2022. Specifically, the Group rolled out a series of attractive combo sets including health boosting products. The Group also engaged in joint promotions with banks and other partners that brought favourable outcomes. Separately, the Group took the opportunity to make price adjustments on certain products in order to offset higher production costs during 1H2022.

In 1H2022, membership recruitment and digitisation were two areas that continued to achieve progress. With regard to the former, the Group both acquired and retained members through exclusive promotional offers and privileges. This is reflected by an upsurge in JIKA CLUB memberships, which exceeded 1.2 million as at 30 June 2022, or an increase of approximately 50,000 when compared with the end of 2021.

As for digitisation, the Group persisted with its strategy of promoting e-coupons. Indicative of the Group's successful effort, over 80% of coupons redeemed by members during the Review Period were of the electronic format. The Group also promoted the use of the "JIKA PAY" e-Card via the Hung Fook Tong mobile application ("APP"). The number of APP downloads subsequently increased by 40% as compared with 1H2021, and over 26% of total member transactions were completed via the APP. In addition, the "JIKA ON!" (自家ON!) online marketplace that was soft launched at the end of 2021 has been able to attract existing JIKA CLUB members and a wider audience to register for the platform through special offers and registration promotions via self-operated shops and online channels. Echoing the brand core of "Quality Goods for Quality Life", JIKA ON! has been providing an even wider spectrum of healthy, eco-friendly and locally produced goods that appeal to health-conscious and family-oriented customers.

## Wholesale

The wholesale segment recorded a modest increase in revenue, rising by 1.8% year-on-year to HK\$77.1 million (1H2021: HK\$75.7 million). Even though the Mainland China business experienced a decline, it was offset by growth from the Hong Kong operation. However, due to an increase in raw material costs, there was only a marginal rise in segment profit of 1.1% to HK\$8.0 million (1H2021: HK\$7.9 million).

## Hong Kong

In Hong Kong, the wholesale business saw revenue climb by 6.2% to HK\$64.2 million (1H2021: HK\$60.5 million), despite the impact of the fifth wave of COVID-19 which led to no dine-in service during evenings for extended periods and in turn resulted in weaker sales from restaurants. This achievement can be attributed to strong ties with key accounts, distributors and online resellers, as well as the launch of non-beverage products that helped expand the Group's customer base. During the Review Period, the Group partnered with PARKnSHOP in launching a novel series of refreshing co-branded herbal drinks, each with unique health benefits. An extended variety of products, such as ambient temperature soup packs, stewed pork trotter and ginger in sweet vinegar packs, and squeezing tortoise plastron jelly were also introduced to PARKnSHOP locations.



## MANAGEMENT DISCUSSION AND ANALYSIS

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### Mainland China

Revenue from the Mainland China wholesale business fell 15.5% to HK\$12.9 million (1H2021: HK\$15.2 million) for 1H2022. The contraction was the aftermath of quarantine and lockdown measures implemented to contain outbreaks of new COVID-19 variants. Despite a broad range of challenges, the Group was able to strengthen ties with key accounts mainly in Southern China. Such efforts led to the increased availability of its products, including over 9,000 convenience stores in cities like Guangzhou, Dongguan, Shenzhen, Shanghai, as well as various supermarkets and department stores as at the end of 1H2022. The Group also partnered with distributors to tap new channels, including Bailihui (百里匯) convenience stores, Polison (百里臣) convenience stores, Jiangmen Daymart supermarkets (江門大昌超市) and Sinopec petrol stations (中石化).

Mindful of lower foot traffic amid strict pandemic controls, the Group increased online sales and marketing efforts. As a result, the Group's products are available through online platforms such as JD.com (京東), Taobao (淘寶), Tmall (天貓) and Meituan (美團).

### Other Markets

During 1H2022, with international logistics costs remaining high, the Group elected not to aggressively tap new markets. On the positive side, there was a gradual sales recovery in existing overseas markets including Malaysia and the United States, following the easing of COVID-19 restrictions. In addition, shipments to the United Kingdom continued.

## PROSPECTS

Despite the difficult operating environment in 1H2022, the retail industry in Hong Kong is expected to recover progressively in the remaining six months of the year as strict pandemic control measures are gradually relaxed. Moreover, the disbursement of new rounds of consumption vouchers by the Hong Kong Government in August and October is anticipated to help stimulate the retail market to a certain extent. Still, the business environment is expected to remain highly uncertain due to different factors in the macro environment such as inflation and higher interest rates, leading to generally higher operating costs. The Group will remain vigilant and pay heed to potential risks arising from escalating operating costs and weaker consumer sentiment. It will continue its efforts to tap new revenue streams and protect its market leadership through high-quality products that capitalise on the growing health-conscious trend among consumers.

### Hong Kong Retail

Going forward, the Group will maintain a robust store network in Hong Kong and fortify its market leading position. The Group therefore envisages opening one to two additional stores in the second half year. Already, it has secured one location for an HFT Life store, specifically in a university campus. At the same time, the Group will maintain close contact with landlords with a view to negotiating for better rental renewal terms and securing potential concessions.

To promote consumption, the Group will leverage upcoming holiday seasons and the aforementioned disbursement of government consumption vouchers by launching relevant promotions. Already, the Group has kicked off special summer offers in July that covers a combination of health products, and has released more offers in August including Mid-Autumn Festival packages that feature Hung Fook Tong mooncakes. In addition, the Group will further promote dietary food that are appropriate for women who are in postpartum confinement or who are pregnant, hence items such as pork trotter and ginger, chicken essence, soups, rice, congee, desserts.

In the second half year, the Group will also seek to reinforce its market leadership in the pre-packaged soup segment. This will be in conjunction with the development of more ambient temperature products that are easy to consume, hence, along with ambient soups, dessert options will be created – all of which will facilitate the tapping of new sales channels. To drive sales and increase exposure, the Group has already confirmed its participation in a number of physical exhibitions and expos in the remaining half year. It will also join online expos with resellers and business partners, which is consistent with its adherence to the omnichannel business model.

To further generate sales, specifically through memberships, the Group will exert still greater effort in recruitment and engagement, as well as expedite the digitalisation of relevant operations. On the member recruitment front, the Group will continue with its referral programme and introduce a series of joint promotions for members. As for digitisation, it will launch more incentives to encourage the download and use of the Hung Fook Tong APP. Furthermore, electronic discount coupons exclusively available via the APP will be rolled out in August 2022 to attract potential JIKA CLUB members and to also urge more downloads. As for JIKA ON ! , it will continue to add new merchandise, more e-coupons and food items, which will also act as catalyst for increasing patronage of the online marketplace.

## Wholesale

The Hong Kong wholesale operation will witness new product introduction in the second half year. In July, the Group has launched a series of special edition bottled drinks that follow an art theme. They incorporate different visual and cultural elements in the packaging design, all of which have been favourites among customers. What is more, one of the drinks use plastic bottles 100% made from rPET (recycled polyethylene terephthalate) in a move to support the reduction in plastic waste and carbon emission. In addition, the Group will seek to further secure cross-brand collaborations and roll out more marketing campaigns or events.

As for the Mainland China market, online channels will take on added importance, serving as the conduits for product promotions and sales by retailers amidst pandemic restrictions. Consequently, the Group will redouble promotion efforts via more online and social platforms such as TikTok (抖音) and Xiao Hong Shu (小紅書). Geographically, the Group will focus on penetrating the Guangdong province market including in second tier cities such as Foshan, Zhongshan and Huizhou. It will also further bolster ties with key accounts so that even more fresh and long shelf-life products return to the shelves of convenience stores and supermarkets.

Regarding other markets, the Group expects sales momentum to gradually build as pandemic restrictions further ease in key overseas markets. The Group will proactively tap markets with high potential, including the United Kingdom where the demand for the Group's products has been rising. Discussions with distributors in markets such as South Korea and Japan are already underway.

## Enhances Family-Friendly Work Policies

The Group fully believes that employees are its most valuable assets, hence their wellbeing is vital to its long-term development. Consistent with this belief, the Group is piloting a hybrid work model from August of this year, which allows office staff to work one day per week from home, with the aim of improving their work-life balance. It also extends the current flexible working hours arrangement and introduces more family-friendly measures. This includes the launch of the "Summer Vacation at Office" programme in August, which allows office employees to bring their children to the office for childcare during the summer vacation period, and "PAWsome Pet-friendly Day" which welcomes employees' furry friends to the workplace. These policies will promote a more favourable work environment that is conducive to attracting and retaining talent, leading ultimately to the success and sustainability of the Group's business.



## MANAGEMENT DISCUSSION AND ANALYSIS

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### CONCLUSION

The resilient performance that the Group demonstrated during the challenging first half year is a testament to the strong brand recognition that Hung Fook Tong enjoys, as well as the management's thorough understanding of consumers' needs, which has led to the development of a rich portfolio of high-quality products. Going forward, the Group will continue to leverage its operational excellence and market expertise built over the years to rise above the challenges ahead and capture market opportunities that emerge, and thus create long-term sustainable value for its stakeholders.

### FINANCIAL REVIEW

#### Revenue

In 1H2022, the Group's revenue amounted to HK\$340.0 million, representing a decrease of 1.8% from HK\$346.3 million in 1H2021. Revenue from Hong Kong retail operation experienced a decline to HK\$262.9 million, representing a decrease of 2.8% from HK\$270.6 million in 1H2021, due to the challenges brought about by the fifth wave of COVID-19 epidemic during the first quarter of year 2022. Revenue from wholesale business has increased to HK\$77.1 million, representing an increase of 1.8% from HK\$75.7 million in 1H2021, as a result of expanding customer base from the Hong Kong wholesale market.

#### Cost of Sales

In 1H2022, the Group's cost of sales amounted to HK\$137.2 million, representing an increase of 1.0% from HK\$135.8 million in 1H2021. As a percentage of revenue, cost of sales represented 40.4% and 39.2% in 1H2022 and 1H2021 respectively. The increase was mainly due to the rising costs of material.

#### Gross Profit and Gross Profit Margin

In 1H2022, the Group's gross profit amounted to HK\$202.8 million, representing a decrease of 3.6% from HK\$210.5 million in 1H2021. The Group's gross profit margin decreased by 1.2 percentage points to 59.6% as compared to 60.8% in 1H2021, mainly attributable to higher material costs and utility expenses.

#### Staff Costs

In 1H2022, the Group's staff costs amounted to HK\$96.7 million, representing a decrease of 5.7% from HK\$102.5 million in 1H2021. The decrease was mainly due to the receipt of government grant from the Employment Support Scheme in 1H2022. The staff costs-to-revenue ratio is 28.4% as compared to 29.6% in 1H2021.

#### Rental Expenses

In 1H2022, 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\$49.6 million, representing a decrease of 2.5% from HK\$50.9 million in 1H2021 as a result of rental concessions granted by certain landlords. Rental expenses-to-revenue ratio for the Hong Kong retail shops is 18.9% as compared to 18.8% in 1H2021.

## Depreciation

In 1H2022, the depreciation of property, plant and equipment of the Group amounted to HK\$18.7 million, representing an increase of 5.3% from HK\$17.8 million in 1H2021. The increase was mainly due to the depreciation of leasehold improvements for opening new shops and revamping existing retail shops. The depreciation-to-revenue ratio is 5.5% as compared to 5.1% in 1H2021.

## Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2022 was HK\$10.2 million, representing an increase of 39.8% from HK\$7.3 million in 1H2021. The net profit margin (calculated as profit attributable to owners of the Company for the period as a ratio of revenue) for 1H2022 was 3.0%, as compared to 2.1% in 1H2021.

Earnings per share for profit attributable to owners of the Company for the six months ended 30 June 2022 amounted to HK1.55 cents, as compared to HK1.11 cents in 1H2021.

## Capital Expenditure

Capital expenditure incurred during 1H2022 amounted to HK\$15.9 million (1H2021: HK\$13.6 million), primarily in the opening of new shops, revamping of existing retail shops, acquisition of production facilities in Mainland China and Tai Po plants and construction of the production plant in Kaiping City, Mainland China.

## Liquidity and Financial Resources Review

As at 30 June 2022, the Group had bank deposits and cash balance amounted to HK\$99.2 million (31 December 2021: HK\$116.7 million).

As at 30 June 2022, the gearing ratio of the Group was 0.50 (31 December 2021: 0.56), which was calculated based on total debts including bank borrowings and lease liabilities divided by equity attributable to owners of the Company. Excluding the lease liabilities from total debts, the gearing ratio was 0.10 (31 December 2021: 0.12).

As at 30 June 2022, the Group had total banking facilities of HK\$121.7 million (31 December 2021: HK\$113.7 million) of which HK\$35.5 million (31 December 2021: HK\$41.5 million) had been utilised.

As at 30 June 2022, the Group's current liabilities exceeded its current assets by HK\$123.4 million (31 December 2021: HK\$123.9 million). Included in current liabilities are receipts in advance relating to sales of prepaid credits, coupons and cards to customers in Hong Kong of HK\$172.1 million (31 December 2021: HK\$177.0 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\$48.7 million (31 December 2021: HK\$53.1 million) and current ratio of 1.23 (31 December 2021: 1.25).

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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### Foreign Currency Risk

The Group operates mainly in Hong Kong and Mainland China and conducts its business primarily in Hong Kong dollars and 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 movements.

### Material Acquisitions, Disposals and Significant Investments

There were no material acquisitions, disposals and significant investments during the six months ended 30 June 2022.

### 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 2022, the Group employed approximately 863 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 2022, 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.

An integral part of the Hung Fook Tong corporate culture is serving customers, staff and society in a sincere and responsible manner. It is honoured that in its endeavour to serve the community and diverse stakeholders during the Review Period, it has received various awards and accolades, including those listed below:

	Award	Issuer of Award
1.	GS1 Consumer Caring Scheme 10 Years Award	GS1 Hong Kong
2.	Green Office 5+ Label and Eco-Healthy Workplace Label 2022	World Green Organisation
3.	15 Years Plus Caring Company Logo 2006-2022	The Hong Kong Council of Social Service
4.	Happiness-at-work Promotional Scheme – Happy Company 10 Years	Promoting Happiness Index Foundation
5.	Sport-Friendly Action – Awarded Corporate	Chinese YMCA of Hong Kong

## CORPORATE SOCIAL RESPONSIBILITY

The eruption of the fifth wave of COVID-19 led to the curbing of social contact and offline events in the first quarter of 2022. Nonetheless, the Group continued to engage with and support different stakeholders through various channels during the Review Period.

As a responsible corporate citizen, the Group provided in-kind sponsorships of anti-pandemic items such as rapid antigen test kits and healthy food products to needy families, the elderly and patients with chronic illness through its ties with various Non-Governmental Organisations. These included The Boys' and Girls' Clubs Association of Hong Kong, Hong Kong Young Women's Christian Association and The Hong Kong Society for Rehabilitation, etc. Also, to express its appreciation to frontline medical staff and teaching staff for their dedication, the Group gave away tens of thousands of herbal drinks to the two parties. Similarly, as a long-term supporter of the Community Chest, the Group sponsored its Community Chest Skip Lunch Day for the 13<sup>th</sup> consecutive year, which nearly raised HK\$800,000.

On the environmental front, the Group continued with its protection efforts. To reduce carbon footprint, the Group supported the "Planting on the Mine" scheme (植樹在礦山 – 郊野公園植林優化計劃) host by Grace Youth Camp of The Evangelical Lutheran Church of Hong Kong. More than 20 tree seedlings were planted on Luk Chau Shan in Ma On Shan Country Park by the Hung Fook Tong volunteer team in June 2022.

To reduce plastic waste, the Group has two recycling machines at HFT Life stores and three recycling bins at selected Hung Fook Tong stores as of June 2022, for recycling plastic beverage bottles. A total of over 140kg of plastic bottles were collected for recycling via the aforementioned points. In addition, the Group continued to sponsor over 90 recycling machines that are set up across Hong Kong by RVM Technology Limited - more than 330,000 plastic bottles or aluminium cans were collected and recycled through these machines in 1H2022.

It is worth noting as well that the Group has again achieved zero food disposal at landfill, hence helped reduce the local landfill burden. This was achieved through food waste processing and recycling, with the majority of such waste sent to Organic Resources Recovery Centre Phase 1 ("O.PARK 1") for the production of biogas and compost. During 1H2022, despite the impact brought about by the fifth wave of COVID-19, the Group still recycled approximately 515.9 tonnes of food waste (1H2021: 706.2 tonnes), which is equivalent to the reduction of about 109.9 tonnes of CO<sub>2</sub>-equivalent greenhouse gas emissions (1H2021: 150.4 tonnes).

With the goal of generating renewable energy, the Group installed solar panels on the rooftop of its Hong Kong factory back in 2020. During 1H2022, the factory contributed approximately 90 MWh of renewable energy to the CLP Feed-in Tariff (FiT) Scheme. In addition, in early 2022, solar panels covering around 25,000 m<sup>2</sup> were also installed at the Kaiping factory, and they are projected to generate approximately 3,100 MWh of renewable energy annually.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	(Unaudited)	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
Revenue	5, 6	339,998	346,286
Cost of sales	7	(137,206)	(135,816)
<b>Gross profit</b>		<b>202,792</b>	210,470
Other income and other gains, net	6	2,871	4,856
Selling and distribution costs	7	(28,759)	(33,756)
Administrative and operating expenses	7	(168,378)	(170,530)
<b>Operating profit</b>		<b>8,526</b>	11,040
Finance income		38	47
Finance costs		(2,111)	(2,834)
Finance costs, net		(2,073)	(2,787)
<b>Profit before income tax</b>		<b>6,453</b>	8,253
Income tax expense	8	(1,434)	(1,391)
<b>Profit for the period</b>		<b>5,019</b>	6,862
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		10,165	7,272
Non-controlling interests		(5,146)	(410)
		<b>5,019</b>	6,862

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME



FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	(Unaudited)	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
<b>Other comprehensive (loss)/income:</b>			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(7,937)	5,088
<i>Item that will not be reclassified to profit or loss</i>			
– Change in fair value of financial asset at fair value through other comprehensive income	14	(1,729)	–
<b>Other comprehensive (loss)/income, net of tax</b>		<b>(9,666)</b>	<b>5,088</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(4,647)</b>	<b>11,950</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		578	12,314
Non-controlling interests		(5,225)	(364)
		<b>(4,647)</b>	<b>11,950</b>
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Basic and diluted (HK cents per share)	9	1.55	1.11

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 2022

	Note	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11(a)	298,269	306,324
Right-of-use assets	11(b)	175,787	193,454
Financial asset at fair value through other comprehensive income	14	3,271	5,000
Intangible assets	12	2,344	2,604
Investment in a joint venture	13	–	30
Prepayments and deposits		23,280	29,334
Deferred income tax assets		11,196	12,207
		<u>514,147</u>	<u>548,953</u>
<b>Current assets</b>			
Inventories		54,705	53,482
Trade receivables	15	54,175	46,345
Prepayments, deposits and other receivables		43,017	42,691
Prepaid tax		7,813	5,919
Cash and cash equivalents		99,187	116,676
		<u>258,897</u>	<u>265,113</u>
<b>Total assets</b>		<u>773,044</u>	<u>814,066</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	6,559	6,559
Reserves		326,759	330,642
		<u>333,318</u>	<u>337,201</u>
<b>Non-controlling interests</b>		<u>(7,465)</u>	<u>(2,240)</u>
<b>Total equity</b>		<u>325,853</u>	<u>334,961</u>

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION



AS AT 30 JUNE 2022

	Note	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>48,739</b>	59,028
Provision for reinstatement costs	20	<b>6,613</b>	4,616
Deferred income tax liabilities		<b>8,811</b>	8,804
Bank borrowings	22	<b>698</b>	17,631
		<b>64,861</b>	90,079
<b>Current liabilities</b>			
Trade payables	18	<b>34,605</b>	36,782
Accruals and other payables	19	<b>53,179</b>	57,541
Provision for reinstatement costs	20	<b>3,918</b>	3,469
Receipts in advance	21	<b>172,136</b>	177,021
Lease liabilities		<b>83,959</b>	90,521
Bank borrowings	22	<b>33,001</b>	22,069
Tax payable		<b>1,532</b>	1,623
		<b>382,330</b>	389,026
<b>Total liabilities</b>		<b>447,191</b>	479,105
<b>Total equity and liabilities</b>		<b>773,044</b>	814,066
<b>Net current liabilities</b>		<b>(123,433)</b>	(123,913)
<b>Total assets less current liabilities</b>		<b>390,714</b>	425,040

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 2022

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share based compensation reserve HK\$'000	Financial asset at FVOCI reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2022 (audited)	6,559	196,632	8,123	5,421	-	10,672	109,794	337,201	(2,240)	334,961
Comprehensive income/(loss)										
Profit/(loss) for the period	-	-	-	-	-	-	10,165	10,165	(5,146)	5,019
Other comprehensive loss										
Currency translation differences	-	-	-	-	-	(7,858)	-	(7,858)	(79)	(7,937)
Change in fair value of financial asset at fair value through other comprehensive income ("FVOCI")	-	-	-	-	(1,729)	-	-	(1,729)	-	(1,729)
Total comprehensive (loss)/income for the period	-	-	-	-	(1,729)	(7,858)	10,165	578	(5,225)	(4,647)
Transaction with owners										
2021 final and special dividends	-	(4,461)	-	-	-	-	-	(4,461)	-	(4,461)
Balance at 30 June 2022 (unaudited)	6,559	192,171	8,123	5,421	(1,729)	2,814	119,959	333,318	(7,465)	325,853
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

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 2022

	Note	(Unaudited)	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		57,207	71,994
Income tax (paid)/refunded		(2,453)	785
Net cash generated from operating activities		54,754	72,779
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(11,800)	(17,489)
Proceeds from disposal of property, plant and equipment		–	46
Reinstatement costs paid for shop and office premises	20	(433)	(41)
Repayment from a related company		–	690
Return of capital from a joint venture upon deregistration	13	30	–
Investment in an associate		–	(5,000)
Interest received		38	47
Net cash used in investing activities		(12,165)	(21,747)
<b>Cash flows from financing activities</b>			
Payment for lease liabilities (including interest)		(48,020)	(51,721)
Dividend paid to the Company's shareholders		(4,461)	–
Proceeds from bank borrowings		30,000	–
Repayment of bank borrowings		(36,001)	(5,924)
Interest paid on borrowings		(309)	(319)
Net cash used in financing activities		(58,791)	(57,964)
<b>Net decrease in cash and cash equivalents</b>		<b>(16,202)</b>	<b>(6,932)</b>
Effect of currency translation differences		(1,287)	536
Cash and cash equivalents at beginning of the period		116,676	134,905
<b>Cash and cash equivalents at end of the period</b>		<b>99,187</b>	<b>128,509</b>

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



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

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

This unaudited condensed consolidated interim financial information (the “**interim financial information**”) is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. This unaudited interim financial information has been approved for issue by the Board of Directors (the “**Board**”) of the Company on 29 August 2022.

## 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 2022 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 2021, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Group’s current liabilities exceeded its current assets by HK\$123,433,000 as at 30 June 2022 (31 December 2021: HK\$123,913,000). The directors of the Company have reviewed the Group’s cash flow projections, which covers a period of 12 months from 30 June 2022. 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 2022. Accordingly, this condensed consolidated interim financial information has been prepared on a going concern basis.

## 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 2021, as described in those annual financial statements.

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

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

(a) *Amended standards, improvements and accounting guidance adopted by the Group*

The following amendments to existing standards, improvements and accounting guidance are effective to the Group for accounting periods beginning on or after 1 January 2022:

Annual Improvements Project HKAS 16 (Amendments)	Annual Improvements 2018 – 2020 Cycle Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

The above newly adopted amendments to existing standards, improvements and accounting guidance 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)

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

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

The following new standard, amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 January 2022 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020) 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

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

## 3 ESTIMATES

The preparation of 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 2021.

## 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 does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

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 2021.

### 4.2 Liquidity risk

Compared to the position as at 31 December 2021, there was no material change in the contractual undiscounted cash outflows for financial liabilities except for the decrease in bank borrowings from HK\$39,700,000 as at 31 December 2021 to HK\$33,699,000 as at 30 June 2022. Of these borrowings, the Group expects HK\$22,140,000 will be settled within 1 year, HK\$7,905,000 in 1 to 2 years and the remaining HK\$3,654,000 in 2 to 5 years. Also, lease liabilities decreased from HK\$149,549,000 as at 31 December 2021 to HK\$132,698,000 as at 30 June 2022. Of these liabilities, the Group expects HK\$83,959,000 will be settled within 1 year and HK\$38,478,000 in 1 to 2 years and the remaining HK\$10,261,000 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 2022 and 31 December 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	–	–	3,271	3,271

There were no transfers between levels 1, 2 and 3 during the period (2021: Nil). There are no changes in valuation techniques during the period (2021: Nil). The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2022 (2021: Nil).

The following table shows the significant unobservable inputs used in the valuation model.

Financial instruments	30 June 2022 HK\$'000	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investment	3,271 (31 December 2021: 5,000)	Market approach	Enterprise value to sales multiple (31 December 2021: same)	0.3 to 1.7 times (31 December 2021: 0.5 to 5.5 times)	The higher of sales multiple, the higher of fair value

See Note 14 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 and cash and cash equivalents, and financial liabilities, including trade payables, accruals and other payables, lease liabilities and bank borrowings, approximate their fair values.

## 5 REVENUE AND SEGMENT INFORMATION

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

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

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, inventories, trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. They exclude deferred income tax assets, investment in a joint venture, financial asset at FVOCI, prepaid tax and assets used for corporate functions.

Capital expenditure comprises additions to property, plant and equipment for the six months ended 30 June 2022 and 2021.

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

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

There is no single external customer that contributed more than 10% revenue to the Group's revenue for the six months ended 30 June 2022 and 2021 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 2022 and 2021 are as follows:

	(Unaudited)		
	Six months ended 30 June 2022		
	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Total HK\$'000
<b>Segment revenue</b>	<b>269,811</b>	<b>79,810</b>	<b>349,621</b>
Less: Inter-segment revenue	<u>(6,880)</u>	<u>(2,743)</u>	<u>(9,623)</u>
<b>Revenue from external customers</b>	<u><b>262,931</b></u>	<u><b>77,067</b></u>	<u><b>339,998</b></u>
<b>Segment results</b>	<b>23,384</b>	<b>8,032</b>	<b>31,416</b>
Corporate expenses			(22,890)
Finance costs, net			<u>(2,073)</u>
Profit before income tax			<b>6,453</b>
Income tax expense			<u>(1,434)</u>
<b>Profit for the period</b>			<u><b>5,019</b></u>
<b>Other segment items:</b>			
Capital expenditure	<b>10,948</b>	<b>4,969</b>	<b>15,917</b>
Depreciation and amortisation (excluding depreciation of right-of-use assets)	<b>12,764</b>	<b>6,219</b>	<b>18,983</b>
Depreciation of right-of-use assets	<b>47,490</b>	<b>1,288</b>	<b>48,778</b>
Loss on disposal of property, plant and equipment	<u>31</u>	<u>–</u>	<u>31</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



## 5 REVENUE AND SEGMENT INFORMATION (Continued)

	(Unaudited)		
	Six months ended 30 June 2021		
	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Total HK\$'000
<b>Segment revenue</b>	274,516	77,532	352,048
Less: Inter-segment revenue	<u>(3,900)</u>	<u>(1,862)</u>	<u>(5,762)</u>
<b>Revenue from external customers</b>	<u>270,616</u>	<u>75,670</u>	<u>346,286</u>
<b>Segment results</b>	23,809	7,946	31,755
Corporate expenses			(20,715)
Finance costs, net			<u>(2,787)</u>
Profit before income tax			8,253
Income tax expense			<u>(1,391)</u>
<b>Profit for the period</b>			<u>6,862</u>
<b>Other segment items:</b>			
Capital expenditure	10,041	3,577	13,618
Depreciation and amortisation (excluding depreciation of right-of-use assets)	11,743	6,043	17,786
Depreciation of right-of-use assets	49,184	314	49,498
Loss on disposal of property, plant and equipment	<u>46</u>	<u>-</u>	<u>46</u>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

The segment assets as at 30 June 2022 and 31 December 2021 are as follows:

	Hong Kong Retail HK\$'000	Wholesale HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>As at 30 June 2022 (Unaudited)</b>				
<b>Segment assets</b>	<b>489,216</b>	<b>251,064</b>	<b>(454)</b>	<b>739,826</b>
Financial asset at fair value through other comprehensive income				3,271
Prepaid tax				7,813
Deferred income tax assets				11,196
Corporate assets				<u>10,938</u>
<b>Total assets</b>				<b><u>773,044</u></b>
<b>As at 31 December 2021 (Audited)</b>				
<b>Segment assets</b>	<b>501,114</b>	<b>271,449</b>	<b>(392)</b>	<b>772,171</b>
Investment in a joint venture				30
Financial asset at fair value through other comprehensive income				5,000
Prepaid tax				5,919
Deferred income tax assets				12,207
Corporate assets				<u>18,739</u>
<b>Total assets</b>				<b><u>814,066</u></b>

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

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

The Group's revenue, other income and other gains, net recognised during the six months ended 30 June 2022 and 2021 are as follows:

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Revenue recognised at a point in time</b>		
Sale of goods	<b>339,998</b>	346,286
<b>Other income</b>		
Government grants (Note (a))	1,880	1,400
Management income from an associate (Note 24(b))	–	723
Service income (Note 24(b))	305	2,268
Insurance claim	37	216
Others	528	275
	<b>2,750</b>	4,882
<b>Other gains/(losses), net</b>		
Exchange differences	152	20
Losses on disposal of property, plant and equipment	(31)	(46)
	<b>121</b>	(26)
<b>Other income and other gains, net</b>	<b>2,871</b>	4,856

Note:

- (a) Government subsidies of HK\$1,880,000 (2021: HK\$1,400,000) were granted from the Catering Business Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region. The Group has complied with all attached conditions before 30 June 2022 and recognised in "other income".



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	107,804	105,264
Lease rental in respect of retail outlets (Note (a))		
– Contingent rental	213	217
Lease rental in respect of storage spaces and office premises (Note (a))	5,947	5,279
Advertising and promotional expenditure	5,632	12,644
Depreciation of property, plant and equipment (Note 11(a))	18,723	17,786
Depreciation of right-of-use assets (Note 11(b))	48,778	49,498
Amortisation of intangible assets (Note 12)	260	–
Communication and utilities	15,405	13,548
Employee benefit expenses (including directors' emoluments) (Note (b))	96,687	102,528
Legal and professional fees	3,964	3,773
Tools, repair and maintenance expenses	4,911	5,444
Transportation and distribution expenses	15,982	15,013
Others	10,037	9,108
	<u>334,343</u>	<u>340,102</u>
Total cost of sales, selling and distribution costs and administrative and operating expenses	<u>334,343</u>	<u>340,102</u>

Notes:

- (a) These expenses included short-term leases expenses of HK\$548,000 (2021: HK\$531,000), variable lease payment expenses of HK\$417,000 (2021: HK\$1,253,000) and other rental-related expenses of HK\$5,195,000 (2021: HK\$3,712,000) for the six months ended 30 June 2022.
- (b) During the six months ended 30 June 2022, government subsidies of HK\$10,404,000 (2021: Nil) were granted from the Employment Support Scheme under Anti-Epidemic Fund in relation to employment status of the Group from May to June 2022. The Group has complied with all attached conditions before 30 June 2022 and the amounts of HK\$1,051,000 and HK\$9,353,000 were recognised in "cost of sales" and "administrative and operating expenses" respectively and had been offset against with the employee benefit expenses.

## 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 (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
<b>Current income tax</b>		
– Current income tax	132	–
– Under/(over)-provision in prior years	286	(20)
<b>Deferred income tax</b>	1,016	1,411
<b>Income tax expense</b>	1,434	1,391

## 9 EARNINGS PER SHARE

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (HK\$'000)	10,165	7,272
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)	1.55	1.11
– Diluted earnings per share (HK cents)	1.55	1.11

### (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 2022 and 2021 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 2022 (30 June 2021: Nil).

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

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

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
At 1 January	306,324	310,348
Additions	15,917	13,618
Disposals	(31)	(92)
Depreciation (Note 7)	(18,723)	(17,786)
Exchange difference	(5,218)	3,472
	298,269	309,560
At 30 June	298,269	309,560

Depreciation of HK\$5,849,000 (2021: HK\$5,682,000) has been charged in 'cost of sales', HK\$12,874,000 (2021: HK\$12,104,000) in 'administrative and operating expenses' for the six months ended 30 June 2022.

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

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
At 1 January	193,454	213,571
Inception of lease contracts	39,555	44,899
Depreciation (Note 7)	(48,778)	(49,498)
Modification of lease contracts	(7,461)	(5,504)
Exchange difference	(983)	646
	175,787	204,114
At 30 June	175,787	204,114

## 12 INTANGIBLE ASSETS

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
At 1 January	2,604	–
Amortisation (Note 7)	(260)	–
At 30 June	2,344	–

Amortisation of HK\$260,000 (2021: Nil) has been charged in 'administrative and operating expenses' for the six months ended 30 June 2022.

## 13 INVESTMENT IN A JOINT VENTURE

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
At 1 January	30	36
Capital injection (Note)	–	5,000
Return of capital from a joint venture upon deregistration	(30)	–
Transfer to financial asset at fair value through other comprehensive income (Note)	–	(5,000)
At 30 June	–	36

Note:

On 4 May 2021, the Group's representative resigned from the board of directors of the investee. Management considered that the Group ceased to have significant influence over the investee, and the investment has been reclassified as financial asset 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 14.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Unlisted equity investment	<b>3,271</b>	5,000

	(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At 1 January	5,000	–
Transfer from investment (Note 13)	–	5,000
Change in fair value recognised in other comprehensive income	<b>(1,729)</b>	–
At 30 June	<b>3,271</b>	5,000

Financial asset at FVOCI comprises unlisted equity investment which is not held for trading, and 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.

During the year ended 31 December 2021, HomePlus (Hong Kong) Limited has completed the restructuring and become a wholly-owned subsidiary of HomePlus Holding Limited. After the restructuring, the Group directly owns 5% equity interests in HomePlus Holding Limited and classifies it as financial asset at FVOCI.

During the period, HomePlus Holding Limited has performed shares allotment and issued 100,000,000 ordinary shares to the existing shareholders. The Group did not subscribe any shares and hence, its equity interests has been diluted from 5.0% to 2.5% as at 30 June 2022.

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 30 June 2022 and 2021. Management reviewed the valuation report and discussed the valuation processes and results with the external valuer.

## 15 TRADE RECEIVABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade receivables from third parties	54,379	46,512
Trade receivables from a related party	339	376
	<b>54,718</b>	46,888
Less: Provision for impairment on trade receivables	(543)	(543)
Trade receivables, net	<b>54,175</b>	46,345

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days (31 December 2021: 30 to 105 days). As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade receivables, based on invoice date, are as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Less than 30 days	18,785	19,001
31 – 90 days	27,134	23,280
Over 90 days	8,256	4,064
	<b>54,175</b>	46,345



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK\$'000
<b>Authorised:</b>		
At 1 January 2021, 31 December 2021 and 30 June 2022 (Unaudited)	<b>1,000,000,000</b>	<b>10,000</b>
<b>Issued and fully paid:</b>		
At 1 January 2021, 31 December 2021 and 30 June 2022 (Unaudited)	<b>655,944,000</b>	<b>6,559</b>

### 17 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 2022 (2021: Nil), and there was no outstanding share option as at 30 June 2022 (2021: Nil).

### 18 TRADE PAYABLES

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables, based on invoice date are as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
0 – 30 days	<b>17,333</b>	19,082
31 – 60 days	<b>11,847</b>	10,502
61 – 90 days	<b>3,856</b>	4,469
Over 90 days	<b>1,569</b>	2,729
	<b>34,605</b>	36,782

## 19 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Accruals for employee benefit expenses	14,704	17,898
Accruals for marketing and promotional expenses	1,065	2,256
Refund liabilities for sales rebate	1,939	3,548
Rental and related expenses payable	2,857	2,917
Office and utilities expenses payable	4,953	3,539
Deferred revenue	1,660	1,765
Consideration payable for property, plant and equipment acquired	7,810	6,890
Accruals for transportation and delivery charges	2,810	2,571
Other accruals and other payables	15,381	16,157
	<b>53,179</b>	<b>57,541</b>

## 20 PROVISION FOR REINSTATEMENT COSTS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current	6,613	4,616
Current	3,918	3,469
	<b>10,531</b>	<b>8,085</b>

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

	(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At 1 January	8,085	7,705
Additional provision during the period	2,879	288
Utilisation	(433)	(41)
At 30 June	<b>10,531</b>	<b>7,952</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 RECEIPTS IN ADVANCE

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Receipts in advance	<b>172,136</b>	177,021

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

	(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At 1 January	<b>177,021</b>	157,298
Receipts from sales of pre-paid coupons and credits during the period	<b>172,153</b>	184,627
Revenue recognised upon the redemption of products by customers	<b>(177,038)</b>	(179,731)
At 30 June	<b>172,136</b>	162,194

## 22 BANK BORROWINGS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Unsecured bank borrowings:		
Portion due for repayment within 1 year	33,001	22,069
Portion due for repayment after 1 year but within 5 years without repayment on demand clause	698	17,631
	<b>33,699</b>	<b>39,700</b>

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Unsecured bank borrowings:		
Within 1 year	22,140	22,069
Between 1 and 2 years	7,905	17,631
Between 2 and 5 years	3,654	–
	<b>33,699</b>	<b>39,700</b>

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

## 23 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

### 24 RELATED PARTY BALANCES AND TRANSACTIONS

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

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

- HomePlus (Hong Kong) Limited
- Concentric (HK) Food Limited

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

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

The Group had the following material balances due from a related party:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade and other receivables	<b>916</b>	<b>1,804</b>

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

## 24 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

### (b) Transactions with related parties

The following is a summary of transactions with related parties, 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	
	2022	2021
	HK\$'000	HK\$'000
Management income	–	723
Service income	<b>305</b>	–
Sales of goods	–	551
Purchase of goods	–	165
Purchase of original equipment manufacturer (OEM) products	–	6,469

### (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	
	2022	2021
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	<b>8,820</b>	12,123
Pension costs	<b>90</b>	90
	<b>8,910</b>	12,213

## 25 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
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Property, plant and equipment	<b>5,869</b>	7,986



## OTHER INFORMATION

### DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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

As at 30 June 2022, 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 & 4)	Interests held jointly with other persons; beneficial owner; interest of controlled corporation	404,052,600 (Long position)	61.59
Mr. Tse Po Tat (Notes 1, 5 & 6)	Interests held jointly with other persons; interest of controlled corporation	404,052,600 (Long position)	61.59
Dr. Szeto Wing Fu (Notes 7 & 8)	Beneficial owner; interest of controlled corporation	26,554,600 (Long position)	4.04

### Notes:

- (1) Pursuant to a deed of confirmation dated 27 March 2014 executed by Ms. Wong Pui Chu, Mr. Tse Po Tat and the late Mr. Kwan Wang Yung, 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 29.21% (being 191,638,200 Shares) by Think Expert. By virtue of her 100% shareholding of Think Expert, Ms. Wong Pui Chu is deemed to be interested in the same number of Shares held by Think Expert.
- (4) The Company was directly owned as to 0.83% (being 5,500,000 shares) by Action Rich Investment Limited ("Action Rich"). By virtue of her 60% shareholding of Action Rich, Ms. Wong Pui Chu is deemed to be interested in the same number of Shares held by Action Rich.
- (5) The Company was directly owned as to 16.63% (being 109,122,400 Shares) by YITAO. By virtue of his 100% shareholding of YITAO, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by YITAO.
- (6) The Company was directly owned as to 0.83% (being 5,500,000 shares) by Action Rich. By virtue of his 40% shareholding of Action Rich, Mr. Tse Po Tat is deemed to be interested in the same number of Shares held by Action Rich.
- (7) The Company was directly owned as to 0.28% (being 1,850,000 Shares) by Dr. Szeto Wing Fu.
- (8) The Company was directly owned as to 3.76% (being 24,704,600 Shares) by Aolong Limited ("Aolong"). By virtue of his 100% shareholding of Aolong, Dr. Szeto Wing Fu is deemed to be interested in the same number of Shares held by Aolong.

Save as disclosed above, as at 30 June 2022, 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 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

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



## OTHER INFORMATION

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

### Notes:

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

Save as disclosed above, as at 30 June 2022, 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 2022, 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 2022, 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 2022, 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 2022.

#### 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 17 to the condensed consolidated interim financial information.



## OTHER INFORMATION

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### CHANGE OF DIRECTOR'S INFORMATION

Subsequent to publication of the 2021 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 re-appointed by the Hospital Authority as a member of the Hospital Governing Committee of MacLehose Medical Rehabilitation Centre for a term of two years from 1 April 2022 to 31 March 2024.
- Mr. Andrew Look, an Independent Non-Executive Director of the Company, has been appointed by L.K. Technology Holdings Limited (stock code: 558) as an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee with effect from 1 April 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 2022.

### 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 2022.

### 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 2022, 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 interim financial information of the Group for the six months ended 30 June 2022.

PricewaterhouseCoopers, the external auditors of the Company, have reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2022 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 2022, 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, 29 August 2022



**HUNG FOOK TONG**

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

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