Hung Fook Tong Group Holdings Limited
鴻福堂集團控股有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 1446)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

- Revenue for the six months ended 30 June 2014 ("1H2014") increased to HK$364.9 million, by 24.4% from that for the corresponding period in 2013 ("1H2013").
  - — Revenue from direct sales business increased by 25.1%, to HK$245.4 million, continuing the shop expansion strategy, with our direct sales network now comprising 126 retail shops.
  - — Revenue from indirect sales business increased by 23.0%, to HK$119.6 million, with our indirect sales network now covering 44 cities in 13 provinces, and number of distributors in PRC increased to 66.
- Gross profit for 1H2014 increased to HK$220.6 million by 25.3% from 1H2013, and gross profit margin for 1H2014 slightly increased to 60.5%.
- Profit attributable to equity shareholders of the Company for 1H2014 was:
  - — based on reported net profit: HK$4.4 million;
  - — based on Underlying Net Profit (note): increased by 27.7% to HK$21.2 million.

- Basic earnings per share for 1H2014 was:
  - — based on reported net profit: HK0.94 cents;
  - — based on Underlying Net Profit: HK4.47 cents, as compared to HK3.51 cents for 1H2013.

Note:

Underlying Net Profit represents reported net profit as set out in the Interim Condensed Consolidated Statement of Comprehensive Income before taking into account:

(i) one-off listing-related expenses of approximately HK$16.7 million; and

(ii) share based compensation expenses relating to the pre-IPO share options of approximately HK$0.1 million

INTERIM RESULTS

The board of directors (the "Board") of Hung Fook Tong Group Holdings Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014 together with comparative figures for the corresponding period in 2013. The interim financial information for the six months ended 30 June 2014 has not been audited, but PricewaterhouseCoopers, the external auditors of the Company, have reviewed the interim financial information in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Six months ended 30 June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Revenue	*3, 4*	**364,943**	293,377
Cost of sales		**(144,357)**	(117,277)
Gross profit		**220,586**	176,100
Other income	*4*	**554**	440
Other gains, net	*4*	**140**	7
Selling and distribution costs		**(32,465)**	(25,925)
Administrative expenses		**(175,190)**	(129,399)
Operating profit		**13,625**	21,223
Finance income		**932**	3,087
Finance costs		**(3,147)**	(2,007)
Finance (costs)/income, net		**(2,215)**	1,080
Profit before income tax		**11,410**	22,303
Income tax expense	*5*	**(6,573)**	(5,146)
Profit for the period		**4,837**	17,157
Profit attributable to:			
Equity holders of the Company		**4,442**	16,643
Non-controlling interests		**395**	514
		4,837	17,157
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (HK cents per share)	*6*	**0.94**	3.51

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Six months ended 30 June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss			
— Currency translation differences		**(1,062)**	355
— Release of exchange reserve upon disposal of a subsidiary		**(338)**	–
Other comprehensive (loss)/income, net of tax		**(1,400)**	355
Total comprehensive income for the period		**3,437**	17,512
Total comprehensive income attributable to:			
— Equity holders of the Company		**3,041**	16,925
— Non-controlling interests		**396**	587
		3,437	17,512
Dividends	7	**40,000**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	*8*	**207,638**	44,505
Investment property	*8*	**843**	858
Leasehold land and land use right	*9*	**33,499**	–
Amounts due from related companies		**–**	61,655
Prepayments and deposits		**40,117**	15,812
Deferred income tax assets		**4,691**	4,692
		286,788	127,522
Current assets			
Inventories		**37,481**	29,375
Trade receivables	*10*	**65,526**	66,414
Prepayments, deposits and other receivables		**33,836**	31,026
Amounts due from related companies		**435**	42,212
Amounts due from directors		**–**	43,338
Tax recoverable		**874**	480
Restricted cash		**27,625**	31,073
Cash and cash equivalents		**39,328**	64,738
		205,105	308,656
Total assets		**491,893**	436,178
Equity			
Share capital		**10**	–
Reserves		**65,485**	102,297
		65,495	102,297
Non-controlling interests		**3,100**	2,704
Total equity		**68,595**	105,001

	Note	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Liabilities			
Non-current liabilities			
Provision for reinstatement costs		**1,531**	1,540
Deferred income tax liabilities		**286**	286
Bank borrowings		**46,931**	23,029
Obligation under finance leases		**2,419**	2,495
		51,167	27,350
Current liabilities			
Trade and bill payables	*11*	**35,854**	34,863
Accruals and other payables		**70,454**	47,386
Provision for reinstatement costs		**4,347**	3,730
Receipts in advance		**110,168**	105,521
Amounts due to related companies		**92**	19,082
Amounts due to directors		**–**	9,784
Bank borrowings		**140,292**	77,127
Obligation under finance leases		**1,026**	893
Taxation payable		**9,898**	5,441
		372,131	303,827
Total liabilities		**423,298**	331,177
Total equity and liabilities		**491,893**	436,178
Net current (liabilities)/assets		**(167,026)**	4,829
Total assets less current liabilities		**119,762**	132,351

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION

1.1 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 now comprising the Group (together the "Group") are principally engaged in the retail, wholesale and distribution of bottled drinks, other herbal products and snacks in Hong Kong and in the People's Republic of China ("PRC") (the "Business").

The Company has listed its shares on the Stock Exchange of Hong Kong Limited on 4 July 2014.

This interim condensed consolidated financial information is presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated and was approved for issue on 26 August 2014.

This interim condensed consolidated financial information has not been audited.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Business was carried out by companies now comprising the Group other than Taclon Industries Limited ("Taclon") which was acquired by the Group on 26 March 2014 (collectively the "Operating Companies"). The Operating Companies were collectively controlled by Ms. Wong Pui Chu ("Ms. Wong"), Mr. Tse Po Tat ("Mr. PT Tse") and Mr. Kwan Wang Yung ("Mr. Kwan") (the "Controlling Shareholders").

In preparation for listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation to transfer the Business to the Company principally through the following steps:

On 10 January 2014, the Company was incorporated in the Cayman Islands. Upon incorporation, one share of the Company was allotted and issued to Ms. Wong.

On 17 January 2014, Hung Fook Tong Group Limited ("HFT (BVI)") was incorporated in the British Virgin Islands. On the same date, one share of HFT (BVI) was allotted and issued to the Company and it became a wholly-owned subsidiary of the Company.

On 14 March 2014, the Company allotted and issued 4,042 shares, 2,376 shares, 1,890 shares, 861 shares, 479 shares, 351 shares to a company wholly owned by Ms. Wong, a company wholly-owned by Mr. PT Tse, a company wholly-owned by Mr. Kwan, Mr. Tse Po Shing ("Mr. PS Tse"), a company wholly-owned by Dr. Szeto Wing Fu ("Dr. Szeto") and Mr. Wong Fat Mo ("Mr. Wong"), respectively, pursuant to a share swap agreement, as the consideration for the acquisition by HFT (BVI) for the entire shareholdings of the Operating Companies held by the Controlling Shareholders, Mr. PS Tse, Dr. Szeto and Mr. Wong. Upon the completion of the share swap, the Operating Companies became the wholly-owned subsidiaries indirectly held by the Company.

The Group's Reorganisation was completed on 14 March 2014 and thereafter, the Company became the holding company of the Group.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2014 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 financial information should be read in conjunction with the combined financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and has been prepared under the historical cost convention.

As at 30 June 2014, the Group's current liabilities exceeded its current assets by HK$167,026,000. Included within net current liabilities were receipts in advance of HK$110,168,000, and bank borrowings of HK$23,726,000 due for repayment after 1 year but within 5 years which contain repayable on demand clause as at 30 June 2014. On 4 July 2014, the Company listed its shares on The Stock Exchange of Hong Kong Limited and raised net proceeds of HK$199,129,000.

In preparing the interim condensed consolidated financial information, the directors have taken into account all information that could reasonably be expected to be available, and consider that the receipts in advance are not expected to be settled in cash under normal business circumstances, the relevant banks will not exercise their discretion to demand immediate repayment but allow such bank borrowings to be repaid in accordance with the scheduled dates set out in the relevant agreements, and the net proceeds from the listing had been received. Management and the directors consider the Group has sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due.

2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the Group's combined financial information for the years ended 31 December 2011, 2012 and 2013 in the Accountants' Report included in the listing prospectus of the Company dated 23 June 2014 ("Prospectus").

(i) Share based payments

The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

Adoption of new accounting policy in the current interim period:

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretation are mandatory for the Group's financial year beginning 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement
HK(IFRIC)-Int 21	Levies

These amendments have no material impact to the Group's financial information and only results in changes in disclosures format.

(b) New and amended standards not yet adopted

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 11 (Amendment)	Joint Arrangements — Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKAS 16, HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (Amendment)	Defined Benefits Plans: Employee Contributions	1 July 2014
Annual improvements 2010–2012	Several HKFRS standards	1 July 2014
Annual improvements 2011–2013	Several HKFRS standards	1 July 2014

Management is in the process of making an assessment on the impact of these standards, amendments and interpretations to existing HKFRSs and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

3 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 assesses the performance of the operating segments based on the segment assets, segment revenue and segment results for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this interim condensed consolidated financial information.

The Management has identified three reportable segments based on the Group's major customer types, namely the (i) Hong Kong Retail; (ii) PRC Retail and (iii) Wholesale.

Segment assets consist primarily of property, plant and equipment, investment property, leasehold land and land use right, inventories, trade receivables, prepayments, deposits and other receivables, pledged deposits and cash and cash equivalents. They exclude deferred income tax assets, amounts due from related companies and directors and assets used for corporate functions.

Capital expenditure comprises additions (including those through acquisition of a subsidiary) to property, plant and equipment and leasehold land and land use right.

Geographically, management considers the retail, wholesale, distribution of bottled drinks, other herbal products and snacks are mainly located in Hong Kong and the PRC, which the revenue and segment results are determined by the geographical location in which the customer is operated. The assets are determined based on where the assets are located.

Unallocated corporate expenses, finance income and costs, listing-related expense, share based compensation expenses and income tax expenses 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 2014 and 2013 respectively.

The segment information provided to the executive directors for the six months ended 30 June 2014 and 2013 are as follows:

	(Unaudited) Six months ended 30 June 2014			
	Hong Kong Retail	**PRC Retail**	**Wholesale**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**237,628**	**10,100**	**123,417**	**371,145**
Less: Inter-segment revenue	**(2,361)**	**–**	**(3,841)**	**(6,202)**
Revenue from external customers	**235,267**	**10,100**	**119,576**	**364,943**
Segment results	**43,390**	**(2,114)**	**11,417**	**52,693**
Corporate expenses				**(22,315)**
Finance costs, net				**(2,215)**
Listing-related expenses				**(16,606)**
Share based compensation expenses				**(147)**
Profit before income tax				**11,410**
Income tax expense				**(6,573)**
Profit for the period				**4,837**
Other segment items:				
Capital expenditure	**202,942**	**1,448**	**3,027**	**207,417**
Depreciation and impairment	**6,366**	**1,162**	**2,857**	**10,385**
Interest income	**642**	**10**	**280**	**932**

	(Unaudited) Six months ended 30 June 2013			
	Hong Kong Retail	PRC Retail	Wholesale	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	186,167	11,668	101,548	299,383
Less: Inter-segment revenue	(1,689)	–	(4,317)	(6,006)
Revenue from external customers	184,478	11,668	97,231	293,377
Segment results	32,977	(1,692)	7,809	39,094
Corporate expenses				(17,871)
Finance income, net				1,080
Profit before income tax				22,303
Income tax expense				(5,146)
Profit for the period				17,157
Other segment items:				
Capital expenditure	3,743	974	2,917	7,634
Depreciation and impairment	5,024	1,236	1,771	8,031
Interest income	2,930	–	157	3,087

The segment assets as at 30 June 2014 and 31 December 2013 are as follows:

	Hong Kong Retail	PRC Retail	Wholesale	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2014					
Segment assets	**295,119**	**12,767**	**190,491**	**(12,484)**	**485,893**
Amounts due from related companies					**435**
Tax recoverable					**874**
Deferred income tax assets					**4,691**
Total assets					**491,893**
As at 31 December 2013					
Segment assets	111,847	13,521	164,392	(5,959)	283,081
Amounts due from related companies					103,867
Amounts due from directors					43,338
Tax recoverable					480
Deferred income tax assets					4,692
Total assets					436,178

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

4 REVENUE, OTHER INCOME AND OTHER GAINS, NET

The Group's revenue, other income and other gains, net recognised during the six months period are as follows:

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**357,325**	288,069
Service income	**13**	41
Revenue recognised upon expiry of pre-paid coupons and cards	**7,605**	5,267
	364,943	293,377
Other income		
Rental income	**132**	121
Franchise income	**77**	181
Others	**345**	138
	554	440
Other gains, net		
Gains on disposal of property, plant and equipment	**140**	7

5 INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise income tax ("EIT") has been provided at the rate of 16.5% and 25% respectively (30 June 2013: 16.5% and 25% respectively).

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

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax on profit for the period	**4,234**	3,470
— PRC EIT on profit for the period	**2,339**	1,676
Income tax expense	**6,573**	5,146

6 EARNINGS PER SHARE

(a) Basic

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

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**4,442**	16,643
Weighted average number of ordinary shares in issue (thousands)	**474,000**	474,000
Basic earnings per share (HK cents)	**0.94**	3.51

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by 1,000,000 ordinary shares issued on incorporation and pursuant to the Reorganisation and 473,000,000 ordinary shares under capitalisation, which is deemed to be issued at the beginning of the earliest period presented in the condensed consolidated financial information.

(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. The Group has share options which may result in dilutive potential ordinary shares. Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the six months ended 30 June 2014 and 2013 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

During the six months period, the Group incurred listing-related expenses and share based compensation expenses related to pre-IPO share options scheme. As these expenses are one-off and non-recurring in nature, management are of the opinion that to enable an investor to better understand the Group's results, it is meaningful to present the following reconciliation of earnings per share based on profit attributable to equity holders of the Company excluding listing-related expenses and share based compensation expenses related to pre-IPO share options scheme. These adjusting items are not considered to be indicators of the Group's operating performance.

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**4,442**	16,643
Adjustments for:		
Listing related expenses	**16,606**	–
Share based compensation expenses in relation to pre-IPO share options scheme	**147**	–
Adjusted profit attributable to equity holders of the Company excluding listing-related expenses and share based compensation expenses related to pre-IPO share options scheme	**21,195**	16,643
Adjusted basic earnings per share excluding listing-related expenses and share based compensation expenses related to pre-IPO share options scheme (HK cents)	**4.47**	3.51

Adjusted diluted earnings per share for the six months ended 30 June 2014 and 2013 equal adjusted basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

7 DIVIDENDS

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Dividend declared and paid	**40,000**	–

On 11 June 2014, an interim dividend of HK$40,000,000 was declared and paid by the Company to the then shareholders of the Company pursuant to the resolution of the first extraordinary general meeting for 2014.

8 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

8.1 Property, plant and equipment

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**44,505**	38,199
Additions	**41,934**	7,634
Acquisition of a subsidiary	**131,783**	–
Disposals	**(64)**	(7)
Depreciation	**(10,169)**	(8,016)
Exchange difference	**(351)**	97
At 30 June	**207,638**	37,907

The acquisition of Taclon in March 2014 resulted in increase in buildings, leasehold improvements, furniture and fixtures, plant and machinery, motor vehicles and construction in progress of the Group.

8.2 Investment property

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**858**	887
Depreciation	**(15)**	(15)
At 30 June	**843**	872

Investment property situated in Hong Kong is held under lease of over 50 years and rented out under operating lease. The investment property has been pledged to secure general facilities granted to the Company.

9 LEASEHOLD LAND AND LAND USE RIGHTS

	(Unaudited) Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**–**	–
Acquisition of a subsidiary	**33,700**	–
Depreciation	**(201)**	–
At 30 June	**33,499**	–

The acquisition of Taclon in March 2014 resulted in increase in leasehold land of the Group.

10 TRADE RECEIVABLES

	As at 30 June 2014 *HK$'000* (Unaudited)	As at 31 December 2013 *HK$'000* (Audited)
Trade receivables	**67,270**	68,158
Less: Provision for impairment of trade receivables	**(1,744)**	(1,744)
Trade receivables, net	**65,526**	66,414

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days. As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade receivables, based on invoice date, are as follows:

	As at 30 June 2014 *HK$'000* (Unaudited)	As at 31 December 2013 *HK$'000* (Audited)
Less than 30 days	**29,689**	31,585
31–90 days	**31,498**	27,042
Over 90 days	**4,339**	7,787
	65,526	66,414

11 TRADE AND BILLS PAYABLES

At 30 June 2014 and 31 December 2013, the ageing analysis of the trade and bill payables, based on invoice date, are as follows:

	As at 30 June 2014 *HK$'000* (Unaudited)	As at 31 December 2013 *HK$'000* (Audited)
0–30 days	**19,888**	33,564
31–60 days	**8,262**	438
61–90 days	**3,509**	75
Over 90 days	**4,195**	786
	35,854	34,863

12 SUBSEQUENT EVENTS

Save as disclosed elsewhere in this announcement, the following significant events took place subsequent to 30 June 2014:

(i) In connection with the global offering completed on 4 July 2014, the Company issued 158,000,000 shares at a price of HK$1.3 per share for a total subscription price (before related fees and expenses) of HK$205,400,000.

(ii) In connection with the exercise of the over-allotment option completed on 26 July 2014, the Company issued 23,700,000 shares at a price of HK$1.3 per share for a total subscription price of HK$30,810,000.

(iii) On 4 July 2014, the Company listed its shares on The Stock Exchange of Hong Kong Limited and raised net proceeds of HK$199,129,000.

MANAGEMENT DISCUSSION AND ANALYSIS

2014 will be regarded as an especially significant year for the Group. On 4 July 2014, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Business Overview

The Board is pleased to announce the Group's interim results for the period ended 30 June 2014. During the six-month period ended 30 June 2014 (the "Reporting Period"), the Group managed to expand its market presence and achieve business growth in terms of revenue to HK$364.9 million, representing growth of 24.4% compared with the same period last year and net profit to HK$4.4 million (after a one-off listing-related expense of approximately HK$16.7 million and share-based compensation expenses relating to the pre-IPO share options of approximately HK$0.1 million).

In respect of the Group's direct sales business, the management has continued with its shop expansion strategy, which has resulted in the operation of 126 retail shops in total as at the end of the Reporting Period, with 101 shops in Hong Kong and 25 shops in Mainland China. Such revenue growth has been driven by shop refurbishment and more sales and marketing promotions conducted in Hong Kong during the Reporting Period which led to a rise in same store sales. With regards to indirect sales, the Group has actively marketed its products through a variety of campaign efforts.

Direct Sales

The Group's direct sales segment primarily comprises self-operated retail shops, the majority of which, in Hong Kong, are found in MTR stations and shopping malls, which enable them to capitalise on high pedestrian flow and the general public's desire for convenience. In contrast, the Group's retail shops in Mainland China are targeted towards mid-to-high income customers. During the Reporting Period, revenue derived from direct sales amounted to HK$245.4 million, a rise of 25.1% compared to the corresponding period in 2013, and accounted for 67.3% of the Group's total revenue. A segment profit of HK$41.3 million was recorded, increased around 31.9% over the corresponding period of last year.

Hong Kong

During the Reporting Period, the Group opened a total of 18 new shops, and thus exceeded the 100 mark for the first time. Hong Kong operation experienced a rise in revenue of 27.5% compared to the corresponding period in 2013 to HK$235.3 million, driven by growth in same-store sales and enhanced sales from refurbished stores. The operation remains the largest revenue contributor to the Group, accounting for 64.5% of total revenue. Segmentally, the Hong Kong direct sales business achieved a rise in profit of 31.5% compared to the corresponding period in 2013 to HK$43.4 million.

Complementing the expanded network is a bolstered line-up of products that are backed by appealing marketing campaigns. In total, 21 new fresh drink products were introduced during the Reporting Period to cater for individuals seeking appealing new refreshment offerings.

Mainland China

During the Reporting Period, the Mainland China operations generated revenue of HK$10.1 million, being still in a developmental stage. With the management's continuous efforts to raise customer traffic and sales volume, all retail stores in Guangzhou have been able to maintain breakeven point at the shop level. However, a segmental loss of HK$2.1 million (same period of 2013: loss HK$1.7 million) was recorded because the Mainland China operations has yet to reach an optimal operation scale. The management will continue to implement its business strategy, and strive to achieve a turnaround within this full financial year.

Indirect Sales

The Group's indirect sales customers are mainly third-party retailers, i.e. supermarket and convenience store chains, and distributors that are responsible for distributing its long-shelf-life drinks and fresh drinks in Hong Kong, Mainland China and overseas. During the Reporting Period, the indirect sales business generated revenue of HK$119.6 million, an increase of 23.0% compared to the corresponding period in 2013 and accounted for 32.8% of the Group's total revenue. Profit from the segment reached HK$11.4 million, up 46.2% compared to the corresponding period in 2013.

Mainland China

In respect of the Mainland China market, the indirect sales business has realised significant progress, with further growth expected. Revenue climbed by 29.9% compared to the corresponding period in 2013 to HK$52.1 million. Revenue contributions from this segment rose to 14.3% of the Group's total revenue, compared to 13.7% in the same period of last year.

Helping spur business growth has been an enhanced market presence and a larger distribution network. The Group's network coverage has increased to 44 cities in 13 provinces, with the inclusion of Jilin, Zhanjiang, Qingyuan and Suzhou. And the number of distributors in Mainland China now totals 66 as at 30 June 2014, compared to 48 at the end of 2013.

Geographically, Guangdong remains the Group's biggest revenue contributor in this segment during the review period, while sales growth in Shanghai was encouraging. It is worth noting that sales from key account customers have been satisfactory in the newly entered market of Beijing during the Reporting Period.

Hong Kong

The indirect sales business in Hong Kong generated revenue of HK$67.5 million during the Reporting Period, representing encouraging growth of 18.2% compared to the corresponding period in 2013, and accounting for 18.5% of the Group's total revenue. Such growth was mainly attributable to the steady take-up of the Group's best-selling products, including Canton Love-pes Vine Drink (雞骨草) and Common Selfheal Fruit-spike Drink (夏枯草).

The Group has continued to enjoy strong ties with its key account customers, which has been further reinforced with the introduction of several innovative products including Salted Lime Drink (咸青檸). Salted Mandarin Orange Drink (咸柑桔) introduced in 2013, and which has continued to enjoy sales growth and popularity during the Reporting Period. The fresh drinks portfolio has also been expanded with new offerings which can be found in major supermarket and convenience store chains.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 28 January 2014, the Group entered into a sales and purchase agreement with Mr. Kwan Wang Yung to dispose of its 51% issued shares of Gaoda Plastic Bottle (Shenzhen) Company Limited ("Gaoda Shenzhen") at a consideration of HK$1,570,000. The consideration was determined by the carrying amount of Gaoda Shenzhen and settled by cash.

On 26 March 2014, the Group entered into an agreement with Hung Fook Tong Industrial Co. Limited and two directors of the Company to acquire the entire issued share capital of Taclon Industries Limited at a consideration of approximately HK$82,568,000, which holds a factory premise and a leasehold land in Tai Po. This is considered an asset acquisition. The consideration has been satisfied by settlement of the balances with Hung Fook Tong Industrial Co. Limited, directors and companies controlled by the directors.

AWARDS AND CORPORATE SOCIAL RESPONSIBILITY

The Group has been bestowed with numerous awards in recognition of its ongoing efforts to build healthy relations with its customers and employees, promote worthwhile causes and sustain healthy business growth. Among the accolades received during the reporting period include the following:

Organisation	**Award**
Reader's Digest	Trusted Brand 2014 — Platinum Award (Chinese Soup/Herbal Tea Shop)
Employees Retaining Board	ERB Manpower Developer Award Scheme: Manpower Developer (2013–14) Grand Prize Award (2013–14)
MetroBox	Golden Diamond Award of Consistently Outstanding Corporate Social Responsibility
East Week	Hong Kong Service Awards 2014
Superbrands	Superbrands 2014
The Hong Kong Council of Social Service	Caring Company 2006–2014

Prospects

The Hong Kong retail segment is expected to experience headwinds as a result of weakening consumption sentiment during the remaining half year. Nonetheless, the management remains confident in the Group's ability to capture a greater share of the local market by capitalising on its significant years of experience and proven track record of successfully navigating through challenging conditions. In Mainland China, consumption sentiment is improving gradually as suggested by various consumption indicators. Given that the Group is still in the initial stages of penetrating into the country, the management is buoyant about the Group's capacity to strengthen its foothold in the local market and sustain growth.

While remaining cautiously optimistic about the Group's overall business prospects in the remaining half year, the management is well aware that there are several challenges that need to be addressed, including rising raw material, rental and staff costs. In terms of food-related costs, the Group's ongoing expansion has led to greater economies of scale; hence, the management will capitalise on its advantageous position when negotiating with its procurement suppliers. As for the issue of rent, the Group has maintained healthy ties with its many landlords, and will leverage such relations to bargain with relevant parties as the terms of rental contracts expire. With respect to staff cost, cost control will be vigorously employed as a means of offsetting this expense. The management is convinced that through gradual network expansion and rise in operational efficiency, still greater profitability will be realised in the future.

Direct Sales

Further to 18 new openings in the first half year, the Group has already opened four more retail shops in Hong Kong by the end of August 2014. In line with its expansion goals, the management is fully confident in the Group's ability to reach the target of opening a total of 25 new shops in 2014, which will considerably bolster its market presence. Newly opened stores in the first half of this year are expected to be the Group's key revenue drivers during the rest of 2014, helping further improve the Group's overall performance.

Across in Mainland China, the management will continue to identify new shop locations to enhance the Group's market exposure. Already, three new shops have opened in July 2014, all of which are located either in shopping malls or at street-level locations in Tianhe, Yuexiu District, Guangzhou, and are able to capitalise on the relatively high consumption power of the target customers found in the region. The Group plans to open more shops in Guangzhou and Shanghai by the end of the year.

Indirect Sales

The indirect sales business plays a key role in the Group's growth. To bolster its development, the management will seek to enhance its presence in the valuable Mainland China market. In Guangdong, where the Group has a longer presence, the Group will seek to further penetrate the local market by selling to more individual third-party retailers and by seizing opportunities to directly conduct sales with key-accounts customers. In first-tier cities, in particular Shanghai, the management will leverage the Group's unique and highly recognised Hong Kong branding, which represents a premium, middle-class social status symbol, as the catalyst for further expanding the Group's distribution network to include large-scale local supermarkets and convenience stores. The management has conducted discussions with a number of retail operators, and several parties have shown keen interest in carrying the Group's branded products. The materialisation of such interest will help the Group to further strengthen its presence in the local market.

It is worth noting that the Group also has plans to open a sales office in Beijing to serve as an additional base for strategizing its sales network expansion activities, specifically in northern China. Already, the Group is well on track to expand into Ningbo, Hangzhou and Dalian, and will continue to expand its network to more first-tier and second-tier cities going forward.

Production facilities

While bolstering direct and indirect sales is pivotal to the Group's growth, enhancing production will be paramount to achieve such an objective. In Mainland China, the new production facility in Suzhou is expected to become operational in the fourth quarter of 2014, at which time it will help to directly address increasing demand resulting from the Group's expansion activities in Shanghai and eastern and central China. Similarly, the Tai Po plant in Hong Kong has begun trial production since June, and is expected to achieve full-production capability in around October 2014. It will then supplant the Tsuen Wan facility as the Group's main production facility in Hong Kong.

Quality Control and Safety Enhancement

The announcement from the Centre for Food Safety concerning two of the Group's products in July 2014 had an immediate impact on its business. In response, the management quickly strengthened internal quality controls and obtained a Hazard Analysis and Critical Control Points ("HACCP") system that enables the Group to improve its cold chain and enhance the environment of its production facilities. In addition, the Group has improved its quality assurance controls and production processes by establishing a task force that is assisted by a food safety specialist who will be involved in monitoring and reviewing the entire production process, as well as training staff at the Group's production facilities. The food safety specialist has also been providing additional training to production and logistics staff, with the objective of raising overall food safety standards.

Product quality and food safety have always been key pillars that provide support to the Group's brand heritage. With the Group's unwavering commitment to fortifying these pillars, the management has witnessed consumers' growing confidence in its products; hence, it believes that the impact of the aforementioned announcement will be limited and short term.

FINANCIAL OVERVIEW

Revenue

During the six months ended 30 June 2014, the Group's revenue reached to HK$364.9 million, representing an increase of 24.4% from HK$293.4 million in the corresponding period of 2013. The increase was mainly attributable to a 27.5% increase in Hong Kong direct sales and a 29.9% increase in Mainland China indirect sales.

Cost of Sales

During the six months ended 30 June 2014, the Group's cost of sales amounted to HK$144.4 million, representing an increase of 23.1% from HK$117.3 million in the corresponding period of 2013. This accounted for 39.5% and 40.0% respectively in percentage to revenue in 2014 and 2013. We have faced upward pressure on the raw materials costs but due to our effective cost control measures, the raw materials cost to revenue ratio was at 32.5% which was lower than last year's figure of 33.0%.

Gross Profit and Gross Profit Margin

During the six months ended 30 June 2014, the Group's gross profit amounted to HK$220.6 million, representing an increase of 25.3% from HK$176.1 million in the corresponding period of 2013. The Group's gross profit margin remained stable at 60.5% and 60.0% for 1H2014 and 1H2013 respectively. In addition to our effective cost control measures, we managed to pass on the rise in the cost of raw materials to consumers due to our increasing brand popularity and strong pricing ability.

Staff Costs

For the six months ended 30 June 2014, the Group's staff costs amounted to HK$96.5 million, representing an increase of 23.6% from HK$78.1 million in the corresponding period of 2013. The increase was primarily due to increase in number of staff for new shops in Hong Kong. The continuous increase in the revenue has offset the increment of the staff costs, thus leading to the staff cost-to-revenue ratio remaining at 26.4%, which corresponds with last year's figure of 26.6%.

Rental Expenses

For the six months ended 30 June 2014, the Group's rental expenses amounted to HK$47.9 million, representing an increase of 13.8% from HK$42.1 million in the corresponding period of 2013. The increase was primarily due to the opening of new shops in Hong Kong. Rental-to-revenue ratio dropped notably from 14.3% for 1H2013 to 13.1% which was attributed by our management who has a set of stringent standards on new shop openings.

Advertising and Promotion Expenses

For the six months ended 30 June 2014, the Group's advertising and promotion expenses amounted to HK$14.2 million, representing an increase of 39.2% from HK$10.2 million in the corresponding period of 2013. This accounted for 3.9% and 3.5% respectively in percentage to revenue in 1H2014 and 1H2013. The increase was primarily due to the increase in retail shops in Hong Kong. Also, more marketing campaigns were launched to sustain our brand awareness and enhance the development of the wholesale business in China.

Depreciation

For the six month ended 30 June 2013 and 2014, the depreciation accounted to HK$8.0 million and HK$10.4 million respectively, which accounted for approximately 2.7% and 2.9% of the Group's revenue in the respective periods. This represents an increase of 30.0%.

Net Profit

Profit attributable to owners of the Company for the six months ended 30 June 2014 amounted to HK$4.4 million. However, when the one-off listing-related expense of HK$16.7 million and share-based compensation expenses relating to pre-IPO share options of HK$0.1 million are excluded, profit attributable to owners of the Company amounted to HK$21.2 million, as compared to HK$16.6 million for the same period last year, representing an increase of 27.7%. On this basis, net profit margin for the Reporting Period was 5.8% as compared to 5.7% for the same period last year. The increase in the underlying net profit is mainly due to effective operation management and increasing benefits derived from greater economies of scale. Basic earnings per share before the one-off listing-related expense and the said share-based compensation expenses amounted to HK4.47 cents, as oppose to HK0.94 cents when the one-off listing-related expense and the share-based compensation expenses are considered.

Capital Expenditure

During the six months ended 30 June 2014, the Group incurred a total amount of HK$207.4 million of capital expenditure. Included in the amount was HK$184.8 million in relation to the Group's new production plant in Tai Po. The balance was mainly used for the opening of new and revamping existing retail shops.

Liquidity and Financial Resources Review

Our Group is financially sound with bank deposit and cash amounting to HK$67.0 million as at 30 June 2014 (31 December 2013: HK$95.8 million). The decrease was mainly due to the payment of expenses for listing. Following the success in listing of our Group, liquidity position has further been improved.

As at 30 June 2014, the gearing ratio of the Group was 2.9 (31 December 2013: 1.2), which was calculated based on total debt divided by total equity attributable to equity holders. The ratio has significantly been improved following the listing of the Group in July 2014.

Foreign Currency Risk

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

Contingent Liabilities

(i) Taclon, subsidiary of the Company is involved in a potential litigation which the claim amounted to approximately HK$10.3 million ("Alleged Debt"). It is the understanding of the directors of the Company that the Alleged Debt is a personal debt belongs to the Taclon's ex-director. The directors of the Company are of the view that Taclon did not or does not owe the claimant the Alleged Debt and will vigorously defend Taclon's position in the legal proceeding. Moreover, HFT Industrial had confirmed, covenant and undertaken to indemnify and keep indemnified fully Taclon against any cost, loss or damages arising from the litigation.

(ii) Taclon has several pending litigations and claims with its former employees of which provision of approximately HK$1,000,000 has been provided as at 31 December 2013 and 30 June 2014.

OTHER INFORMATION

Use of Proceeds from Initial Public Offering

Our Group proudly announces that we have completed the global offering with issuance of an aggregate of 181,700,000 shares. We have received net proceeds of approximately HK$199.1 million and we intend to use the net proceeds for (i) opening of new retail shops in Hong Kong and Mainland China (ii) promotion and marketing (iii) improving our information system (iv) recruitment of new staff for expansion and enhancement of operational efficiency (v) expansion of our distribution network for indirect sales business in Mainland China (vi) repayment of part of the bank borrowing and (vii) as working capital and other general corporate purposes.

Interim Dividend

Before the shares of the Company were listed on the Stock Exchange, a dividend amounting HK$40,000,000 was declared at a Board meeting held on 11 June 2014 and was paid out of the internal resources of the Company on the same day. The Board has resolved not to declare further interim dividend by the Company for the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2014. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 63,200,000 shares, being 10% of the total number of shares in issue at the time dealings in the shares first commence on the Stock Exchange. The total number of shares issued and to be issued upon the exercise of the options granted or to be granted 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 Share Option Scheme will remain in force for a period of 10 years from its effective date. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 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, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

The directors confirm that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. As at the date of this announcement, no option had been granted, exercised, cancelled or lapsed under the Share Option Scheme.

Pre-IPO Share Option Scheme

On 11 June 2014, the Company adopted a Pre-IPO Share Option Scheme, pursuant to which on 11 June 2014 the Company granted the Pre-IPO share options to subscribe for an aggregate of 12,636,000 shares in the Company to certain employees, executives and officers of the Group.

The Pre-IPO share options granted under the Pre-IPO Share Option Scheme shall become exercisable 6 months following the date of the listing of the shares of the Company at an exercise price of HK$1.00 per share. The Pre-IPO share options that are not exercised by the grantees prior to the third anniversary date of the date of the listing of the shares of the Company shall lapse and be deemed as cancelled and void. As at the date of this announcement, no Pre-IPO share option had been exercised by the grantees.

Corporate Governance

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2014, the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the Reporting Period. The Company has adopted and complied with all the code provisions and, where applicable, the recommended best practices of CG Code as set forth in Appendix 14 of the Listing Rules, as its corporate governance code of practices upon listing on the Stock Exchange.

The Board is committed to maintaining high standard of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

Model Code of Securities Transactions by Directors

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2014, the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules was not applicable to the Company during the Reporting Period. The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms based on the required standard set out in the Model Code upon listing. The Company has made specific enquiry with the directors and all directors have confirmed that they complied with the required standards as set out in the Code of Conduct throughout the period from the date of listing on 4 July 2014 up to the date of this announcement.

Audit Committee

The Company has established an audit committee ("Audit Committee") which currently consists of 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 Company's financial reporting process and internal control system of the Group, including the review of the unaudited interim financial information for the six months ended 30 June 2014.

PricewaterhouseCoopers, the external auditors of the Company, have reviewed the interim financial information for the six months ended 30 June 2014 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

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Publication of Interim Results and Interim Report

The electronic version of this announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hungfooktong.com). The 2014 interim report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

On behalf of the Board of
Hung Fook Tong Group Holdings Limited
TSE Po Tat
Chairman

Hong Kong, 26 August 2014

As at the date of this announcement, the Board comprises Mr. Tse Po Tat, Ms. Wong Pui Chu, Mr. Kwan Wang Yung and Dr. Szeto Wing Fu as executive Directors, Mr. Tse Po Shing as non-executive Director, and Mr. Kiu Wai Ming, Professor Sin Yat Ming and Mr. Andrew Look as independent non-executive Directors.