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)

(Stock Code: 1446)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- Revenue for the year ended 31 December 2023 ("**2023**") decreased by 2.0% to HK$672.7 million from HK$686.7 million for the year ended 31 December 2022 ("**2022**").
  - Revenue from retail business decreased by 2.6% to HK$503.8 million, with a retail network comprising 111 retail shops in Hong Kong as at 31 December 2023.
  - Revenue from wholesale business decreased by 0.2% to HK$168.9 million.
- Gross profit for 2023 decreased by 3.0% to HK$393.5 million from HK$405.6 million in 2022, while gross profit margin for 2023 decreased by 0.6 percentage point to 58.5% as compared to 59.1% in 2022.
- Loss attributable to owners of the Company for 2023 was HK$34.6 million as compared with a profit attributable to owners of the Company of HK$5.3 million in 2022.
- Loss per share for 2023 was HK5.28 cents (2022: earnings per share of HK0.80 cent).

Note: The 2022 figures have been restated to reflect the implications of the abolition of the offsetting mechanism in relation to the Group's long service payment liability pursuant to the enactment of the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 in Hong Kong.

RESULTS

The board of directors (the "**Board**") of Hung Fook Tong Group Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023 together with comparative figures for the previous financial year 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
		2023	2022
	Note	***HK$'000***	*HK$'000*
			(Restated)
Revenue	*3,4*	**672,729**	686,718
Cost of sales	*6*	**(279,248)**	(281,145)
Gross profit		**393,481**	405,573
Other income, net	*5*	**3,606**	4,657
Selling and distribution costs	*6*	**(57,190)**	(58,629)
Administrative and operating expenses	*6*	**(372,866)**	(345,585)
Impairment loss on financial assets	*6*	**(3,409)**	(934)
Operating (loss)/profit		**(36,378)**	5,082
Finance income	*7*	**121**	67
Finance costs	*7*	**(8,680)**	(4,609)
Finance costs, net	*7*	**(8,559)**	(4,542)
(Loss)/profit before income tax		**(44,937)**	540
Income tax credit/(expense)	*8*	**2,321**	(4,668)
Loss for the year		**(42,616)**	(4,128)
(Loss)/profit attributable to:			
Owners of the Company		**(34,621)**	5,271
Non-controlling interests		**(7,995)**	(9,399)
		(42,616)	(4,128)

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000 (Restated)
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss			
– Currency translation differences		**(3,720)**	(14,986)
Items that will not be reclassified to profit or loss			
– Change in fair value of financial asset at fair value through other comprehensive income ("FVOCI")		**–**	(5,000)
– Remeasurements of employee benefit obligations		**(366)**	258
Other comprehensive loss, net of tax		**(4,086)**	(19,728)
Total comprehensive loss for the year		**(46,702)**	(23,856)
Total comprehensive loss attributable to:			
Owners of the Company		**(38,635)**	(14,281)
Non-controlling interests		**(8,067)**	(9,575)
		(46,702)	(23,856)
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic and diluted *(HK cents)*	*9*	**(5.28)**	0.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		As at 31 December	
		2023	2022
	Note	***HK$'000***	*HK$'000*
			(Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**254,880**	285,637
Right-of-use assets		**196,290**	177,173
Intangible assets		**2,297**	2,707
Prepayments and deposits		**23,268**	21,311
Deferred income tax assets		**8,589**	7,645
		485,324	494,473
Current assets			
Inventories		**38,575**	55,064
Trade receivables	*11*	**56,260**	58,426
Prepayments, deposits and other receivables		**43,646**	39,751
Prepaid tax		**1,428**	8,168
Cash and cash equivalents		**88,530**	103,906
		228,439	265,315
Total assets		**713,763**	759,788
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**6,559**	6,559
Reserves		**271,592**	314,294
		278,151	320,853
Non-controlling interests		**(22,275)**	(14,208)
Total equity		**255,876**	306,645

	Note	As at 31 December 2023 HK$'000	2022 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**72,934**	55,927
Provision for reinstatement costs		**5,324**	6,024
Deferred income tax liabilities		**6,113**	8,106
Bank borrowings		**–**	7,323
Employee benefit obligations		**4,121**	3,348
		88,492	80,728
Current liabilities			
Trade payables	*13*	**37,865**	41,101
Accruals and other payables	*14*	**59,274**	55,433
Provision for reinstatement costs		**3,355**	3,356
Receipts in advance		**149,002**	164,584
Lease liabilities		**82,446**	77,549
Bank borrowings		**36,566**	28,867
Taxation payable		**887**	1,525
		369,395	372,415
Total liabilities		**457,887**	453,143
Total equity and liabilities		**713,763**	759,788
Net current liabilities		**(140,956)**	(107,100)
Total assets less current liabilities		**344,368**	387,373

NOTES

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and requirements of the Hong Kong Companies Ordinance (Cap. 622).

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(b) Historical cost convention

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

(c) Basis of going concern

The Group's current liabilities exceeded its current assets by HK$140,956,000 as at 31 December 2023 (31 December 2022: HK$107,100,000) and the Group incurred a loss for the year ended 31 December 2023 of HK$42,616,000 (2022: HK$4,128,000). The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 2023. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations as well as the possible changes in its operating performance and the continued availability of the Group's banking facilities, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from 31 December 2023. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (CONTINUED)

2.1 Basis of preparation (continued)

(d) Certain new standard and amendments to existing standards adopted by the Group

The Group has applied the following new standard and amendments to standards for the first time for their annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts (New Standard)
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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

(e) Certain amendments to existing standards and interpretation issued not yet adopted

The following amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 January 2023 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 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liabilities in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

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

2.2 Change in accounting policy on long service payments

In June 2022, the Government of the Hong Kong Special Administrative Region ("**HKSAR**") gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the **"Amendment Ordinance**"). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the Mandatory Provident Fund ("**MPF**") System to offset severance payment ("**SP**") and long service payment ("**LSP**") (the "**Abolition**"). In April 2023, the HKSAR Chief Executive John Lee announced that the Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). The Amendment Ordinance has two effects: (i) the accrued benefits derived from an employer's mandatory MPF contributions may no longer be used to offset LSP/SP in respect of the employment period after the Transition Date (the "**post-transition LSP**"); and (ii) the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP/SP in respect of the employment period before the Transition Date (the "**pre-transition LSP**").

In July 2023, the HKICPA issued an "Educational Guidance on the Accounting Implications of the Abolition of the MPF-LSP Offsetting Mechanism in Hong Kong" (the "**Guidance**"). The Guidance provides clarification on the accounting for the offsetting mechanism, in particular the interaction between the employer's MPF contributions (which have attributes of a defined contribution plan) and the entity's LSP obligation (which has attributes of a defined benefit plan). The Guidance provides that following the enactment of the Amendment Ordinance, the amended LSP scheme is no longer a 'simple type of contributory plans' to which the International Accounting Standards Board (the "**IASB**") had intended the practical expedient in HKAS 19.93(b) to apply. This is because the contributions are no longer 'linked solely to the employee's service in that period' since mandatory employer MPF contributions after the Transition Date can still be used to offset pre-transition LSP. As such, it would no longer be appropriate to view the contributions as 'independent of the number of years of service' which is the qualifying criterion for the practical expedient in HKAS 19.93(b). In addition, as the Amendment Ordinance was enacted in June 2022, the 'year of enactment of the Amendment Ordinance' is the financial year that includes June 2022.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (CONTINUED)

2.2 Change in accounting policy on long service payments (Continued)

Prior to 1 January 2023, the Group accounted for the offsetting mechanism by applying the practical expedient in HKAS 19.93(b). The Group has changed its accounting policy having regard to the Guidance. In applying the requirements in HKAS 19.93(a) following the Abolition and taking into consideration of the two effects of the Amendment Ordinance, management re-measures the projected negative service cost, which represents the deemed employee contributions, over the entire expected service period of the employees and reattribute the net cost of the LSP obligation on a straight-line basis from the date when services by employees first lead to benefits in terms of the LSP legislation, with a catch-up adjustment for past service cost and a corresponding increase in the LSP obligation in the year of enactment of the Amendment Ordinance. The adjustment is recognised as a past service cost in profit or loss in accordance with HKAS 19.94(a) as the Abolition was not contemplated in the original LSP legislation.

The change in accounting policy has been applied by restating the results for the year ended 31 December 2022 and the balances as at 31 December 2022:

	As previously reported *HK$'000*	Effect of change *HK$'000*	As restated *HK$'000*
Consolidated Statement of Comprehensive Income			
Cost of sales	(280,406)	(739)	(281,145)
Administrative and operating expenses	(343,740)	(1,845)	(345,585)
Finance costs	(4,557)	(52)	(4,609)
Profit before tax	3,176	(2,636)	540
Income tax expense	(5,103)	435	(4,668)
Loss after tax	(1,927)	(2,201)	(4,128)
Profit attributable to owners of the Company	7,472	(2,201)	5,271
Other comprehensive loss	(19,986)	258	(19,728)
Consolidated Statement of Financial Position			
ASSETS			
Deferred income tax assets	7,210	435	7,645
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	–	3,348	3,348
Current liabilities			
Accruals and other payables	56,403	(970)	55,433
EQUITY			
Reserves	316,237	(1,943)	314,294

The aforementioned change in accounting policy does not have any impact to the consolidated statement of financial position as at 1 January 2022.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (CONTINUED)

2.2 Change in accounting policy on long service payments (Continued)

The change in accounting policy affected the following items in the consolidated statement of comprehensive income for the year ended 31 December 2023 and the consolidated statement of financial position as at 31 December 2023:

	Under previous accounting policy *HK$'000*	Effect of change *HK$'000*	As reported *HK$'000*
Consolidated Statement of Comprehensive Income			
Cost of sales	**(279,001)**	**(247)**	**(279,248)**
Administrative and operating expenses	**(372,615)**	**(251)**	**(372,866)**
Finance costs	**(8,554)**	**(126)**	**(8,680)**
Loss before tax	**(44,313)**	**(624)**	**(44,937)**
Income tax credit	**2,218**	**103**	**2,321**
Loss after tax	**(42,095)**	**(521)**	**(42,616)**
Loss attributable to owners of the Company	**(34,101)**	**(520)**	**(34,621)**
Loss attributable to non-controlling interest	**(7,994)**	**(1)**	**(7,995)**
Other comprehensive loss	**(3,720)**	**(366)**	**(4,086)**
Consolidated Statement of Financial Position			
ASSETS			
Deferred income tax assets	**8,486**	**103**	**8,589**
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	**3,131**	**990**	**4,121**
EQUITY			
Reserves	**272,479**	**(887)**	**271,592**

3 SEGMENT INFORMATION

The segment information provided to the executive directors for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December 2023		
	Hong Kong Retail	**Wholesale**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue	**519,292**	**171,330**	**690,622**
Less: Inter-segment revenue	**(15,473)**	**(2,420)**	**(17,893)**
Revenue from external customers	**503,819**	**168,910**	**672,729**
Segment results	**(5,264)**	**17,460**	**12,196**
Corporate expenses *(Note (a))*			**(48,574)**
Finance costs, net			**(8,559)**
Loss before income tax			**(44,937)**
Income tax credit			**2,321**
Loss for the year			**(42,616)**
Other segment items:			
Capital expenditure	**11,240**	**1,825**	**13,065**
Depreciation and amortisation (excluding depreciation of right-of-use assets)	**26,304**	**9,866**	**36,170**
Depreciation of right-of-use assets	**99,741**	**693**	**100,434**
Losses on disposal of property, plant and equipment	**382**	**–**	**382**
Write-off of property, plant and equipment	**–**	**3,120**	**3,120**

	Year ended 31 December 2022		
	Hong Kong Retail	Wholesale	Total
	HK$'000	*HK$'000*	*HK$'000* (Restated)
Segment revenue	530,549	174,402	704,951
Less: Inter-segment revenue	(13,132)	(5,101)	(18,233)
Revenue from external customers	517,417	169,301	686,718
Segment results	29,149	20,432	49,581
Corporate expenses *(Note (a))*			(44,499)
Finance costs, net			(4,542)
Profit before income tax			540
Income tax expense			(4,668)
Loss for the year			(4,128)
Other segment items:			
Capital expenditure	18,811	9,901	28,712
Depreciation and amortisation (excluding depreciation of right-of-use assets)	26,182	11,111	37,293
Depreciation of right-of-use assets	94,272	613	94,885
Losses on disposal of property, plant and equipment	84	–	84

3 SEGMENT INFORMATION (CONTINUED)

The segment assets as at 31 December 2023 and 2022 are as follows:

	Hong Kong Retail *HK$'000*	Wholesale *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
As at 31 December 2023				
Segment assets	**466,256**	**217,410**	**(620)**	**683,046**
Prepaid tax				**1,428**
Deferred income tax assets				**8,589**
Corporate assets *(Note (b))*				**20,700**
Total assets				**713,763**
As at 31 December 2022 (Restated)				
Segment assets	490,114	246,691	(513)	736,292
Prepaid tax				8,168
Deferred income tax assets				7,645
Corporate assets *(Note (b))*				7,683
Total assets				759,788

Notes:

(a) Corporate expenses mainly included employee benefit expenses, depreciation of right-of-use assets and property, plant and equipment of headquarters office and auditors' remuneration for the years ended 31 December 2023 and 2022.

(b) Corporate assets mainly included cash and cash equivalents, prepayment, deposits and other receivables, and right-of-use assets and property, plant and equipment of headquarters office as at 31 December 2023 and 2022.

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

The Company is domiciled in the Cayman Islands while the Group operates its business primarily in Hong Kong and the PRC. For the year ended 31 December 2023, no revenue was generated from the Cayman Islands and no assets were located in the Cayman Islands (2022: Nil).

The Group's revenue by geographical locations (as determined by the area or country in which the customer is operated) is analysed as follows:

	Year ended 31 December	
	2023 *HK$'000*	2022 *HK$'000*
Hong Kong	**634,871**	647,272
The PRC	**24,406**	26,439
Overseas	**13,452**	13,007
	672,729	686,718

There is no single external customer contributing more than 10% to the Group's revenue for the years ended 31 December 2023 and 2022.

3 SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the carrying amounts of the Group's segment assets analysed by geographical area in which the assets are located:

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**512,672**	536,663
The PRC	**170,374**	199,629
	683,046	736,292

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

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**336,458**	331,258
The PRC	**140,277**	155,570
	476,735	486,828

4 REVENUE

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

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Sale of goods	**672,729**	686,718

(a) Revenue recognition in relation to contract liabilities

As at 31 December 2023 and 2022, contract liabilities included receipts in advance and deferred revenue amounting to HK$149,002,000 (2022: HK$164,584,000) and HK$2,131,000 (2022: HK$3,459,000) respectively.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward receipts in advance and deferred revenue:

	2023	2022
	HK$'000	*HK$'000*
Revenue recognised that was included in the receipts in advance and deferred revenue balance at the beginning of the year	**168,043**	178,786

There is no revenue recognised during the current year (2022: Same) related to performance obligations that were satisfied in prior year.

(b) Unsatisfied long-term contracts

The Group selected to choose a practical expedient and omit disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

5 OTHER INCOME, NET

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Government grants *(Note (a))*	**–**	1,880
Insurance claim	**–**	37
Service income	**2,221**	594
Exchange difference	**(425)**	313
Losses on disposal of property, plant and equipment	**(382)**	(84)
Others	**2,192**	1,917
Total other income	**3,606**	4,657

Note:

(a) Government subsidies of HK$1,880,000 were granted from the Catering Business Subsidy Scheme under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region during the year ended 31 December 2022. The Group has complied all attached conditions before 31 December 2022 and recognised in the consolidated statement of comprehensive income.

6 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**218,396**	220,197
Lease rental in respect of retail outlets *(Note (a))*		
– Contingent rental	**474**	516
Lease rental in respect of storage spaces and office premises *(Note (a))*	**12,253**	12,361
Advertising and promotional expenditure	**15,612**	12,059
Depreciation of property, plant and equipment	**36,666**	38,093
Depreciation of right-of-use assets	**102,552**	96,827
Amortisation of intangible assets	**662**	560
Communication and utilities	**32,115**	32,196
Employee benefit expenses (including directors' emoluments)	**212,192**	199,060
Provision for obsolete inventories	**606**	434
Impairment loss on financial assets	**3,409**	934
Provision for impairment on right-of-use assets	**3,452**	880
Provision for impairment on property, plant and equipment	**364**	–
Write-off of property, plant and equipment	**3,120**	–
Legal and professional fees	**4,459**	4,845
Auditors' remuneration		
– Audit services	**2,300**	2,907
Tools, repair and maintenance expenses	**12,643**	10,675
Transportation and distribution expenses	**30,859**	32,347
Others	**20,579**	21,402
Total cost of sales, selling and distribution costs, administrative and operating expenses and impairment loss on financial assets	**712,713**	686,293

Note:

(a) These expenses included short-term leases expenses of HK$910,000 (2022: HK$1,030,000), variable leases payment expenses of HK$2,257,000 (2022: HK$1,699,000), and other rental-related expenses of HK$9,560,000 (2022: HK$10,148,000) and are charged in 'administrative and operating expenses' for the year ended 31 December 2023.

7 FINANCE COSTS, NET

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Finance income:		
– Interest income	**121**	67
Finance costs:		
– Interest expenses on employee benefit obligation	**(126)**	(52)
– Interest expenses on borrowings	**(2,690)**	(964)
– Interest and finance charges paid/payable for lease liabilities	**(5,864)**	(3,593)
	(8,680)	(4,609)
Finance costs, net	**(8,559)**	(4,542)

8 INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2 million of estimated assessable profits of this subsidiary is taxed at 8.25% and the remaining estimated assessable profits are taxed at 16.5% (2022: Same).

PRC Corporate Income Tax

Group entities incorporated in the PRC are subject to Corporate Income Tax ("**CIT**") in accordance with the Law of the PRC on Corporate Income Tax (the "**CIT Law**"). Under the CIT Law, the income tax rate applicable to these subsidiaries is 25% (2022: 25%).

The amount of income tax (credit)/expense represents:

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Current tax:		
Hong Kong Profits Tax for the year	**71**	–
PRC CIT for the year	**563**	559
(Over)/under-provision in prior years	**(16)**	257
Deferred income tax:		
Derecognition of unutilised tax loss	**8**	2,176
Other temporary differences	**(2,947)**	1,676
Income tax (credit)/expense	**(2,321)**	4,668

9 (LOSS)/EARNINGS PER SHARE

	Year ended 31 December 2023	2022 (Restated)
(Loss)/profit attributable to owners of the Company *(HK$'000)*	**(34,621)**	5,271
Weighted average number of ordinary shares for the calculation of basic (loss)/earnings per share (thousands)	**655,944**	655,944
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company		
– Basic (loss)/earnings per share *(HK cents)*	**(5.28)**	0.80
– Diluted (loss)/earnings per share *(HK cents)*	**(5.28)**	0.80

(a) Basic

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

(b) Diluted

Diluted (loss)/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 (loss)/earnings per share for the years ended 31 December 2023 and 2022 equal basic (loss)/earnings per share as there were no potentially dilutive ordinary shares as at both years end.

10 DIVIDENDS

	2023 *HK$'000*	2022 *HK$'000*
Dividends attributable to the year		
Proposed final dividend of nil (2022: HK0.34 cent) per ordinary share	**–**	2,230
Proposed special dividend of nil (2022: HK0.28 cent) per ordinary share	**–**	1,837
	–	4,067
Dividends paid during the year		
2022 final and special dividends totalling HK0.62 cent per ordinary share	**4,067**	–
2021 final and special dividends totalling HK0.68 cent per ordinary share	**–**	4,461
	4,067	4,461

11 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Trade receivables from third parties	**56,776**	58,896
Trade receivables from a related party	**–**	428
	56,776	59,324
Less: Provision for impairment of trade receivables	**(516)**	(898)
Trade receivables, net	**56,260**	58,426

The Group's credit terms granted to wholesale customers generally ranged from 30 to 105 days (2022: 30 to 105 days). As at 31 December 2023 and 2022, the ageing analysis of the trade receivables, based on invoice date, is as follows:

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Less than 30 days	**22,679**	19,413
31-90 days	**25,934**	30,517
Over 90 days	**8,163**	9,394
	56,776	59,324

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. The trade receivables have been grouped based on the business segments, geographical locations and credit risk characteristics to provide the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for separate provision for impairment allowance.

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

	2023	2022
	HK$'000	*HK$'000*
At 1 January	**898**	543
(Reversal of)/provision for impairment of trade receivables	**(342)**	355
Receivables written off during the year as uncollectible	**(40)**	–
At 31 December	**516**	898

The Group does not hold any collateral as security.

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

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
HK$	**54,711**	55,231
RMB	**1,549**	3,195
	56,260	58,426

12 SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares *HK$'000*
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,000,000,000	10,000

	Number of shares	Nominal value of ordinary shares *HK$'000*
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	655,944,000	6,559

13 TRADE PAYABLES

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Trade payables	**37,865**	41,101

As at 31 December 2023 and 2022, the ageing analysis of the trade payables, based on invoice date, is as follows:

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**14,185**	17,886
31 to 60 days	**14,552**	15,940
61 to 90 days	**5,513**	4,519
Over 90 days	**3,615**	2,756
	37,865	41,101

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

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
HK$	**20,315**	26,427
RMB	**17,550**	14,674
	37,865	41,101

14 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Accruals for employee benefit expenses	**15,466**	16,572
Accruals for marketing and promotional expenses	**4,864**	2,281
Refund liabilities for sales rebate	**1,649**	1,728
Rental and related expenses payable	**2,461**	1,926
Office and utilities expenses payable	**3,836**	4,048
Deferred revenue	**2,131**	3,459
Consideration payable for property, plant and equipment acquired	**6,714**	7,302
Accruals for transportation and delivery charges	**2,840**	2,147
Accruals for audit fee	**1,800**	2,264
Other accruals and other payables	**17,513**	13,706
	59,274	55,433

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

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
		(Restated)
HK$	**47,570**	43,145
RMB	**11,704**	12,288
	59,274	55,433

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Even though COVID-related restrictions were lifted and borders reopened in early 2023, the anticipated economic recovery was hindered by a raft of concerns, including high interest rates, contracting stock and property markets around the world, and lacklustre trade. Locally, the retail upturn was further thwarted by poor consumer sentiment, and increasingly more Hong Kong people chose to head to neighbouring cities in Mainland China to spend. The combination of the aforementioned developments resulted in an unprecedentedly challenging operating environment for the retail and food and beverage sectors. The Group's business was inevitably impacted, with total revenue declining by 2.0% to HK$672.7 million (2022: HK$686.7 million).

Gross profit contracted by 3.0% to HK$393.5 million (2022: HK$405.6 million), while gross profit margin was 58.5% (2022: 59.1%), which was 0.6 percentage point lower than the previous financial year. This was primarily due to the decline in revenue, compounded by the rise in raw material and labour costs.

With the increase in staff, utility and rental costs, operating expenses crept upward. The cost of financing also rose in tandem with interest rate hikes. In addition, the government grants and subsidies that the Group had received as part of pandemic relief measures in 2022, comprising funds from the Employment Support Scheme and the Catering Business Subsidy Scheme, were no longer offered during the review year. Consequently, the Group incurred a loss attributable to owners of the Company of HK$34.6 million in 2023 (2022: profit of HK$5.3 million).

Despite the said challenges, the Group is in sound financial health and has stable operating cash flows. As at 31 December 2023, it held sufficient cash and cash equivalents as well as unutilised banking facilities totalling approximately HK$88.5 million and HK$44.7 million, respectively (31 December 2022: HK$103.9 million and HK$64.2 million, respectively).

BUSINESS SEGMENT ANALYSIS

Hong Kong Retail

Constituting the Group's largest revenue contributor, the Hong Kong retail business recorded revenue of HK$503.8 million (2022: HK$517.4 million) during the review year – down 2.6% year-on-year, and accounted for 74.9% of total revenue. The decline reflects the change in consumption habits of many Hong Kong people who, with the reopening of borders, have chosen to travel to Mainland China or overseas for leisure spending. This trend has had a direct impact on the Group's store traffic and same-store sales. In addition, the Group had slightly fewer stores in operation compared with 2022.

Segment loss recorded for the year ended 31 December 2023 of HK$5.3 million (2022: profit of HK$29.1 million), mainly attributable to an increase in raw material, staff and rental costs; rise in utility expenses; and the absence of pandemic-related government relief grants.

While the Group has maintained its position as the largest herbal retailer in Hong Kong in terms of retail network size, it has strategically optimised its store network and closed several underperforming shops during the review year. Consequently, there were 111 self-operated shops in the city as at 31 December 2023, including 10 HFT Life café concept stores. Also, in response to the challenging retail landscape, the Group has placed significant importance on cost control, directing focus on streamlining its supply chain and logistics arrangement.

To expand revenue streams, the Group has continued to develop and launch new products, as well as extended its sales channels. In the case of the former, it has further tapped the dietary needs of pregnant and postpartum women by launching relevant diet packages, including new roasted rice tea and soup products for nourishing and strengthening bodily functions during pregnancy and post-delivery. As for the ginger trotter category – also part of the Group's postpartum food offering, a premium product (至尊豬腳小黃薑醋) has greatly helped drive trotter sales since its launch in late 2022.

In regard to the Group's HFT Life cafés, which target aspirational young consumers, the Group rolled out more bakery items during the review year in view of positive feedback. Moreover, specialty coffees and drinks such as a new Herbal Espresso Series were introduced to cater for this customer segment.

To raise awareness of the Group among Hong Kong consumers and the market, it has resumed its participation in various exhibitions, such as the Hong Kong Brands and Products Expo, and by opening corporate booths. It has also continued to exert effort on marketing to encourage spending and bolster the Group's brand equity. When the Hong Kong Government implemented its 2023 Consumption Voucher Scheme in April and July, the Group launched various package offers to capitalise on the disbursements, resulting in satisfactory, though temporary, boost in sales. Special promotions were also initiated to celebrate and leverage holiday spending during the National Day and Golden Week. Furthermore, the Group has sought to increase its exposure in the Guangdong-Hong Kong-Macao Greater Bay Area and attract more Mainland tourists by employing social media platforms such as Xiao Hong Shu (小紅書).

On the JIKA CLUB (自家 CLUB) membership front, the Group has continued its efforts to build loyalty as well as attract new members by offering a wide variety of exclusive discounts and privileges. This has included giving away up to HK$150,000 worth of e-vouchers to members in celebration of the 15th anniversary of JIKA CLUB. In addition, it has collaborated with the licensor of Miffy the cartoon character in launching a series of member-exclusive products so as to stimulate membership registrations and spending. As a consequence of such endeavours, JIKA CLUB memberships have surpassed the 1.3 million mark as at 31 December 2023, or rising by approximately 99,500 members during the review year.

As in past years, the Group has continued to promote digitisation as a means of enhancing engagement with customers and encouraging digital transactions. It has made further progress as reflected by a 17% year-on-year increase in the download of the Hung Fook Tong mobile application ("**APP**"), and over 40% of member transactions were completed via the APP. The Group has also further developed the JIKA ON! (自家 ON!) online marketplace, resulting in more new members. Such results can be attributed to the effective use of special offers and promotions via the online marketplace, as well as a greater variety of merchandise, including Hung Fook Tong pet care products, and healthy food and ready-to-eat items.

Wholesale

The wholesale segment continued to perform in a stable manner, with revenue of HK$168.9 million (2022: HK$169.3 million) recorded for the review year, thus accounting for 25.1% of total revenue. Even though the Group's wholesale business in Mainland China experienced a decline, this was offset by growth achieved in the Hong Kong market. Segment profit declined by 14.5% to HK$17.5 million (2022: HK$20.4 million), mainly due to the increase in operating expenses.

Hong Kong

Despite the generally tepid local consumer market, the Group's wholesale business in Hong Kong has nonetheless managed to achieve a 1.1% rise in revenue to HK$144.5 million (2022: HK$142.9 million). This can be attributed to dedicated promotional efforts that effectively tapped sales channels such as supermarkets, convenience stores, e-retailers and restaurants; and the ability to capitalise on fruitful ties with key accounts to facilitate greater sales. One such collaboration has been with PARKnSHOP Supermarket which, during the review year, witnessed the introduction of a series of fresh food products (鴻茶膳房), including soups, congee, rice, desserts, and ginger trotter that enjoyed both higher brand visibility and catered for today's health-conscious customers. Taking into consideration the growing awareness among pet owners of the wellness of their furry companions, the Group has also partnered with PARKnSHOP in launching a new line of pet food and health products, constituting its first foray into the burgeoning pet care market. The series features a variety of natural fresh meal packs, fish essence and chicken essence, made from human-grade ingredients.

Still other collaborative efforts include the launch of Hung Fook Tong x Ajisen Lemongrass Ginger Tea (香茅薑茶) that is available at Ajisen restaurants in Hong Kong and Mainland China. As for some existing products, the Group has introduced new flavours as well as adopted a "Chinese palace" theme in the packaging to attract consumers.

An advocate of environmental sustainability, the Group has been using rPET ("**Recycled Polyethylene Terephthalate**") in the production of beverage bottles for its Iced Lemon Tea since 2022. This practice has allowed the Group to take a step forward in reducing carbon emissions.

Mainland China

The post-COVID rebound of the Chinese economy during the 2023 financial year has not been as notable as anticipated, which has adversely affected employment and consumer confidence. Consequently, the Group's wholesale business in Mainland China fell below expectations, with revenue declining by 7.7% to HK$24.4 million (2022: HK$26.4 million) as the Group's performance in the Guangzhou and Shenzhen markets weakened, though the Shenzhen business did record improvements.

In its commitment to continuously develop the wholesale business, the Group has launched more herbal tea and healthy beverages during the review year, and to a broader network of convenience stores and supermarkets. This was achieved by forging closer ties with key accounts and a major distributor. As a result, the Group's long shelf-life and fresh beverage products are now available at over 13,000 convenience stores in 13 provinces, as well as various supermarkets and department stores. In addition, the Group has tapped new channels, including CR Vanguard supermarkets, RT-Mart hypermarkets and more e-commerce platforms. Also, the Group has deployed greater resources to drive sales on popular online platforms such as JD.com (京東), Taobao (淘寶), Tmall (天貓), Meituan (美团), Douyin (抖音) and Xiao Hong Shu (小紅書) online stores.

Other Markets

Amid weak global economic growth and changes to import policies and duties, the Group's overseas wholesale performance was invariably affected. Still, it was able to sustain stable sales from existing markets such as the United States, Canada, Australia, the United Kingdom, Malaysia and Singapore. Moreover, the Group has for the first time entered the Mexico market.

PROSPECTS

A tough business environment is expected to persist in 2024. In addition to high interest rates and geopolitical tensions, other developments that will weigh heavily on the Hong Kong economy will include inflationary pressure and the ongoing mass movement of local residents to the Mainland China or overseas for shopping and leisure, thus creating stiff headwinds for retailers. Also, on the horizon is the roll out of the plastic products bill and Municipal Solid Waste Charging Scheme in April and August, respectively, which will result in additional cost pressure on various industries. Across the border, expectations of an economic upturn remain restrained as consumer and business confidence will continue to be weak.

Against this bleak outlook, the Group will adopt a highly cautious approach and prioritise financial prudence, hence it will optimise relevant cost and capital structures, seek to maintain healthy cash flows and a stable gearing ratio to minimise interest costs. To tackle production costs, the Group will seek to further optimise its supply chain and secure more favourable logistics arrangements, as well as consolidate its manufacturing capacity in Hong Kong and Mainland China. Ultimately, the management's principal objective is to gather growth momentum, which it aims to achieve by actively securing new sources of revenue and by enhancing the Group's market presence through the development of new products, cross-brand collaborations, further expansion of sales channels, and seizing new opportunities in Mainland China especially by further integrating into the Greater Bay Area, and in the overseas markets.

Hong Kong Retail

In view of the slow retail recovery in Hong Kong, the Group will maintain a stable and effective retail network, targeting to open approximately two shops and closing several underperforming shops in 2024. Furthermore, to control rental costs, the Group will maintain close communication with landlords and negotiate for more favourable terms as leases expire, having already secured certain reductions during 2023. The management will also consider making price adjustments to its products to reflect rising costs.

On the product front, it will seek to boost the sales of signature products such as Chinese-style soups and Nourishing Deluxe drinks while at the same time innovate key products lines. In the pipeline for 2024 will include new products for the Joyous Series and postpartum confinement. HFT Life will also introduce more baked goods that boast their natural content, such as the use of multi-grain ingredients and organic fresh milk.

In terms of boosting top-line performance, the Group will launch a catering service in the first half of 2024, as well focus on recruiting more JIKA CLUB members – the latter involving the launch of exclusive offers and joint promotions. For high-spending members, more VIP benefits will be presented so as to retain and build such memberships. In maintaining the digitisation drive, the management will seek to expedite the process through ongoing technological innovation. It will continue to promote the download and use of the Hung Fook Tong mobile application by introducing customised member offers, and adopt a similar strategy to boost registrations for the JIKA ON! online marketplace.

Wholesale

Hong Kong

To tackle the Hong Kong wholesale market, the Group will continue to nurture cross-brand partnerships on product development and marketing campaigns so as to introduce more healthy drink and food options to the shelves. It will also seek to offer more new products or new packaging that capture the hearts of local consumers.

In its commitment to environmental protection, the Group will be expanding the use of rPET materials in the bottle production for more of its beverage products in the coming year.

Mainland China

With the pace of economic recovery expected to remain slow in Mainland China, intense competition among beverage and tea brands is anticipated, which invariably involves the offer of deep discounts to attract customers. In such an uncompromising environment, the Group will give top priority to meeting the needs of consumers, hence more products which cater to health-conscious individuals will be introduced. Similarly, it will strengthen ties with key accounts and distributors, so that more herbal teas and healthy beverages are available at convenience stores and supermarkets. Mindful of the importance of the online realm, the Group will also place more products on online platforms, as well as explore the use of online promotions and social media platforms to promote its products.

Other Markets

As the Group continues to expand its footprint in the overseas markets such as United Kingdom, Canada and the United States, it will also explore new markets as it is committed to tapping additional revenue streams.

CONCLUSION

The management is fully aware of the current business climate, and will make every effort to navigate through these unprecedented times and pave the way for its long-term development. The Group will reinforce its market position by further driving operational efficiency and cost optimisation and taking prompt action to keep pace with evolving consumer needs. As the demand for health and wellness products is growing, the Group is determined to move forward through innovation, dedication and prudence.

FINANCIAL REVIEW

Revenue

In 2023, Hong Kong resumed cross-border travel and the society fully returned to operation. However, the market did not rebound as expected after the pandemic. In addition, the trend of Hong Kong people traveling to the Mainland and overseas for shopping led to a decline in local customers. As a consequence, our business has been adversely affected.

For the year ended 31 December 2023, the Group recorded a revenue of HK$672.7 million, representing a decrease of 2.0% from HK$686.7 million in 2022. Revenue from Hong Kong retail operation decreased to HK$503.8 million, representing a decrease of 2.6% from HK$517.4 million in 2022. Revenue from wholesale business decreased to HK$168.9 million, representing a decrease of 0.2% from HK$169.3 million in 2022.

Cost of Sales

For the year ended 31 December 2023, the Group incurred a cost of sales totaling HK$279.2 million, representing a decrease of 0.7% from HK$281.1 million in 2022. As a percentage of revenue, cost of sales represented 41.5% and 40.9% in 2023 and 2022 respectively. This increase can be attributed to rising costs of materials, wages and utility expenses.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2023, the Group achieved a gross profit of HK$393.5 million, indicating a decrease of 3.0% from HK$405.6 million in 2022. The Group's gross profit margin experienced a slight decline of 0.6 percentage point, settling at 58.5% compared to 59.1% in 2022. This decrease can primarily be attributed to higher material costs, wages, and utility expenses.

Staff Costs

For the year ended 31 December 2023, the Group's staff costs amounted to HK$212.2 million, representing an increase of 6.6% from HK$199.1 million in 2022. The increase was mainly due to the absence of non-recurrent government grant from the Employment Support Scheme which were received in 2022. The staff costs-to-revenue ratio is 31.5%, which is higher than the 29.0% recorded in 2022.

Rental Expenses

For the year ended 31 December 2023, rental expenses in relation to its retail shops in Hong Kong (being the aggregate of lease rental in respect of retail outlets, depreciation of right-of-use assets for shop properties and the interest expense arisen from lease liabilities) amounted to HK$104.7 million, representing an increase of 7.6% from HK$97.3 million in 2022 due to less rental concessions granted by certain landlords. Rental expenses-to-revenue ratio for the Hong Kong retail shops is 20.8% as compared to 18.8% in 2022.

Depreciation

For the year ended 31 December 2023, depreciation of property, plant and equipment of the Group amounted to HK$36.7 million, representing a decrease of 3.7% from HK$38.1 million in 2022. The decline can be attributed primarily to the depreciation of plant and machinery, and equipment. This accounted for 5.5% in percentage to revenue in both 2023 and 2022.

(Loss)/Profit Attributable to Owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2023 was HK$34.6 million, as compared with a profit attributable to owners of the Company of HK$5.3 million in 2022.

Loss per share for loss attributable to owners of the Company for the year ended 31 December 2023 amounted to HK5.28 cents, as compared to earnings per share for profit attributable to owners of the Company amounted to HK0.80 cent in 2022.

Capital Expenditure

During the year ended 31 December 2023, capital expenditure amounted to HK$13.1 million (2022: HK$28.7 million) primarily for revamping of existing retail shops, acquiring production facilities in Tai Po plants and acquiring equipment in retail shops.

Liquidity and Financial Resources Review

As at 31 December 2023, the Group had bank deposits and cash balance amounted to HK$88.5 million (31 December 2022: HK$103.9 million).

As at 31 December 2023, the gearing ratio of the Group was 0.69 (31 December 2022: 0.53), which was calculated based on total debts including bank borrowings and lease liabilities divided by equity attributable to owners of the Company.

As at 31 December 2023, the Group had total banking facilities of HK$83.1 million (31 December 2022: HK$103.2 million) of which HK$38.4 million (31 December 2022: HK$39.0 million) had been utilised.

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$141.0 million (31 December 2022: HK$107.1 million). Included in current liabilities are receipts in advance relating to sales of prepaid coupons and credits to customers in Hong Kong of HK$149.0 million (31 December 2022: HK$164.6 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$8.0 million (31 December 2022: HK$57.5 million) and current ratio of 1.04 (31 December 2022: 1.28).

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

Foreign Currency Risk

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

Material Acquisitions, Disposals and Significant Investments

There were no material acquisitions, disposals and significant investments during the financial year ended 31 December 2023.

Contingent Liabilities

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

Human Resources

As at 31 December 2023, the Group employed approximately 792 employees. Remuneration was based on market price, individual qualification and experience, and there was discretionary bonus based on years of service and performance appraisal.

During the year ended 31 December 2023, 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.

OTHER INFORMATION

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: a final dividend and a special dividend of HK0.34 cent and HK0.28 cent per ordinary share, respectively, totalling HK0.62 cent per ordinary share).

Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting ("**AGM**") of the Company to be held on Friday, 7 June 2024, the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 3 June 2024.

Corporate Governance Code

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 2023.

Model Code for Securities Transactions

The Company has adopted a code of conduct (the "**Code of Conduct**") based on the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules (the "**Model Code**"). For the year ended 31 December 2023, all of the Directors confirmed that they have complied with the required standards set out in the Code of Conduct.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

Audit Committee

The Company has established an audit committee (the "**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.

The Group's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Publication of Annual Report

The annual report for the year ended 31 December 2023 containing all relevant information required by the Listing Rules will be published on the designated website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.hungfooktongholdings.com) in due course.

On behalf of the Board of
Hung Fook Tong Group Holdings Limited
Tse Po Tat
Chairman and Executive Director

Hong Kong, 25 March 2024

As at the date of this announcement, the Board comprises Mr. Tse Po Tat, Dr. Szeto Wing Fu and Ms. Wong Pui Chu as executive Directors; and Prof. Sin Yat Ming, Mr. Andrew Look and Mr. Yeung Chu Kwong as independent non-executive Directors.