



## Hung Fook Tong Achieves Encouraging Operational Business Growth in First Set of Interim Results After Hong Kong Listing

**Revenue up 24.4% to around HK\$364.9 Million**  
**Gross Profit Margin Stands at 60.5%**

### Financial Highlights

(HK\$'million)	For the Six Months Ended 30 June		
	2014	2013	Change
Revenue	364.9	293.4	+24.4%
Gross Profit	220.6	176.1	+25.3%
Gross Margin	60.5%	60.0%	+0.5ppt
Net Profit			
<i>Before one-off listing-related expenses and shared-based compensation expenses relating to the pre-IPO share options</i>	21.2	16.6	+27.7%
<i>After one-off listing-related expenses and shared-based compensation expenses relating to the pre-IPO share options</i>	4.4	16.6	-73.5%

(Hong Kong, 27 August 2014) – **Hung Fook Tong Group Holdings Limited** (“Hung Fook Tong” or together with its subsidiaries the “Group”; stock code: 1446), the top retailer of Chinese herbal drinks, soups and tortoise herbal jelly in Hong Kong, achieved encouraging operational business growth in its first set of interim results for the six months ended 30 June 2014 (“1H 2014” or “the reporting period”) since listing on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group’s total revenue increased by 24.4% to approximately HK\$364.9 million compared to the corresponding period in 2013. Gross profit was up 25.3%, reaching HK\$220.6 million, while gross profit margin rose to 60.5%. Due to effective operation management and increasing benefits derived from greater economies of scale – excluding one-off listing-related expenses and share-based compensation expenses relating to pre-IPO share options, net profit rose by 27.7% to HK\$21.2 million, and on the same basis basic earnings per share amounted to HK4.47 cents, as oppose to HK3.51 cents for the same period last year. Net profit amounted to HK\$4.4 million after taking into account of the aforementioned two items.

**Mr. Tse Po Tat, Chairman of Hung Fook Tong**, said, “Despite dampened consumption sentiment, the Group managed to achieve solid business growth across two major business segments. The year 2014 is an especially significant year for Hung Fook Tong. The recently completed listing in Hong Kong, coupled with our proven business model, wholesome corporate culture, quality products and services, and strong development potential, will propel our business to new heights of success, particularly in Mainland China, in the future.”

### **Direct Sales**

As of 30 June 2014, the Group operated 101 retail shops in Hong Kong and had 25 self-operated shops in Mainland China, reaching a total of 126 shops. 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.

The Hong Kong operation experienced a rise in revenue of 27.5% to HK\$235.3 million compared to the corresponding period in 2013, driven by growth in same-store sales and enhanced sales from refurbished stores. Hung Fook Tong opened a total of 18 new shops, raising the total shop count to 101 as at 30 June 2014. As for the Mainland China operations, the Group generated revenue of HK\$10.1 million in the reporting period, being still in a developmental stage.

### **Indirect Sales**

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. In respect of the Mainland China market, revenue climbed by 29.9% to HK\$52.1 million compared to the corresponding period in 2013. To capture the growth potential of the huge consumer market in China, the Group has established a larger distribution network covering up to 44 cities in 13 provinces, with the inclusion of Jilin, Zhanjiang, Qingyuan and Suzhou.

The indirect sales business in Hong Kong generated revenue of HK\$67.5 million during the period, representing a growth of 18.2% compared to the corresponding period in 2013. The Group has experienced encouraging growth for this segment mainly attributable to the steady take-up of its best-selling products, including Canton Love-pes Vine Drink (雞骨草) and Common Selfheal Fruit-spike Drink (夏枯草).

### **Prospects**

Despite of weakening consumption sentiment during the remaining half year in Hong Kong, the management remains confident in the Group's ability to capture a greater share of the local market. In Mainland China, consumption sentiment is improving gradually. Given that Hung Fook Tong 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 China market.

### **Direct Sales**

In Hong Kong, the Group will continue with its retail network expansion to sustain growth momentum. 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. The management is fully confident in the Group's ability to reach the target of opening a total of 25 new shops in 2014. 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, three new shops were opened in July 2014 in Guangzhou to capitalise on the relatively high consumption power of the target customers found in the region. The Group plans to open still more shops in Guangzhou and Shanghai by the end of the year.

## Indirect Sales

Playing a key role in the Group's growth, the management will seek to enhance its presence in the valuable Mainland China market. It will further penetrate the Guangdong market by selling to more individual third-party retailers and by directly conduct sales with key-accounts customers. In first-tier cities particularly Shanghai, the management will leverage Hung Fook Tong's unique and highly recognised Hong Kong branding for further expanding its 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 Hung Fook Tong branded products. Besides, 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.

## New production facilities

In Mainland China, the new production facility in Suzhou is expected to become operational in the fourth quarter of 2014, to directly address increasing demand from Shanghai and eastern and central China. Similarly, the Tai Po plant in Hong Kong is expected to achieve full-production capability around October 2014, supplanting Tsuen Wan facility as the Group's main production facility in Hong Kong.

**Mr. Kenneth Kwan, Managing Director of Hung Fook Tong**, concluded, "While remaining cautiously optimistic about the Group's overall business prospects, the management will keep a vigilant watch on the operation environment including key cost indicators with an aim to realise greater profitability in the future. The Group is confident in its ability to consolidate its position as the Hong Kong market leader, while at the same time strengthen its reputation as a leading wellness concept food and beverage brand in Mainland China."

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## **About Hung Fook Tong (Stock Code: 1446)**

Established in 1986 and listed on the Main Board of The Stock Exchange of Hong Kong Limited on 4 July 2014, Hung Fook Tong is a modern wellness concept food and beverage enterprise, offering a comprehensive range of products. It currently has 126 retail shops primarily in Hong Kong and also in China. According to Ipsos report, in 2013, Hung Fook Tong was the top retailer of Chinese herbal drinks, soups and tortoise herbal jelly in Hong Kong, with a market share of 34.4%. To capture the growth potential of the huge consumer market in China, the Group's long shelf-life drinks were sold to third party retailers and distributors, covering 44 cities in China as at 30 June 2014. Website: [www.hungfooktongholdings.com](http://www.hungfooktongholdings.com)

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