



Hung Fook Tong's 2016 Interim Net Profit Up 25.6% Gross Profit Margin Increases to 62.2%

*Stays in Top Spot in Hong Kong Retail Market with
30 Years of Strong Brand Recognition*

Financial Highlights

(HK\$'000)	For the six months ended 30 June		
	2016	2015	Change
Revenue	347,933	357,374	-2.6%
Gross Profit	216,430	214,759	+0.8 %
Gross Profit Margin	62.2%	60.1%	+2.1 ppt
Profit attributable to Owners of the Company	1,420	1,131	+25.6%
Basic earnings per share (HK cent)	0.22	0.17	+29.4%

(Hong Kong, 29 August 2016) – **Hung Fook Tong Group Holdings Limited** (“Hung Fook Tong” or the “Company” or together with its subsidiaries the “Group”, stock code: 1446), the top retailer of Chinese herbal products in Hong Kong, has announced its unaudited consolidated interim results for the six months ended 30 June 2016 (“1H2016”).

During 1H2016, driven by a solid reputation and strong brand recognition among the general public, particularly in Hong Kong, the Group’s revenue reached HK\$347.9 million (1H2015: HK\$357.4 million). Gross profit rose to HK\$216.4 million (1H2015: HK\$214.8 million), with gross profit margin rising to 62.2% (1H2015: 60.1%), mainly due to the enhancement of procurement procedures and the successful implementation of cost control measures. Profit attributable to owners of the Company rose 25.6% to HK\$1.4 million (1H2015: HK\$1.1 million).

The Group remains in a healthy financial position, with HK\$110.0 million in cash and cash equivalents as at 30 June 2016, and maintains strong cash flows with net cash generated from operating activities.

Mr. Tse Po Tat, Chairman and Executive Director of Hung Fook Tong, said, “With Hung Fook Tong’s solid experience and strong presence particularly in the Hong Kong retail market over the last three decades, we have been able to mitigate the impact of the difficult business climate, where we continued to achieve stable business growth and retained our position as the largest herbal retailer in Hong Kong in terms of retail network size.”

Retail

The retail segment generated revenue of HK\$258.9 million (1H2015: HK\$243.7 million), up 6.2%, and accounted for 74.4% of total revenue. Segment profit climbed 42.1% to HK\$31.9 million (1H2015: HK\$22.4 million), owing to the continuous expansion of the Hong Kong retail business.

The Hong Kong retail operation contributed revenue of HK\$251.9 million (1H2015: HK\$235.1 million) to the Group, up 7.1%. The increase was mainly due to healthy same-store sales growth, driven by greater marketing efforts that leveraged online and social media platforms. Furthermore, incentives extended to the Group's loyalty programme members and the introduction of new products also contributed to the rise in revenue.

As at 30 June 2016, the Group's Hong Kong retail network consists of 112 self-operated shops, with four news shops opened in first half of 2016, mainly located in MTR station and shopping malls. Apart from the prudent network expansion, the Group also placed much effort on marketing and promotions that capitalised on its 30th anniversary celebration to drive sales and build awareness.

The number of JIKA CLUB members rose to nearly 587,000 members as of June 2016. A new Platinum Membership program was also introduced as a strategy to better segment the members for specific services. In order to draw online customers, the Group introduced an online shopping platform, i.e. "Hung Fook Tong Online" in early 2016, which enjoyed good response from the general public.

In Mainland China, the Group recorded revenue of HK\$7.0 million (1H2015: HK\$8.6 million) as it strategically exited the Shanghai market. It operated 21 retail shops in Guangzhou as at 30 June 2016.

Wholesale

The wholesale segment contributed revenue of HK\$89.0million (1H2015: HK\$113.7 million), as fierce competition and weak retail momentum continued to impact on both the Hong Kong and Mainland China markets. Segment loss of HK\$8.0 million (1H2015: profit of HK\$3.9 million) was recorded as a result of advertising and promotional expenses incurred due to the introduction of a number of new products on both sides of the border, which the Group trusts is essential for sustaining the long-term development of the wholesale operations.

In Hong Kong, revenue was HK\$53.0 million (1H2015: HK\$67.0 million), such decrease was mainly due to the unsatisfactory performance of a key distributor. On a positive note, the new Fresh Fit Drinks Series (清解飲), which includes Apple & Bitter Melon (蘋果苦瓜) and Red Bean & Jobs Tears Seeds Drink (紅豆薏米), have generated encouraging sales momentum.

In Mainland China, the wholesale segment generated revenue of HK\$36.0 million (1H2015: HK\$46.6 million) due to the weak consumption sentiment, which has severely affected the beverage industry as a whole. The Group has nevertheless made progress in expanding its distribution footprint, covering 46 cities in 16 provinces across the country. The number of distributors has also increased to 78 as at 30 June 2016, while the Group has secured two new key accounts in Guangzhou.

Prospects

While the Group will be cautious under the volatile environment, particularly in Mainland China, it is confident in maintaining a lead position in the Hong Kong retail market. Complementing the retail operation, the Group's online platform offers a different and diverse portfolio of healthy products. Even though the online business is still at an early stage of development, its growth potential is significant. The Group will therefore direct greater focus on the online business, so that it develops into a new revenue stream.

Retail

The Group remains optimistic about maintaining its position in Hong Kong with products that have proven fully capable of weathering the lacklustre conditions. Furthermore, the Group will continue to prudently expand its shop network, by adding at least five more shops during the second half year, having already opened two shops and secured three other locations, including MTR shops along the South Island Line.

Greater marketing efforts will be made via the internet and more online tools such as a new mobile application for JIKA Club members will be introduced to encourage same-store sales and broaden the Group's customer base, especially the youth segment.

Wholesale

Summer months are the traditional peak seasons for drinks, thus the management will step up efforts in sustaining the sales momentum. In Hong Kong, where the Group is a market leader of wellness drinks, the Group will continue to highlight the Fresh Fit Drinks as a healthy alternative to traditional beverages, along with launching products with new packaging such as Iced Milk Tea (金裝奶茶) with "Less Sugar" (少甜配方). For overseas business, the Group plans to tap into the Thailand market in the remaining half year.

The Group will continue to take a highly cautious approach towards managing the Mainland China wholesale business and seek to drive sales and increase awareness by further promoting its new products. A variety of sales channels will be tapped to reach local consumers, complemented by product mixes that are tailored for the varied tastes of customers from different regions. The Group will also continue to partner with popular e-retailers such as Yihaodian (1 號店), Jingdong (JD.com) (京東) and sfbest.com (順豐優選) to tap the vast online shopping demand.

Mr. Kenneth Kwan, Managing Director and Executive Director of Hung Fook Tong, concluded, "With a solid foundation, strong brand value and effective business segmentation – the fruit of 30 years of perseverance, Hung Fook Tong is fully capable of weathering volatile conditions. The management will take necessary measures to maintain our leadership in the Hong Kong market and achieve a turnaround in Mainland China, looking to reap the benefit in the near future."

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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 wide range of additive-free healthy food products for three decades. Currently, it has more than 130 retail shops primarily in Hong Kong and also in Mainland China. In terms of the number of retail shops, Hung Fook Tong is now the top retailer of Chinese herbal products in Hong Kong. To capture the growth potential of the huge consumer market in Mainland China, the Group's long shelf-life drinks and fresh drinks are sold to third party retailers and distributors covering a number of cities in Mainland China.

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