



## Hung Fook Tong Achieves Turnaround in Profit for 2015 Annual Results

*Gross Profit Margin Climbs to 60.7%*

*Declares A Final Dividend and A Special Dividend totalling HK0.76 Cent per Ordinary Share with Its 30<sup>th</sup> Anniversary Looming Large*

### Financial Highlights

(HK\$'000)	For the Year Ended 31 December		
	2015	2014	Change
Revenue	<b>723,578</b>	722,072	+0.2%
Gross Profit	<b>438,927</b>	423,980	+3.5%
Gross Profit Margin	<b>60.7%</b>	58.7%	+2.0 ppt
Profit / (Loss) attributable to Owners of the Company	<b>8,707</b>	(38,345)	N/A
Earnings per Share attributable to Owners of the Company (HK cent)	<b>1.33</b>	(6.82)	N/A
Final and Special Dividend per Ordinary Share (HK cent)	<b>0.76</b>	-	N/A

(Hong Kong, 24 March 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 annual results for the year ended 31 December 2015 (“2015” or “the Reporting Year”).

Despite the volatile economic climate in Mainland China and Hong Kong impacting on the consumption sentiment during the past year, the Group recorded stable revenue of HK\$ 723.6 million (2014: HK\$722.1 million), thanks to its strong brand recognition. Gross profit rose by 3.5% to HK\$438.9 million (2014: HK\$424.0 million), with gross profit margin climbing to 60.7% (2014: 58.7%), due primarily to the enhancement of procurement procedures and partly because of the depreciation of the renminbi.

With the successful implementation of cost control measures, and the absence of one-off expenses related to its listing and trial operation of the new production facilities in Tai Po, the Group has returned to profitability, registering a profit attributable to owners of the Company of HK\$8.7 million (2014: loss of HK\$38.3 million). The Board has resolved to recommend a final dividend and a special dividend of HK0.40 cent and HK0.36 cent per ordinary share, respectively (totalling HK0.76 cent per ordinary share).

**Mr. Tse Po Tat, Chairman and Executive Director of Hung Fook Tong**, said, “With 30 years of solid foundation, the backbone of the Hung Fook Tong brand and the commitment of the entire workforce, the Group has managed to return to profit. Thus, we are pleased to distribute a final dividend and a

special dividend to reward our loyal shareholders. In our traditional stronghold – the Hong Kong retail market – we have implemented measures to enhance our competitiveness and taken a more prudent approach in opening new retail shops, thereby remaining the largest player in the industry. By complementing our wider footprint with appealing marketing and promotional campaigns, we have continued to enjoy sales growth."

## **Retail**

The retail segment generated revenue of HK\$491.8 million during the Reporting Year (2014: HK\$480.9 million), representing a year-on-year increase of approximately 2.3%. Driven by significant improvements in the Hong Kong retail business, profit from the segment increased notably by 41.1% to HK\$50.5 million (2014: HK\$35.8 million).

In Hong Kong, revenue has risen 3.2% to HK\$475.7 million (2014: HK\$460.9 million). Nine new shops have been opened in 2015, raising the total number of self-operated shops to 112 as at the end of 2015. Its membership program, JIKA CLUB, recruited nearly 104,000 new members in 2015, thereby raising the total number of members to over 540,000.

In Mainland China, the Group recorded revenue of HK\$16.2 million (2014: HK\$20.0 million) as it strategically exited the Shanghai market. It operated 21 retail shops in Mainland China as at 31 December 2015.

## **Wholesale**

Revenue derived from the wholesale segment decreased to HK\$231.8 million (2014: HK\$241.2 million), as a result of intensive competition and weak retail momentum in both Hong Kong and Mainland China. Segment profit declined to HK\$6.0 million (2014: HK\$8.0 million).

In Mainland China, the Group recorded revenue of HK\$87.5 million (2014: HK\$91.6 million) due to weak consumption sentiment, economic downturn in Guangzhou and the temporary suspension of ties with a key customer in Beijing. Since the second half of 2015, the Group has resumed business relations with that customer. As at the end of 2015, the Group had an extensive distribution network covering 15 provinces and 46 cities through 71 distributors. Besides securing more key accounts in Shenzhen, the Group also tapped second-tier cities in Guangdong such as Qingyuan, Zhanjiang and Chiuchow. It is worth noting as well that the Beijing office has commenced operation, which will facilitate the Group's penetration of the Northern China market.

In Hong Kong, revenue was HK\$144.3 million (2014: HK\$149.6 million). The Group maintained its No.1 position in the Wellness Drink Category in Hong Kong for the 13th consecutive year, with a market share of 37.5%.

To mitigate the impact from the slowdown of growth in Mainland China economy, the Group has continued to expand its wholesale business overseas and begun to make its mark in Taiwan in the second half of 2015. Initial response has been favourable.

## **Production Capabilities**

The Tai Po plant earned ISO22000 accreditation in the first quarter of 2016, after having only commenced operation at the end of 2014. This achievement underscores the Group's success in food safety management and commitment to deliver products that meet the highest safety standards. With regards to tackling key markets specifically in Mainland China, the Suzhou plant commenced operation in April 2015.

## **Prospects**

Consumption sentiment in the upcoming financial year is expected to remain erratic, mirroring the economic conditions in Hong Kong and Mainland China. While the Group continues its cautious approach, it also recognises the need to sustain retail sales momentum generated during the second half of 2015.

## **Retail**

The Group is confident about its Hong Kong operation in maintaining its market leadership. The Group plans to open between six and eight retail shops in 2016, having already opened one shop in an MTR station and secured another location. To spur same store sales growth, the Group is placing greater efforts on marketing via online and social media platforms to reach a younger demographic.

To complement the Hong Kong retail business, a B2C online shopping platform, Hung Fook Tong Online ([online.hungfooktong.com](http://online.hungfooktong.com)), has been launched. Positioned as a one-stop shop for healthy lifestyle products, Hung Fook Tong Online is poised to seize the growing demand for a convenient and quick shopping experience.

## **Wholesale**

The Group will take a cautious approach in its wholesale business in response to the highly challenging market environment particularly in Mainland China. Hence, the Group will focus more on introducing higher-margin products in Mainland China and expanding overseas markets.

Southern China will remain the primary focus of the Group, thus the management will explore more sales channels and secure more sales points. Meanwhile, the Group will direct greater effort towards e-commerce by partnering with popular e-retailers such as Yihaodian, Jingdong and Tmall.

**Mr. Kenneth Kwan, Managing Director and Executive Director of Hung Fook Tong**, concluded, "With 2016 marking the Group's 30th anniversary, this milestone represents an ideal opportunity to highlight our successful track record and healthy, trusted brand name among consumers and the public. As a local brand, Hung Fook Tong resolves to continue to offer a taste of home, while nourishing the community by preserving and sharing traditional Chinese herbal culture, as well as promoting modern wellness concepts. We believe in this way the Group can maintain its leadership in Hong Kong while forging a new future in Mainland China and beyond."

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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.

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

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