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Hung Fook Tong Group Holdings Limited Announces Details of Proposed Listing on the Main Board of the Stock Exchange

(Hong Kong, 22 June 2014) – Hung Fook Tong Group Holdings Limited (鴻福堂集團控股有限公司) ("Hung Fook Tong" or the "Group"), the top retailer of Chinese herbal drinks, soups and tortoise herbal jelly in Hong Kong¹, announced details of its proposed listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Hung Fook Tong intends to issue a total of 158,000,000 shares, of which 90%, or 142,200,000 shares, are for the International Offering, subject to adjustment. The remaining 10% of the Offer Shares, or 15,800,000 Shares, are for the Hong Kong Public Offering (of which 1,580,000 Shares are for the Employee Preferential Offering). After deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.15 per share (being the mid-point of the indicative Offer Price range of HK\$1.00 to HK\$1.30) and that the Over-allotment Option is not exercised, net proceeds from the Global Offering are estimated to be approximately HK\$148 million.

The Hong Kong Public Offering will begin on 23 June 2014 (Monday) and end at noon on 26 June 2014 (Thursday). The final Offer Price and allotment results is expected to be announced on or around 3 July 2014 (Thursday). Trading of Hung Fook Tong's shares is expected to commence on the Main Board of the Stock Exchange on 4 July 2014 (Friday) under the stock code 1446. The shares will be traded in board lots of 2,000 shares.

Crosby Securities Limited is the Sole Sponsor and the Sole Global Coordinator, while Crosby Securities Limited and Shenyin Wanguo Capital (H.K.) Limited are the Joint Bookrunners and Joint Lead Managers.

¹ Source: Ipsos Report, in terms of revenue and number of retail shops in 2013

Corporate Highlights

Hung Fook Tong was the **top retailer of Chinese herbal drinks, soups and tortoise herbal jelly in Hong Kong¹** in 2013 with a **market share of 34.4%**. The Group develops its reputable and award-winning “Hung Fook Tong” brand by associating it with its core values of building on traditional Chinese herbal culture, delivering benefits of a healthy diet and natural ingredients, focusing on its stringent quality control and providing convenient-to-consume products to customers. The Group’s “JICA CLUB” membership program has attracted over 380,000 members as at 13 June 2014.

The Group aims to further expand in the Hong Kong and PRC market, capturing the growth potential of the huge consumer market in China which is to become a substantial revenue and profit contributor to the Group.

1. Effective two-channel sales model of Direct Sales and Indirect Sales to capture the ample business opportunities and growth potential in the PRC and Hong Kong market.

Direct Sales

As at 13 June 2014, the Group had 97 self-operated retail shops in Hong Kong, mainly in MTR stations and shopping malls with convenient locations, high population density and high pedestrian flow. The Group’s Direct Sales in Hong Kong recorded a **CAGR of 11.7%** over the period from 2011 to 2013, mainly attributable to increase in comparable shop sales and new shop openings. As at 13 June 2014, in China, the Group had 25 retail shops in major cities in Guangdong and in Shanghai. It intends to open at least 10 self-operated retail shops in each of Guangzhou and Shanghai in the coming twelve months, targeting mid-to-high income customers.

Indirect Sales

The Group’s Indirect Sales customers are mainly third party retailers (e.g. supermarket and convenience store chains) and distributors, and its long shelf-life drinks are distributed in Hong Kong, China and overseas market. As at 13 June 2014, the Group’s long shelf-life drinks are sold in **39 cities in China**. Revenue from Indirect Sales in China increased from HK\$42.7 million in 2011 to HK\$85.9 million in 2013, representing a **CAGR of 41.8%** over the period.

2. Financial Positions

The Group’s revenue increased from HK\$479.3 million in 2011 to HK\$645.0 million in 2013, representing a CAGR of 16.0%. Its net cash flows from operating activities increased from approximately HK\$27 million in 2011 to approximately HK\$59 million in 2013. The Group’s profit before income tax increased from HK\$9.5 million in 2011 to HK\$48.5 million in 2013², representing a CAGR of 126.0% from 2011 to 2013. The gross margin increased from approximately 57.0% in 2011 to approximately 60.0% in 2013.

3. Industry Outlook

According to the Ipsos Report, the trading value of Chinese herbal drinks trading business is expected to have a robust growth in China at a CAGR of approximately 20.0% from 2008 to 2017. In Hong Kong, retail sales value of Chinese herbal drinks and soup is expected to increase by a CAGR of 6%-7% from 2008 to 2017.

² After deducting the one-off listing-related expenses of HK\$5.9 million incurred in 2013

4. Growth Strategies

The Group will further expand and enhance its Indirect Sales network in China to penetrate into the China market. It will develop closer relationship with existing key-account customers and secure sales to new key-account customers, as well as further expand the Indirect Sales in Guangdong Province and Shanghai and to other cities such as Ningbo, Hangzhou and Dalian. At the same time, the Group will expand and enhance the Direct Sales network in Hong Kong. It intends to open approximately 25, 30 and 35 new retail shops in Hong Kong in 2014 (for whole year), 2015 and 2016 respectively, and refurbish some of the existing retail shops.

The Group will also expand and optimise production capabilities to cater for the increased production requirement as the Group expands its retail shop network and its long shelf-life drinks distribution business. The Group's planned Tai Po and Suzhou production facilities are expected to become fully operative in September to October 2014. It will also further enhance the brand image through effective marketing strategy with focus on healthy lifestyle concept and product safety and quality, with an aim of solidifying its market leadership position.

- End -

Use of Proceeds

	Approximately
Opening new retail shops in Hong Kong and China	35.3% or 52.2 million
Promotion and marketing	22.7% or 33.5 million
Repayment of bank borrowing	13.3% or 19.6 million
Working capital and other general corporate purposes	10.0% or 14.8 million
Recruitment of new staff	8.3% or 12.3 million
Expansion of distribution network for Indirect Sales in China	6.7% or 9.9 million
Improve information system	3.7% or 5.4 million

Key Financial Data

(HK\$'000)	For the year ended 31 December		
	2011	2012	2013
Revenue	479,298	578,693	645,049
Gross Profit	273,092	351,398	387,099
Gross Margin	57.0%	60.7%	60.0%
Net Profit Before Income Tax	9,532	48,115	48,521*
Net cash generated from operating activities	27,452	57,275	58,896

* After deducting the one-off listing-related expenses of HK\$5.9 million incurred in 2013

Photo Caption

Photo 1

- Mr. Herman TSANG, Financial Controller and Company Secretary of Hung Fook Tong Group Holdings Limited (2nd from the left)
- Mr. KWAN Wang Yung, Kenneth, Managing Director and Executive Director of Hung Fook Tong Group Holdings Limited (3rd from left)
- Mr. TSE Po Tat, Chairman and Executive Director of Hung Fook Tong Group Holdings Limited (3rd from the right)
- Dr. SZETO Wing Fu, Ricky, General Manager and Executive Director of Hung Fook Tong Group Holdings Limited (2nd from the right)



Photo 2

- Mr. Herman TSANG, Financial Controller and Company Secretary of Hung Fook Tong Group Holdings Limited (2nd from the left)
- Mr. KWAN Wang Yung, Kenneth, Managing Director and Executive Director of Hung Fook Tong Group Holdings Limited (3rd from left)
- Mr. TSE Po Tat, Chairman and Executive Director of Hung Fook Tong Group Holdings Limited (Central)
- Dr. SZETO Wing Fu, Ricky, General Manager and Executive Director of Hung Fook Tong Group Holdings Limited (3rd from the right)
- Mr. Alex LAU, Managing Director of Crosby Securities Limited (2nd from the right)



Photo 3

- Mr. Alex LAU, Managing Director of Crosby Securities Limited (1st from the left)
- Dr. SZETO Wing Fu, Ricky, General Manager and Executive Director of Hung Fook Tong Group Holdings Limited (2nd from the left)
- Mr. TSE Po Tat, Chairman and Executive Director of Hung Fook Tong Group Holdings Limited (Central)
- Mr. KWAN Wang Yung, Kenneth, Managing Director and Executive Director of Hung Fook Tong Group Holdings Limited (2nd from the right)
- Mr. Herman TSANG, Financial Controller and Company Secretary of Hung Fook Tong Group Holdings Limited (1st from the right)



About Hung Fook Tong

Established in 1986, Hung Fook Tong is a modern wellness concept food and beverage enterprise, offering a comprehensive range of products. 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%³. 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 39 cities in China as at 13 June 2014.

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³ Source: Ipsos Report, in terms of revenue and number of retail shops in 2013