

[For immediate release]



Hung Fook Tong Announces 2022 Interim Results

***Retains Leading Position in Hong Kong Retail Market with 124 shops
Expands Customer Base for Wholesale Business***

Financial Highlights

(HK\$'000)	For the six months ended 30 June		
	2022	2021	Change
Revenue	339,998	346,286	-1.8%
Gross profit	202,792	210,470	-3.6%
Gross profit margin	59.6%	60.8%	-1.2 ppt
Profit attributable to owners of the Company	10,165	7,272	+39.8%
Earnings per share (HK cents)	1.55	1.11	+39.6%

(Hong Kong, 29 August 2022) – **Hung Fook Tong Group Holdings Limited** (“Hung Fook Tong” or the “Company”, together with its subsidiaries, the “Group”; stock code: 1446), the top retailer of Chinese herbal products in Hong Kong, has announced its unaudited condensed consolidated interim results for the six months ended 30 June 2022 (“1H2022”).

During 1H2022, the Group’s operations in both Hong Kong and Mainland China were severely impacted by strict social distancing measures imposed by respective governments to combat the newest waves of the Coronavirus Disease 2019 (“COVID-19”) pandemic. Consequently, consumer sentiment was dampened and retail traffic was weakened. Despite daunting challenges, the Group managed to maintain relatively stable sales performance, with revenue totalling HK\$340.0 million, down 1.8% from HK\$346.3 million recorded for the six months ended 30 June 2021 (“1H2021”).

Gross profit edged downward by 3.6% to HK\$202.8 million (1H2021: HK\$210.5 million), while the gross profit margin dipped to 59.6% (1H2021: 60.8%), due primarily to the decline in revenue, higher raw material costs and higher utility expenses.

However, profit attributable to owners of the Company increased by 39.8% to HK\$10.2 million (1H2021: HK\$7.3 million), owing mainly to the receipt of more government grants under the pandemic relief measures as compared with the same period in 2021. In total, HK\$12.3 million (1H2021: HK\$1.4 million) was received, comprising funds from the Employment Support Scheme and subsidies for food license holders.

Mr Tse Po Tat, Chairman and Executive Director of Hung Fook Tong, said, “The resilient performance that the Group demonstrated during the challenging first half year is a testament to the strong brand recognition that Hung Fook Tong enjoys, as well as our thorough understanding of consumers’ needs.”

Business Segment Analysis

Hong Kong Retail

Contributing the largest portion of the Group’s revenue, the Hong Kong retail business generated HK\$262.9 million (1H2021: HK\$270.6 million) during 1H2022, or a year-on-year decline of 2.8%, though still equating to 77.3% of total revenue. As the first quarter of the year witnessed the fifth wave of COVID-19, rigorous social distancing measures were introduced, which resulted in a sharp fall in store traffic and decline in same-store sales.

Despite efforts to curb operational costs, such as negotiating for more preferential rental concessions, segment profit declined by 1.8% to HK\$23.4 million (1H2021: HK\$23.8 million). This was the consequence of higher raw material prices and utility expenses.

The Group sought to further fortify its leading market position, with 124 self-operated shops as at 30 June 2022, hence remaining the largest Chinese herbal retailer in Hong Kong based on retail network size. During 1H2022, the Group opened a total of six new shops, comprising two “HFT Life” cafés at the Hong Kong Science Park and a shopping mall, and four Hung Fook Tong shops located along MTR stations – including the newly opened Exhibition Centre station, and in a shopping mall.

Along with an enlarged market presence, the Group employed marketing and product launches to promote spending and increase the average transaction amount. Such efforts were able to partly offset the decline in transaction volume in the wake of the fifth wave of pandemic. The Group’s marketing campaigns which were particularly developed to capitalise on the Consumption Voucher Scheme that commenced disbursements in April 2022 also received favourable response.

With regard to membership recruitment, there was an upsurge in JIKA CLUB (自家 CLUB) memberships, which exceeded 1.2 million as at 30 June 2022, or an increase of approximately 50,000 when compared with the end of 2021.

As for digitisation, the Group persisted with its strategy of promoting e-coupons. The Group also promoted the use of the “JIKa PAY” e-Card via the Hung Fook Tong mobile application (“APP”). In addition, the “JIKa ON!” (自家 ON!) online marketplace that was soft launched at the end of 2021 has been able to attract existing JIKa CLUB members and a wider audience to register for the platform through special offers and registration promotions via self-operated shops and online channels.

Wholesale

The wholesale segment recorded a modest increase in revenue, rising by 1.8% year-on-year to HK\$77.1 million (1H2021: HK\$75.7 million). Even though the Mainland China business experienced a decline, it was offset by growth from the Hong Kong operation. However, due to an increase in raw material costs, there was only a marginal rise in segment profit of 1.1% to HK\$8.0 million (1H2021: HK\$7.9 million).

In **Hong Kong**, the wholesale business saw revenue climb by 6.2% to HK\$64.2 million (1H2021: HK\$60.5 million). This achievement can be attributed to strong ties with key accounts, distributors and online resellers, as well as the launch of non-beverage products that helped expand the Group’s customer base. During 1H2022, the Group partnered with PARKnSHOP in launching a novel series of refreshing co-branded herbal drinks. An extended variety of products, such as ambient temperature soup packs, stewed pork trotter and ginger in sweet vinegar packs, and squeezing tortoise plastron jelly were also introduced to PARKnSHOP locations.

In **Mainland China**, wholesale business fell 15.5% to HK\$12.9 million (1H2021: HK\$15.2 million) for 1H2022. The contraction was the aftermath of quarantine and lockdown measures implemented to contain outbreaks of new COVID-19 variants. Despite a broad range of challenges, the Group was able to strengthen ties with key accounts mainly in Southern China. Such efforts led to the increased availability of its products, including over 9,000 convenience stores in cities like Guangzhou, Dongguan, Shenzhen, Shanghai, as well as various supermarkets and department stores as at the end of 1H2022. The Group also partnered with distributors to tap new channels, including Bailihui (百利匯) convenience stores, Polison (百里臣) convenience stores, Jiangmen Daymart supermarkets (江門大昌超市) and Sinopec petrol stations (中石化).

Mindful of lower foot traffic amid strict pandemic controls, the Group increased online sales and marketing efforts. As a result, the Group’s products are available through online platforms such as JD.com (京東), Taobao (淘寶), Tmall (天貓) and Meituan (美團).

Prospects

Despite the difficult operating environment during 1H2022, the retail industry in Hong Kong is expected to recover progressively in the remaining six months of the year as strict pandemic control measures are gradually relaxed. Moreover, the disbursement of new rounds of consumption vouchers by the Hong Kong Government in August and October is anticipated to help stimulate the retail market to a certain extent. Still, the business environment is expected to remain highly uncertain due to different factors in the macro environment such as inflation and higher interest rates, leading to generally higher operating costs. The Group will remain vigilant and pay heed to potential risks arising from escalating operating costs and weaker consumer sentiment. It will also continue its efforts to tap new revenue streams and protect its market leadership through high-quality products that capitalise on the growing health-conscious trend among consumers.

Hong Kong Retail

Going forward, the Group will maintain a robust store network in Hong Kong and fortify its market leading position. The Group therefore envisages opening one to two additional stores in the second half year. Already, it has secured one location for an HFT Life store, specifically in a university campus.

The Group will leverage upcoming holiday seasons and the aforementioned disbursement of government consumption vouchers with relevant promotions. In addition, the Group will further promote dietary food that are appropriate for women who are in postpartum confinement or who are pregnant.

In the second half year, the Group will also seek to reinforce its market leadership in the pre-packaged soup segment. This will be in conjunction with the development of more ambient temperature products that are easy to consume, hence, along with ambient soups, dessert options will be created – all of which will facilitate the tapping of new sales channels. To drive sales and increase exposure, the Group has already confirmed its participation in a number of physical exhibitions and expos in the remaining half year.

The Group will exert still greater effort in member recruitment and engagement. It will launch more incentives to encourage the download and use of the Hung Fook Tong APP. Furthermore, electronic discount coupons exclusively available via the APP will be rolled out in August 2022 to attract potential JIKA CLUB members and to also urge more downloads. As for JIKA ON!, it will continue to add new merchandise, more e-coupons and food items, which will act as catalyst for increasing patronage of the online marketplace.

Wholesale

The Hong Kong wholesale operation will witness new product introduction in the second half year. In July, the Group has launched a series of special edition bottled drinks that follow an art theme. What is more, one of the drinks use plastic bottles 100% made from rPET (recycled polyethylene terephthalate) in a move to support the reduction in plastic waste and carbon emission. In addition, the Group will seek to further secure cross-brand collaborations and roll out more marketing campaigns or events.

As for the Mainland China market, online channels will take on added importance, serving as the conduits for product promotions and sales by retailers amidst pandemic restrictions. Consequently, the Group will redouble promotion efforts via more online and social platforms such as TikTok (抖音) and Xiao Hong Shu (小紅書). Geographically, the Group will focus on penetrating the Guangdong province market including in second tier cities such as Foshan, Zhongshan and Huizhou. It will also further bolster ties with key accounts to bring more fresh and long shelf-life products back to the shelves of convenience stores and supermarkets.

Dr. Ricky Szeto, Chief Executive Officer and Executive Director of Hung Fook Tong, concluded, “In the face of stiff headwinds, the Group will continue to leverage its operational excellence and market expertise built over the years to rise above the challenges ahead and capture market opportunities that emerge, and thus create long-term sustainable value for its stakeholders.”

- End -

About Hung Fook Tong (Stock Code: 1446)

Established in 1986 and listed on the Main Board of The Stock Exchange of Hong Kong Limited in 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 more than 35 years. Currently, it has more than 120 retail shops in Hong Kong, thus it is the top retailer of Chinese herbal products in Hong Kong in terms of the number of retail shops. 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

Media Enquiries:

Hung Fook Tong Group Holdings Limited

Agnes Luo	Tel: 3651 2197	Email: agnesluo@hungfooktong.com.hk
Natalie Leung	Tel: 3651 2248	Email: natalieleung@hungfooktong.com.hk