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HUNG FOOK TONG

Hung Fook Tong Group Holdings Limited

鴻福堂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1446)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Hung Fook Tong Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 23 June 2014 (the “**Prospectus**”) in relation to the listing (the “**Listing**”) of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by global offering (the “**Global Offering**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus. Reference is also made to the interim report of the Company for the six months ended 30 June 2018, in which the utilisation of the net proceeds from the Global Offering from the date of Listing up to 30 June 2018 was disclosed.

CHANGE IN USE OF PROCEEDS

The net proceeds from the Global Offering received by the Company, after deducting underwriting fees and related expenses in connection thereof (the “**Net Proceeds**”), amounted to approximately HK\$196.7 million. As at 30 June 2018, the Company had unutilised approximately HK\$32.9 million of the Net Proceeds. For reasons set out in the section headed “Reasons for the Change in Use of Proceeds” in this announcement, the board (the “**Board**”) of directors (the “**Directors**”) of the Company has proposed to reallocate (i) approximately HK\$29.7 million originally intended for opening of new retail shops in Hong Kong and Mainland China; and (ii) approximately HK\$3.2 million originally intended for expansion of distribution network for wholesale in Mainland China, to the Group’s new production plant in Kaiping City, Guangdong Province and relocation of the production sites from Suzhou City, Jiangsu Province and Guanlan, Shenzhen to Kaiping City, Guangdong Province (the “**Proposed Reallocation**”).

Details of the original allocation, the Proposed Reallocation and the utilisation of the Net Proceeds are set out below:

	As set out in the Prospectus <i>HK\$'million</i>	Amount actually used up to 30 June 2018 <i>HK\$'million</i>	Unutilized amount as at 30 June 2018 <i>HK\$'million</i>	Proposed Reallocation <i>HK\$'million</i>	Revised unutilized amount <i>HK\$'million</i>
Opening of new retail shops in Hong Kong and Mainland China	101.2	71.5	29.7	(29.7)	–
Promotion and marketing	33.5	33.5	–	–	–
Improving information system	5.4	5.4	–	–	–
Recruitment of new staff	12.3	12.3	–	–	–
Expansion of distribution network for wholesale in Mainland China	9.9	6.7	3.2	(3.2)	–
Repayment of bank borrowings	19.6	19.6	–	–	–
Construction of production plant in Kaiping City, Guangdong Province and relocation of the production sites	–	–	–	32.9	32.9
Total	181.9	142.0	32.9		32.9

* *Details of the original allocation of Net Proceeds are set out in the Prospectus.*

REASONS FOR THE CHANGE IN USE OF PROCEEDS

The Group is principally engaged in the production and sales of a variety of natural, healthy and additive-free food and beverage products such as Chinese herbal drinks and non-herbal drinks, Chinese-style soups, tortoise herbal jellies and other food items under the Hung Fook Tong brand through retail and wholesale segments. As set out in the Prospectus, the Group intends to utilise HK\$101.2 million of the Net Proceeds for opening of new retail shops in Hong Kong and Mainland China and HK\$9.9 million for expansion of distribution network for wholesale in Mainland China. The Group has been monitoring the expansion of retail shops and distribution network in Hong Kong and Mainland China. After a detailed review of the rapid changing trading condition in the healthy drinks market in recent years, the Board considers that it is more appropriate to adopt a more conservative business strategy in the expansion of retail and distribution network. Moreover, as disclosed in the Company's 2016 and 2017 annual reports as well as 2018 interim report, the Group is constructing new production plant in Kaiping City, Guangdong Province. The new plant will not only play an important role in supporting the increasing demand for the Group's bottled drink products by providing additional capacity, but also facilitate cost-effective production owing to its high level of automation, thus translating into lower production cost in the long term.

With the construction of new production plant and relocation of the production sites, the Directors believe that it is necessary to consider reallocate the Net Proceeds. The Board is of the view that the Proposed Reallocation is in line with the Group's business strategy to strengthen the Group's production capability and will result in a more efficient use of the Net Proceeds.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the Proposed Reallocation will more effectively cater for the Group's financial and business needs and is in the best interests of the Company and its Shareholders as a whole.

On behalf of the Board of
Hung Fook Tong Group Holdings Limited
Tse Po Tat
Chairman and Executive Director

Hong Kong, 12 October 2018

As at the date of this announcement, the Board comprises Mr. Tse Po Tat, Ms. Wong Pui Chu and Dr. Szeto Wing Fu as executive Directors, and Mr. Kiu Wai Ming, Professor Sin Yat Ming and Mr. Andrew Look as independent non-executive Directors.