

# TARGET

## Intelligence Report

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T U E S D A Y

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### **HUNG FOOK TONG GROUP HOLDINGS LTD: CHAIRMAN TSE PO TAT BEMOANS HIS FATE, HOLDING LOAVES OF BREAD UNDER EACH ARM**

#### **The Chairman Asks: Why Did The Government Penalise My Company ?**

On scanning the 2021 Annual Report of Hung Fook Tong Group Holdings Ltd (鴻福堂集團控股有限公司) (Code: 1446, Main Board, The Stock Exchange of Hongkong Ltd), a number of references has been made with regard to the very material reductions of Hongkong Government Grants and Subsidies from the Employment Support Scheme.

The very material cash reductions to the Company, at the behest of the Hongkong Government, had been responsible, one was informed, in a very large part for the Company's anaemic Net Profit Attributable to Shareholders for the Financial Year, ended December 31, 2021.

This newsletter has never been apprised that the Hongkong Government, or any agency/division therein, had been, by statute(s), responsible, in whole or in part, of a material percentage of the profits of any corporate entity, whether or not that corporate entity was privately owned or partially publicly owned.

That is, notwithstanding, acts deemed as having been contrary to the Criminal Code of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**.

At Page Nine of the 2021 Annual Report of Hung Fook Tong Group Holdings Ltd, under the heading, '**CHAIRMAN'S STATEMENT**', one notes the following sentence:

*'While we have continued to invest in new business opportunities and product development in response to the changing business climate, several factors conspired to offset our gains, including higher prices for certain raw materials, appreciation of the Renminbi and greater operating expenses. Moreover, the development efforts for new lines of business, which are in their preliminary stages and will require time to develop, led to the costs rise. Also, the substantial reduction in government grants and*

subsidies received as compared with the preceding year contributed to a decline in net profit for 2021.

Then, at Page 11 of the 2021 Annual Report, under the heading, '**BUSINESS REVIEW**', one was told, in no uncertain terms:

*'Furthermore, operating expenses rose primarily due to higher staff costs and utility expenses. The Group also incurred greater rental costs, advertising and promotion expenses as well as higher development costs from certain new lines of business. Most significantly, the Group received considerably less government grants and subsidies from pandemic relief measures (comprising subsidies for the retail sector and food license holders and funds from the Employment Support Scheme), which amounted to HK\$1.4 million for 2021 versus HK\$45.5 million in 2020. Therefore, profit attributable to owners of the Company fell by 86.8% to HK\$8.2 million (2020: HK\$62.5 million).*

Perhaps, it may not be a bad idea for Mr Tse Po Tat (謝寶達), the Chairman of the Board of Directors of Hung Fook Tong Group Holdings Ltd, to put his name forward as a Qualified Candidate for the post of the next Chief Executive of the **HKSAR**, his mantra, being in order to right the purported wrongs of the past HKSAR Governmental Administrations with regard to making available interest-free grants and subsidies in order to assist in the balancing of the books of certain (or all) corporate enterprises when it had been determined that times of dire economic distress had been made manifest within the 416 square miles that constitute the sovereign state of the PRC.

### **The 2021 Annual Report Of Hung Fook Tong Group Holdings Ltd**

The principal activities of Hung Fook Tong Group Holdings Ltd were given at Page 26 of the 2021 Annual Report of the Company as follows:

*'The principal activity of the Company is investment holding. The Group is principally engaged in the production and sales of Chinese herbal drinks and other drink products, Chinese-style soups, herbal tortoise plastron jelly and other food products under Hung Fook Tong brand. The principal activities of the subsidiaries, an associate and a joint venture of the Company are set out in Note 14 and Note 15 to the consolidated financial statements. The segment information of the operations of the Group for the year ended 31 December 2021 is set out in Note 5 to the consolidated financial statements.'*

Underneath the above statement, one was informed as to the '**Principal risks and uncertainties**':

*'There are a number of factors affecting the results and business operations of the Group, some of which are inherent in the market and some are due to external environment. Major risks and uncertainties are summarised as follows:*

- *Outbreak of Novel Coronavirus may affect the spending behaviours of customers*

*In view of growing public concern over health and hygiene amidst the outbreak of the Novel Coronavirus, the Group recognises the need to remind its customers of the benefits and importance of a healthy diet. Communications will therefore focus on guiding customers on how to strengthen their health, including their immune system, with the Group's nutritious herbal drinks, soups and food products. Moreover, with work from home and stay at home now a common practice, the Group will bolster its online shopping and delivery services still further so as to serve customers whenever they may be. In addition, the Group will continue to observe rigorous hygiene standards at our shops, factories and workplaces, hence protect the well-being of customers and staff alike.*

- *Intense competition in food and beverages industry and in the retail market in Mainland China and Hong Kong*

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