HONG KONG FOOD INVESTMENT HOLDINGS LIMITED

香港食品投資控股有限公司

(*Incorporated in Hong Kong with limited liability*)

(Stock Code: 60)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

INTERIM RESULTS

The board of directors (the "Board") of Hong Kong Food Investment Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2011, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2011	2010
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**375,416**	207,071
Cost of sales		**(360,805)**	(213,992)
Gross profit/(loss)		**14,611**	(6,921)
Other income and gains	*3*	**827**	291
Selling and distribution expenses		**(1,748)**	(1,453)
Administrative expenses		**(12,152)**	(14,521)
Finance costs	*4*	**(1,085)**	(434)
Share of profits and losses of associates		**9,036**	10,185
Fair value gains/(losses) on financial assets at fair value through profits or loss		**(7,849)**	468
PROFIT/(LOSS) BEFORE TAX	*5*	**1,640**	(12,385)
Income tax credit	*6*	**–**	1,538
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**1,640**	(10,847)
		HK cents	*HK cents*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY - Basic and diluted	*8*	**0.63**	(4.18)

Details of the dividends payable and proposed for the period are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2011	2010
	Unaudited	Unaudited
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**1,640**	(10,847)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		
Share of other comprehensive loss of associates, net of tax	**(1,592)**	(1,039)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(1,592)**	(1,039)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**48**	(11,886)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2011 Unaudited HK$'000	31 March 2011 Audited HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**78,081**	79,473
Investments in associates		**333,553**	331,869
Deferred tax assets		**2,961**	2,961
Other non-current asset		**540**	540
Total non-current assets		**415,135**	414,843
CURRENT ASSETS			
Due from associates		**282**	91
Inventories		**175,844**	126,342
Trade receivables	*9*	**91,000**	40,725
Tax recoverable		**2,366**	1,774
Prepayments, deposits and other receivables		**632**	900
Financial assets at fair value through profit or loss		**15,138**	19,652
Cash and cash equivalents		**67,968**	64,355
Total current assets		**353,230**	253,839
CURRENT LIABILITIES			
Due to associates		**14**	–
Trade and bills payables	*10*	**70,576**	38,617
Other payables and accruals		**9,412**	7,901
Interest-bearing bank borrowings		**222,160**	148,221
Total current liabilities		**302,162**	194,739
NET CURRENT ASSETS		**51,068**	59,100
TOTAL ASSETS LESS CURRENT LIABILITIES		**466,203**	473,943
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,158**	1,158
Net assets		**465,045**	472,785
EQUITY			
Issued capital		**25,959**	25,959
Reserves		**436,490**	439,038
Proposed dividends		**2,596**	7,788
Total equity		**465,045**	472,785

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 March 2011.

In the current period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK (IFRIC) – Int 14 Amendment	Amendments to HK (IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*
HK (IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs

The application of these new and revised HKFRSs has had no material effect on the unaudited condensed consolidated interim financial statements of the Group for the current and prior accounting periods.

The Group has not applied the new or revised HKFRSs that have been issued but are not yet effective for the current accounting period. The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. OPERATING SEGMENT INFORMATION

The Group has only one single operating segment which is the trading of frozen meat, seafood and vegetables. The Group's turnover, representing sales of goods, and operating results are substantially derived from the business activities in Hong Kong. Accordingly, no segment information is presented as only one business report is reviewed by management to make strategic decisions.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	Six months ended 30 September	
	2011	2010
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Revenue	**375,416**	207,071
Other income		
Bank interest income	**39**	29
Dividend income from financial assets at fair value through profit or loss	**163**	66
Gross rental income	**484**	127
Commission income	**55**	–
Claims received	**86**	50
	827	272
Gains		
Gain on disposal of financial assets at fair value through profit or loss	–	19
	827	291

4. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within three months	**1,085**	434

5. PROFIT / (LOSS) BEFORE TAX

The Group's profit / (loss) before tax is arrived at after charging / (crediting):

	Six months ended 30 September	
	2011	2010
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Cost of inventories sold	**362,085**	214,475
Depreciation	**1,446**	1,743
Minimum lease payments under operating leases in respect of land and buildings	**11,621**	6,571
Impairment of trade receivables	**–**	231
Reversal of impairment of slow-moving inventories	**(1,280)**	(483)

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had adequate tax losses available for utilisation against assessable profits generated in Hong Kong during the current period. In the prior period, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during that period.

	Six months ended 30 September	
	2011	2010
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Current		
Overprovision in prior periods	**–**	(1,538)
Total tax credit for the period	**–**	(1,538)

The share of tax attributable to associates amounting to HK$2,941,000 (2010: HK$2,732,000) is included in "Share of profits and losses of associates" in the unaudited condensed consolidated income statement.

7. DIVIDEND

	Six months ended 30 September	
	2011	2010
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Proposed interim – HK1.0 cent (2010: HK 1.0 cent) per ordinary share	**2,596**	2,596

8. EARNINGS / (LOSS) PER SHARE ATTRIBUTALE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK$1,640,000 (2010: loss of HK$10,847,000), and on the 259,586,000 (2010: 259,586,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months.

An aged analysis of trade receivables as at 30 September 2011 and 31 March 2011, based on the invoice date and net of impairment provisions, is as follows:

	30 September 2011 Unaudited ***HK$'000***	31 March 2011 Audited *HK$'000*
Within 1 month	**63,163**	30,525
1 to 2 months	**27,543**	10,072
Over 2 months	**294**	128
	91,000	40,725

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at 30 September 2011 and 31 March 2011, based on the invoice date, is as follows:

	30 September 2011 Unaudited ***HK$'000***	31 March 2011 Audited *HK$'000*
Within 1 month	**68,269**	38,617
1 to 2 months	**2,307**	–
	70,576	38,617

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.0 cent (2010: HK1.0 cent) per ordinary share for the six months ended 30 September 2011, payable to shareholders whose names appear in the Register of Members of the Company on Wednesday, 21 December 2011. The said dividend will be payable on or about Thursday, 12 January 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 19 December 2011 to Wednesday, 21 December 2011, both days inclusive, during such period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months period ended 30 September 2011, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 December 2011.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 September 2011, the Group's turnover was HK$375,416,000 (2010: HK$207,071,000), representing an increase of 81%. The profit attributable to equity holders of the Company was HK$1,640,000 (2010: loss of HK$10,847,000).

Frozen Meat Trading

During the period under review, the Group's performance had a significant improvement. The Group's turnover soared sharply compared to the same period of last year and turned around to profit from loss over the corresponding period of last year. This was attributable to the Group's proactive sourcing of various brands of high quality frozen meat products from around the world to widen the product ranges for the market demand. Coupled with continuous increase in international meat prices and prudent purchasing management, the Group's turnover and gross profit went up.

Investment in Food Business

Apart from frozen meat trading, the Group has strategically held equity interests in an associate, Four Seas Mercantile Holdings Limited ("FSMHL"), as a long-term investment, which enables the Group to have a diversified business portfolio and enjoy the share of profit from FSMHL. As at 30 September 2011, the Group held equity interests in FSMHL of approximately 29.49% and shared a profit after tax of HK$9,036,000.

Food distribution is the core business of FSMHL. Since its establishment in 1971, FSMHL has developed excellent relationship with suppliers all over the world and distributes finest products under hundreds of internationally renowned brands. Capitalising on FSMHL's superb sales management team and comprehensive distribution network, it has commanded a leading position in the food industry of Hong Kong.

For food manufacturing, with 20 manufacturing plants in both Mainland China and Hong Kong, FSMHL continued to exert its strength on production and enhance productivity by continuously improving the food manufacturing process. Taking the advantage of integrating production facilities with comprehensive marketing strategies, FSMHL has been able to produce a wide variety of high quality products including seaweed, candies and confectioneries, puffed snacks, peanuts, potato chips, instant noodles, biscuits, cakes, chestnuts, ham, sausages, frozen dim sum, Tsubu Tsubu orange drinks, coffee, milk tea, lemon tea, green tea, Oolong tea and dairy drinks, all of which have been well-received by consumers. Over the years, it has been the core corporate value of FSMHL for complying various stringent standard of quality controls and food safety. FSMHL has been pursuing higher quality by word-of-mouth and received numerous accreditations from relevant international institutions.

With its diligent effort over the years, "Four Seas" brand has been developing as a premium proprietary brandname and is one of the most famous brands in Mainland China and Hong Kong. Together with its distinctive competitive advantages on product ranges, "Four Seas" brand has also been entrusted with a vote of confidence. In addition, with the launch of a series of brand reinforcement of television commercials advertisement through celebrity endorsers, "Four Seas" branded products have highly been acknowledged by consumers.

FSMHL's catering business continued to develop satisfactorily and achieved remarkable performance during the period. Panxi Restaurant, located on the bank of Liwan Lake in Guangzhou, is one of the largest garden style Chinese restaurants in Mainland China. It received the status of "National Grade Restaurant" and the title of "Old Chinese Trademark". The well-known "Eight Famous Dishes and Eight Delicious Dim Sum" of Panxi Restaurant won various prizes from national and international cuisine competitions. Following the Guangzhou 2010 Asian Games last year, Liwan District has been developed as a popular sightseeing place. Panxi Restaurant has now been one of the most favourite sightseeing spots and delivered an impressive performance with an excellent prospect of profit contribution. Furthermore, FSMHL's specialty restaurants, including a Japanese-style restaurant, "Restaurant Shiki", Japanese dumpling shops "Osaka Ohsho", and the award-winning vegetarian restaurant "Kung Tak Lam Shanghai Vegetarian Cuisine" and sushi restaurant chain "Shousihuang" in Mainland China, have been well received by customers.

For retail business, FSMHL's "Okashi Land", with over 80 outlets scattered over every district of Hong Kong, has been one of the most renowned brandnames in retail business of Hong Kong. It is highly applauded by consumers in both Mainland China and Hong Kong. "Okashi Land" also provides trendy snack foods to consumers and is recognised as the trendsetter in the food market. FSMHL will continue to develop the retail business in both Mainland China and Hong Kong which will contribute to steady business growth.

Prospects
The Group possesses solid foundation and healthy financial position. By leveraging its outstanding reputation in frozen meat market, wealth of experience in frozen meat trading and operations management as well as close relationship with suppliers and comprehensive distribution network, the Group will continue to introduce worldwide superior quality frozen meat products to the market so as to improve its business performance in frozen meat trading. Besides, the long-term investment in FSMHL will continue to contribute earnings to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 30 September 2011, the Group had banking facilities of HK$461,700,000 of which 48% had been utilised. The Group had a gearing ratio of 48% as at 30 September 2011. This is expressed as the total bank borrowings to equity attributable to equity holders of the Company. The bank borrowings of the Group, denominated in Hong Kong dollars, are mainly short term loans and trust receipt loans (the "Interest-Bearing Bank Borrowings") at prevailing market interest rates. The Interest-Bearing Bank Borrowings are classified as current liabilities and are repayable within one year. As at 30 September 2011, the Group held cash and cash equivalents of HK$67,968,000. There were no significant changes in the Group's contingent liabilities and no charges on the Group's assets during the period under review.

STAFF EMPLOYMENT

The total number of employees of the Group as at 30 September 2011 was 51. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. The Group operates a mandatory provident fund scheme which covers all the employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2011.

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of good corporate governance to its healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to its needs. The Company's directors are of the view that the Company has met the code provisions listed in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period for the six months ended 30 September 2011, except for the following deviations:

Code Provision A.4.1
Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

Currently, all independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company (the "Articles of Association"). As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.4.2

Under the code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom appears and interval between the appointment made to fill casual vacancy and the immediate following annual general meeting is short.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by directors of the Company (the "Code of Conduct"). Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standard as set out in the Code of Conduct throughout the six months ended 30 September 2011.

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the six months ended 30 September 2011.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive directors, namely Mr. Chan Kay Cheung *(Chairman of the Audit Committee),* Mr. Lan Yee Fong, Steve John and Mr. Lui Shing Ming, Brian. The Audit Committee has reviewed the results of the Group for the six months ended 30 September 2011 and discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement was published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hongkongfoodinvestment.com.hk.

The interim report of the Company for the six months ended 30 September 2011 containing information required by Appendix 16 of the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board of Directors of the Company would like to express sincere appreciation to the shareholders, business partners and staff for their continued support to the Group.

THE BOARD

As at the date of this announcement, the directors of the Company are Dr. TAI Tak Fung, Stephen, Mr. MAN Wing Cheung, Ellis, Mr. TAI Chun Leung, Mr. YIP Wai Keung, Mr. TSE Siu Wan and Mr. LAI Yuk Chuen as executive directors, and Mr. CHAN Kay Cheung, Mr. LAN Yee Fong, Steve John and Mr. LUI Shing Ming, Brian as independent non-executive directors.

On behalf of the Board
Dr. TAI Tak Fung, Stephen, *GBS, JP*
Chairman

Hong Kong, 29 November 2011