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 2016

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 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2016	2015
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**80,014**	103,231
Cost of sales		**(69,258)**	(92,569)
Gross profit		**10,756**	10,662
Other income and gains	3	**1,249**	630
Selling and distribution expenses		**(10,934)**	(11,506)
Administrative expenses		**(10,073)**	(10,750)
Finance costs	4	**(1,536)**	(1,650)
Share of profits and losses of associates		**10,217**	12,030
LOSS BEFORE TAX	5	**(321)**	(584)
Income tax	6	**–**	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(321)**	(584)
		HK cents	*HK cents*
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY – Basic and diluted	7	**(0.12)**	(0.22)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(321)**	(584)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates, net of tax	**(10,070)**	(6,401)
Exchange differences on translation of foreign operations	**(694)**	(677)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(10,764)**	(7,078)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(11,085)**	(7,662)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2016 Unaudited HK$'000	31 March 2016 Audited HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**68,455**	71,915
Investments in associates		**416,662**	424,005
Prepayments and deposits		**1,513**	1,566
Other non-current asset		**540**	540
Total non-current assets		**487,170**	498,026
CURRENT ASSETS			
Inventories		**34,497**	32,640
Trade receivables	8	**15,044**	20,434
Prepayments, deposits and other receivables		**1,542**	1,580
Due from associates		**80**	459
Cash and bank balances		**40,173**	36,135
Total current assets		**91,336**	91,248
CURRENT LIABILITIES			
Due to associates		**288**	318
Trade and bills payables	9	**9,629**	13,555
Other payables and accruals		**7,799**	8,276
Interest-bearing bank borrowings		**152,786**	147,985
Total current liabilities		**170,502**	170,134
NET CURRENT LIABILITIES		**(79,166)**	(78,886)
TOTAL ASSETS LESS CURRENT LIABILITIES		**408,004**	419,140
NON-CURRENT LIABILITIES			
Accruals		**2,881**	2,932
Deferred tax liabilities		**1,076**	1,076
Total non-current liabilities		**3,957**	4,008
Net assets		**404,047**	415,132
EQUITY			
Share capital		**117,095**	117,095
Reserves		**286,952**	298,037
Total equity		**404,047**	415,132

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited 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 2016.

Despite the Group's net current liabilities of HK$79,166,000 as at 30 September 2016, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis on the basis of the contention of the Company's directors that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

The financial information relating to the year ended 31 March 2016 that is included in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the consolidated financial statements. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

In the current period, the Group has adopted, for the first time, a number of revised Hong Kong Financial Reporting Standards ("HKFRSs") and amendments issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

The HKICPA has issued a number of new or revised standards and amendments to standards which are not effective for accounting period beginning on 1 April 2016. The Group has not early adopted these new or revised HKFRSs.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the period ended 30 September 2016 as follows:

(a) the trading segment is engaged in the trading of frozen meats, seafood and vegetables in Hong Kong; and

(b) the retailing segment is engaged in the retailing of consumer goods in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, share of profits and losses of associates and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude investments in associates, certain items of property, plant and equipment and other corporate unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other corporate unallocated liabilities as these liabilities are managed on a group basis.

	Trading Six months ended 30 September		**Retailing Six months ended 30 September**		**Total Six months ended 30 September**	
	2016	2015	**2016**	2015	**2016**	2015
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**65,417**	84,791	**14,597**	18,440	**80,014**	103,231
Segment results	**(2,810)**	(5,222)	**(4,555)**	(4,032)	**(7,365)**	(9,254)
Reconciliation:						
Interest income					**19**	35
Finance costs					**(1,536)**	(1,650)
Share of profits and losses of associates					**10,217**	12,030
Corporate and other unallocated expenses					**(1,656)**	(1,745)
Loss before tax					**(321)**	(584)

2. OPERATING SEGMENT INFORMATION (continued)

	Trading		Retailing		Total	
	30 September 2016	31 March 2016	**30 September 2016**	31 March 2016	**30 September 2016**	31 March 2016
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**146,704**	151,126	**23,716**	28,266	**170,420**	179,392
Reconciliation:						
Elimination of intersegment receivables					**(68,105)**	(66,948)
Investments in associates					**416,662**	424,005
Corporate and other unallocated assets					**59,529**	52,825
Total assets					**578,506**	589,274
Segment liabilities	**165,113**	163,950	**73,156**	72,483	**238,269**	236,433
Reconciliation:						
Elimination of intersegment payables					**(68,105)**	(66,948)
Corporate and other unallocated liabilities					**4,295**	4,657
Total liabilities					**174,459**	174,142

3. REVENUE, OTHER INCOME AND GAINS

Revenue 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	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Revenue	**80,014**	103,231
Other income		
Bank interest income	**19**	35
Claims received	**7**	27
Commission income	**604**	–
Gross rental income	**528**	383
Sundry income	**1**	1
	1,159	446
Gains		
Foreign exchange differences, net	**90**	184
	1,249	630

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**1,536**	1,650

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 September	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Cost of inventories sold	**69,258**	92,569
Depreciation	**3,235**	3,412
Minimum lease payments under operating leases	**4,993**	5,685
Contingent rents under operating leases	**931**	998
	5,924	6,683

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in Hong Kong during the period (2015: Nil). No provision for Mainland China corporate income tax has been made as the Group had no assessable profit in Mainland China during the period (2015: Nil).

The share of tax attributable to associates amounting to HK$3,376,000 (2015: HK$4,865,000) is included in "Share of profits and losses of associates" in the unaudited condensed consolidated statement of profit or loss.

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of HK$321,000 (2015: HK$584,000), and on the 259,586,000 (2015: 259,586,000) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2016 and 30 September 2015 as the Group had no potentially dilutive ordinary shares in issue during these periods.

8. 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 the trade receivables as at 30 September 2016 and 31 March 2016, based on the invoice date and net of impairment provisions, is as follows:

	30 September 2016 Unaudited *HK$'000*	31 March 2016 Audited *HK$'000*
Within 1 month	**4,995**	9,687
1 to 2 months	**4,766**	4,397
Over 2 months	**5,283**	6,350
	15,044	20,434

9. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at 30 September 2016 and 31 March 2016, based on the invoice date, is as follows:

	30 September 2016 Unaudited *HK$'000*	31 March 2016 Audited *HK$'000*
Within 1 month	**9,383**	9,566
1 to 2 months	**246**	3,989
	9,629	13,555

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015: Nil).

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

For the six months ended 30 September 2016, the Group's turnover was HK$80,014,000 (2015: HK$103,231,000) and the loss attributable to equity holders of the Company was HK$321,000 (2015: HK$584,000), similar to corresponding period last year.

Frozen Meats Trading

During the period under review, major meats exporting countries such as Brazil and the European Union increased their export volume as a result of continued weakness in their domestic economies that reduced domestic demand, creating a surplus that led to an increase in the global supply of frozen meats. At the same time, Hong Kong's overall economic environment remained sluggish, which affected the consumption sentiment of the consumers. Consequently, there was an oversupply of frozen meats in the Hong Kong market, which softened the local market selling prices. Under these circumstances, the Group has adopted more conservative sales and purchase policies. On the other hand, the Group has stepped up its effort to open up new sources of product supply, looking for new brands of products with prices affordable for the current Hong Kong market so as to meet customer needs at different price levels. In the context of a sluggish business environment, the Group focused on reducing business risks, which led to the decrease in turnover in the first half of the financial year to HK$65,417,000 as compared to the same period last year. Nevertheless, gross margin improved and operating costs were controlled, due to the Group's sales and purchase policies. At the end of the period, the inventories were approximately HK$25,516,000, an increase over the same period last year but still at a healthy level.

Retail Chain of Mini Department Stores

In respect of retailing business of mini department stores, the Group continues to operate its self-operated stores and engage in shop-within-shop business. Sales territories span across cities of Guangzhou, Foshan, Dongguan and Shenzhen. During the period, the overall performance of the retailing industry remained under pressure due to the slowdown of economic growth in Mainland China, which significantly affected the spending sentiment. As a result, sales in the first half of the financial year decreased to HK$14,597,000 as compared to the same period last year.

Food Business Investment

The Group has continued to hold equity interest in Four Seas Mercantile Holdings Limited ("FSMHL") as a strategic investment in the food business. During the period, in view of the slowdown of economic growth in Mainland China, the continued weakness in the overall retailing and consumer markets in Hong Kong as well as the fierce competition in the industry, FSMHL strategically strengthened the sales promotional activities to maintain its market competitiveness and share. Meanwhile, the appreciation of the Japanese Yen relative to the Hong Kong Dollar throughout the period affected the profit of FSMHL. As at 30 September 2016, the Group maintained its equity interest in FSMHL at approximately 29.98% and the share of profit of associates was HK$10,217,000, a decrease of approximately 15% compared to the same period last year.

BUSINESS REVIEW AND PROSPECTS (continued)

PROSPECTS

It is expected that there may not be any significant changes in the economic environment of Mainland China and Hong Kong in the second half of the financial year, and the business will still be subject to uncertainties and challenges in the business environment. The Group will continue to prudently operate its frozen meats trading business through rigorous control of operating costs and adjusting sales strategies, so as to maintain stable business development. Meanwhile, the Group will pay close attention to the economic development situation in Mainland China and cautiously operate the retailing business of mini department stores. The Group's associated company, FSMHL, will continue to leverage its brand strengths to introduce more quality food products from around the world to provide Hong Kong consumers with a rich and diversified range of food choices. With active advertising campaigns, FSMHL aims to consolidate its leading position in the Hong Kong food market. At the same time FSMHL will actively expand in the huge potential Mainland China market through exploring new sales channels to drive up the overall business growth. FSMHL continues to develop its cross-border e-commerce business by utilising "Four Seas Okashi Land Overseas Flagship Store", which will generate a new source of revenue in the future. It is expected that FSMHL will bring further contributions 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 2016, the Group had banking facilities of HK$340,000,000 of which 45% had been utilised. The Group had a gearing ratio of 38% as at 30 September 2016. This is expressed as the total interest-bearing bank borrowings to equity attributable to equity holders of the Company. 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 which are classified as current liabilities are repayable within one year. As at 30 September 2016, the Group held cash and bank balances of HK$40,173,000. 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 2016 was 140. 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2016.

CORPORATE GOVERNANCE

The Group strives to maintain high standards of corporate governance to enhance shareholders' value and safeguard shareholders' interests. The Company's directors are of the view that the Company has met the code provisions listed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2016, 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. 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 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 of the Company, 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 a casual vacancy seldom appears and the interval between the appointment made to fill a 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 of dealings as set out in the Code of Conduct throughout the six months ended 30 September 2016.

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 inside 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 2016.

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. Cheung Wing Choi. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2016 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

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited 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 2016 containing information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, business partners and staff for their continuous support to the Group.

On behalf of the Board
Hong Kong Food Investment Holdings Limited
TAI Tak Fung, Stephen, *GBS*, *SBS*, *JP*
Chairman

Hong Kong, 29 November 2016

As at the date of this announcement, the executive directors of the Company are Mr. TAI Tak Fung, Stephen, Mr. MAN Wing Cheung, Ellis, Mr. TAI Chun Kit and Mr. TSE Siu Wan and the independent non-executive directors of the Company are Mr. CHAN Kay Cheung, Mr. LAN Yee Fong, Steve John and Mr. CHEUNG Wing Choi.