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 2017

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 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2017	2016
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**88,510**	80,014
Cost of sales		**(80,696)**	(69,258)
Gross profit		**7,814**	10,756
Other income and gains	3	**1,083**	1,249
Selling and distribution expenses		**(9,943)**	(10,934)
Administrative expenses		**(9,925)**	(10,073)
Finance costs	4	**(1,911)**	(1,536)
Share of profits and losses of associates		**98,687**	10,217
PROFIT/(LOSS) BEFORE TAX	5	**85,805**	(321)
Income tax	6	**–**	–
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**85,805**	(321)
		HK cents	*HK cents*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	7	**33.05**	(0.12)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**85,805**	(321)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates, net of tax	**9,532**	(10,070)
Exchange differences on translation of foreign operations	**661**	(694)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**10,193**	(10,764)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**95,998**	(11,085)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2017 Unaudited** *HK$'000*	31 March 2017 Audited *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**62,396**	65,237
Investments in associates		**476,535**	409,324
Deposits		**1,542**	1,504
Other non-current asset		**540**	540
Total non-current assets		**541,013**	476,605
CURRENT ASSETS			
Inventories		**41,430**	30,911
Trade receivables	8	**20,467**	17,825
Prepayments, deposits and other receivables		**2,199**	1,697
Due from associates		**43**	30
Cash and bank balances		**68,988**	39,341
Total current assets		**133,127**	89,804
CURRENT LIABILITIES			
Due to associates		**309**	344
Trade and bills payables	9	**13,876**	8,074
Other payables and accruals		**7,777**	8,967
Interest-bearing bank borrowings		**166,687**	160,683
Total current liabilities		**188,649**	178,068
NET CURRENT LIABILITIES		**(55,522)**	(88,264)
TOTAL ASSETS LESS CURRENT LIABILITIES		**485,491**	388,341
NON-CURRENT LIABILITIES			
Accruals		**2,921**	2,819
Deferred tax liabilities		**776**	776
Total non-current liabilities		**3,697**	3,595
Net assets		**481,794**	384,746
EQUITY			
Share capital		**117,095**	117,095
Reserves		**364,699**	267,651
Total equity		**481,794**	384,746

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 2017.

Despite the Group's net current liabilities of HK$55,522,000 as at 30 September 2017, 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 2017 that is included in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 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 2017 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 auditor has reported on the consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor 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 2017.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 12 *Disclosure of Interests in Other Entities*

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 2017. 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 2017 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 profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/(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 corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and corporate and other 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**	
	2017	2016	**2017**	2016	**2017**	2016
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**74,173**	65,417	**14,337**	14,597	**88,510**	80,014
Segment results	**(5,052)**	(2,810)	**(3,967)**	(4,555)	**(9,019)**	(7,365)
Reconciliation:						
Interest income					**27**	19
Finance costs					**(1,911)**	(1,536)
Share of profits and losses of associates					**98,687**	10,217
Corporate and other unallocated expenses					**(1,979)**	(1,656)
Profit/(loss) before tax					**85,805**	(321)

2. OPERATING SEGMENT INFORMATION (continued)

	Trading		Retailing		Total	
	30 September 2017	31 March 2017	**30 September 2017**	31 March 2017	**30 September 2017**	31 March 2017
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**195,022**	158,792	**21,098**	22,372	**216,120**	181,164
Reconciliation:						
Elimination of intersegment receivables					**(75,499)**	(74,337)
Investments in associates					**476,535**	409,324
Corporate and other unallocated assets					**56,984**	50,258
Total assets					**674,140**	566,409
Segment liabilities	**182,910**	172,667	**80,947**	78,953	**263,857**	251,620
Reconciliation:						
Elimination of intersegment payables					**(75,499)**	(74,337)
Corporate and other unallocated liabilities					**3,988**	4,380
Total liabilities					**192,346**	181,663

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	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Revenue	**88,510**	80,014
Other income		
Bank interest income	**27**	19
Claims received	**8**	7
Commission income	**600**	604
Gross rental income	**448**	528
Sundry income	**–**	1
	1,083	1,159
Gains		
Foreign exchange differences, net	**–**	90
	1,083	1,249

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**1,911**	1,536

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Cost of inventories sold	**80,696**	69,258
Depreciation	**3,125**	3,235
Minimum lease payments under operating leases	**5,311**	4,993
Contingent rents under operating leases	**935**	931
	6,246	5,924

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 (2016: 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 (2016: Nil).

The share of tax attributable to associates amounting to HK$6,243,000 (2016: HK$3,376,000) is included in "Share of profits and losses of associates" in the unaudited condensed consolidated statement of profit or loss.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of HK$85,805,000 (2016: loss of HK$321,000), and on the 259,586,000 (2016: 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 2017 and 30 September 2016 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 2017 and 31 March 2017, based on the invoice date and net of impairment provisions, is as follows:

	30 September 2017 Unaudited ***HK$'000***	31 March 2017 Audited *HK$'000*
Within 1 month	**7,199**	5,666
1 to 2 months	**5,523**	7,341
Over 2 months	**7,745**	4,818
	20,467	17,825

9. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at 30 September 2017 and 31 March 2017, based on the invoice date, is as follows:

	30 September 2017 Unaudited ***HK$'000***	31 March 2017 Audited *HK$'000*
Within 1 month	**12,299**	7,650
1 to 2 months	**1,577**	424
	13,876	8,074

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 2017 (2016: Nil).

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

For the six months ended 30 September 2017, the Group's turnover was HK$88,510,000 (2016: HK$80,014,000) and the profit attributable to equity holders of the Company was HK$85,805,000 (2016: loss of HK$321,000), a turnaround to profit from the loss of corresponding period last year. It was mainly attributable to the substantial increase in the share of profit from associates.

Frozen Meats Trading

During the period under review, the overall business environment of frozen meats trading was under pressure, attributable to unfavourable overseas supply and local consumer market. Affected by the aftermath of Brazilian frozen meats incident at the end of March this year, the export quantities from Brazil were generally reduced and the product offer prices were correspondingly increased. Under the chain effect, the worldwide prices of frozen meats from other exporting countries were also adjusted upward. Consequently, it led to the cost increase of the Group's imported frozen meats. Although Hong Kong's economy has gradually been improving, the frozen meats trading environment has not yet stabilised. Thus, frozen meats importers in Hong Kong are very cautious in raising their selling prices. Despite facing a fragile selling market and keen competition in the industry, the Group operated with a flexible marketing strategy and managed to increase its turnover to HK$74,173,000. Anticipating of a gradual demand increase from customers in the third quarter and the increased purchase price of incoming goods, the inventories at the end of the period were increased as compared to the same period last year to approximately HK$35,037,000, nonetheless, still at a prudent level.

Retail Chain of Mini Department Stores

For the retailing business of mini department stores, the performance did not meet our expectation. During the period, the overall business environment of retailing industry in Mainland China was still feeble. Although the Group added new series of premium quality products at higher selling prices to enhance its revenue and gross profit, together with active marketing and promotion activities to boost sales, turnover for the first half of this year recorded HK$14,337,000, remaining at a similar level as the same period last year with a decrease in gross profit.

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. With the picking up of consumer market and the consolidation of market condition, FSMHL has been able to sustain its leading position in the market by successfully maintaining its market competitiveness and share leveraging on its strong brand equity, exquisite food quality and a comprehensive sales network. In the meantime, the economic improvement in Mainland China and the increase in household income helped to promote food sales of FSMHL. While the exchange rate of Japanese yen remained stable, the exchange rate risk was relatively reduced. As such, the overall results of FSMHL demonstrated a solid performance during the period. As at 30 September 2017, the Group maintained its equity interest in FSMHL at approximately 29.98% and the share of profit of associates was HK$98,687,000, a significant increase as compared to the same period last year. This was mainly attributable to the completion of the sale of a property by FSMHL.

BUSINESS REVIEW AND PROSPECTS (continued)

PROSPECTS

The Group will continue to prudently operate its frozen meats trading business by managing operational risks through rigorous purchase, prudent marketing strategy and stringent cost control, so as to maintain a steady growth. Following the initial success in opening up new sourcing countries and bringing in new brands and products during the period, the Group will pursue in this direction to gradually reduce the potential risks associated with over-concentration of supply in any single area.

Since the commencement of the Group's operation of the mini department chain stores in Mainland China, the overall landscape of retailing industry of convenient consumer products has been changing adversely and affecting its development prospect. Management has always been reviewing, assessing and monitoring the operating conditions and adjusting its operating strategy correspondingly. The unfavourable development trends, including continuously lowering of entry barriers that leading to the increasing number of competitors, keener competition from competitors that resulting in shrinking gross profit margin and continuously rising of rental and wages that escalating the operating costs, have caused significant uncertainties in the development prospects of this operation, which is not in line with the Group's expectations. Therefore, the Group planned to reposition its retailing business operation in the second half of this financial year.

The Group's associate, FSMHL, will continue to bring in innovative ideas and widen the spectrum of choices to consumers in Hong Kong. Benefiting from its unique network presence in the food industry, FSMHL will bring in various kinds of delicacies so as to create a new gourmet experience for consumers. This will further expand its market share in Hong Kong. In Mainland China, FSMHL will continue to leverage on the emerging cross-border e-commerce transaction arrangements to combine the traditional trade model to open up the vast Mainland China market. At the same time, the China (Guangdong) Pilot Free Trade Zone and the Guangdong-Hong Kong-Macao Bay Area will bring new opportunities to FSMHL. It is expected that FSMHL will continue to bring stable 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 2017, the Group had banking facilities of HK$340,000,000 of which 49% had been utilised. The Group had a gearing ratio of 35% as at 30 September 2017. 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 2017, the Group held cash and bank balances of HK$68,988,000. 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 2017 was 127. 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2017.

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 2017, 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.

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. The chairman of the board of the Company, Mr. Tai Tak Fung, Stephen was unable to attend the annual general meeting of the Company held on 30 August 2017 ("2017 AGM") as he had another important engagement on the same day. Mr. Man Wing Cheung, Ellis, the managing director of the Company, attended and took the chair of the 2017 AGM.

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 2017.

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 2017.

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 2017 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 2017 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, *GBM*, *GBS*, *SBS*, *JP*
Chairman

Hong Kong, 29 November 2017

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.