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 2019

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 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 September 2019 Unaudited HK$'000	2018 Unaudited HK$'000
REVENUE	3	**76,831**	71,453
Cost of sales		**(68,949)**	(65,943)
Gross profit		**7,882**	5,510
Other income and gains, net	3	**2,449**	204,453
Selling and distribution expenses		**(5,478)**	(4,571)
Administrative expenses		**(11,645)**	(13,249)
Finance costs	4	**(997)**	(1,745)
Share of profits and losses of associates		**5,663**	6,929
PROFIT/(LOSS) BEFORE TAX	5	**(2,126)**	197,327
Income tax credit	6	**–**	161
PROFIT/(LOSS) FOR THE PERIOD		**(2,126)**	197,488
Attributable to :			
Equity holders of the Company		**(2,160)**	197,448
Non-controlling interests		**34**	40
		(2,126)	197,488
		HK cents	*HK cents*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	7	**(0.83)**	76.06

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(2,126)**	197,488
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates, net of tax	**(16,435)**	(23,568)
Exchange differences on translation of foreign operations	**(82)**	(53)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(16,517)**	(23,621)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(18,643)**	173,867
Attributable to:		
Equity holders of the Company	**(18,677)**	173,827
Non-controlling interests	**34**	40
	(18,643)	173,867

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2019 Unaudited** *HK$'000*	31 March 2019 Audited *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**17,054**	17,442
Right-of-use assets		**21,125**	–
Investments in associates		**422,337**	445,032
Prepayments and deposits		**999**	999
Goodwill		**2,103**	2,103
Financial assets at fair value through profit or loss		**1,300**	1,300
Total non-current assets		**464,918**	466,876
CURRENT ASSETS			
Inventories		**30,199**	36,422
Trade receivables	8	**15,664**	20,251
Prepayments, deposits and other receivables		**1,373**	1,171
Due from associates		**235**	90
Financial assets at fair value through profit or loss		**3,735**	3,979
Cash and cash equivalents		**167,716**	175,590
Total current assets		**218,922**	237,503
CURRENT LIABILITIES			
Trade and bills payables	9	**4,668**	7,790
Other payables and accruals		**4,368**	4,853
Lease liabilities		**4,956**	–
Due to associates		**38**	35
Due to a non-controlling shareholder		**1,307**	2,507
Interest-bearing bank borrowings		**23,471**	37,527
Total current liabilities		**38,808**	52,712
NET CURRENT ASSETS		**180,114**	184,791
TOTAL ASSETS LESS CURRENT LIABILITIES		**645,032**	651,667
NON-CURRENT LIABILITIES			
Accruals		**100**	235
Lease liabilities		**17,129**	–
Total non-current liabilities		**17,229**	235
Net assets		**627,803**	651,432
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**117,095**	117,095
Reserves		**507,678**	531,247
		624,773	648,342
Non-controlling interests		**3,030**	3,090
Total equity		**627,803**	651,432

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 2019.

The financial information relating to the year ended 31 March 2019 that is included in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 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 2019 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 new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and an interpretation issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than explained below regarding the impact of HKFRS 16, the application of the new and revised HKFRSs and Interpretations in the current period has had no material effect on the amounts reported and/or disclosure set out in these condensed consolidated financial statements.

1. ACCOUNTING POLICIES (continued)

Adoption of HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information as at 31 March 2019 and for the six months ended 30 September 2018 were not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts various items of the properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right of-use assets and lease liabilities for (i) leases of low value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

1. **ACCOUNTING POLICIES** (continued)

Adoption of HKFRS 16 *Leases* (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and presented separately in the consolidated statement of financial position as lease liabilities.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

– applied a single discount rate to a portfolio of leases with reasonable similar characteristics; and

– used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) Unaudited *HK$'000*
Assets	
Right-of-use assets	23,932
Property, plant and equipment	(61)
Prepayments, deposits and other receivables	28
Investments in associates	(4,434)
Total assets	19,465
Liabilities	
Lease liabilities	24,748
Other payables and accruals	(297)
Total liabilities	24,451
Equity	
Retained earnings	(4,892)
Non-controlling interests	(94)
Total equity	(4,986)

1. ACCOUNTING POLICIES (continued)

Adoption of HKFRS 16 *Leases* (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	Unaudited *HK$'000*
Operating lease commitments as at 31 March 2019	10,512
Add: Payments for optional extension periods not recognised as at 31 March 2019	14,559
	25,071
Effect of discounting at incremental borrowing rate as at 1 April 2019	(323)
Lease liabilities as at 1 April 2019	24,748
Weighted average incremental borrowing rate as at 1 April 2019	3.15%

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with thefollowing new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

1. ACCOUNTING POLICIES (continued)

Adoption of HKFRS 16 *Leases* (continued)

Summary of new accounting policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease properties for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

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 2019 as follows:

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

(b) the "other" segment consists of restaurant operation, marketing of meat products, communication and advertising design and investment holding.

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 bank interest income, dividend income, gain on disposal of a subsidiary, fair value gains/(losses) on financial assets at fair value through profit or loss, 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. OPERATING SEGMENT INFORMATION (continued)

	Trading Six months ended 30 September		Others Six months ended 30 September		Total Six months ended 30 September	
	2019	2018	**2019**	2018	**2019**	2018
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**68,785**	65,412	**8,046**	6,041	**76,831**	71,453
Intersegment sales	**391**	–	**187**	–	**578**	–
	69,176	65,412	**8,233**	6,041	**77,409**	71,453
Reconciliation:						
Elimination of intersegment sales					**(578)**	–
					76,831	71,453
Segment results	**(4,564)**	(4,090)	**(909)**	99	**(5,473)**	(3,991)
Reconciliation:						
Bank interest income					**1,288**	289
Dividend income					**508**	–
Gain on disposal of a subsidiary					**–**	203,169
Fair value gains/(losses) on financial assets at fair value through profit or loss					**(244)**	562
Finance costs					**(997)**	(1,745)
Share of profits and losses of associates					**5,663**	6,929
Corporate and other unallocated expenses					**(2,871)**	(7,886)
Profit/(loss) before tax					**(2,126)**	197,327

2. OPERATING SEGMENT INFORMATION (continued)

	Trading		Others		Total	
	30 September 2019	31 March 2019	**30 September 2019**	31 March 2019	**30 September 2019**	31 March 2019
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**207,185**	221,066	**29,116**	19,411	**236,301**	240,477
Reconciliation:						
Elimination of intersegment receivables					**(35)**	(11)
Investments in associates					**422,337**	445,032
Corporate and other unallocated assets					**25,237**	18,881
Total assets					**683,840**	704,379
Segment liabilities	**32,488**	50,243	**11,913**	1,462	**44,401**	51,705
Reconciliation:						
Elimination of intersegment payables					**(35)**	(11)
Corporate and other unallocated liabilities					**11,671**	1,253
Total liabilities					**56,037**	52,947

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains/(losses) is as follows:

	Six months ended 30 September	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Disaggregation of revenue		
Sales of goods	**68,785**	65,412
Others	**8,046**	6,041
	76,831	71,453
Timing of revenue recognition		
At a point in time	**76,831**	71,453
Other income		
Bank interest income	**1,288**	289
Dividend income from financial assets at fair value through profit or loss	**508**	–
Gross rental income	**742**	425
Sundry income	**21**	8
	2,559	722
Gains/(losses), net		
Gain on disposal of a subsidiary (note 10)	**–**	203,169
Fair value gains/(losses) on financial assets at fair value through profit or loss	**(244)**	562
Foreign exchange difference, net	**134**	–
	(110)	203,731
	2,449	204,453

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**632**	1,745
Interest on lease	**365**	–
	997	1,745

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Cost of inventories sold	**68,949**	65,943
Depreciation of items of property, plant and equipment	**1,167**	1,518
Depreciation of right-of-use assets	**2,726**	–
Minimum lease payments under operating leases	**4,791**	6,124
Gain on disposal of a subsidiary	**–**	(203,169)
Impairment of trade receivables	**2,047**	–
Write-back of inventories to net realisable value, included in cost of sales	**–**	(782)

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period (2018: Nil).

The share of tax attributable to associates amounting to HK$4,313,000 (2018: HK$5,175,000) 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/(loss) for the period attributable to ordinary equity holders of the Company, and the number of ordinary shares in issue during the period.

The calculation of the basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 September	
	2019	2018
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation:	**(2,160)**	197,448

	Number of shares	
	2019	2018
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	**259,586,000**	259,586,000

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2019 and 30 September 2018 in respect of a dilution 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 ageing analysis of the trade receivables as at 30 September 2019 and 31 March 2019, based on the invoice date and net of loss allowance, is as follows:

	30 September	31 March
	2019	2019
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 1 month	**9,748**	10,765
1 to 2 months	**3,318**	4,523
Over 2 months	**2,598**	4,963
	15,664	20,251

9. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at 30 September 2019 and 31 March 2019, based on the invoice date, is as follows:

	30 September 2019 Unaudited *HK$'000*	31 March 2019 Audited *HK$'000*
Within 1 month	**4,668**	7,790

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

10. DISPOSAL OF A SUBSIDIARY

On 21 May 2018, a resolution was duly passed as an ordinary resolution by shareholders of the Company in relation to the disposal of its entire equity interest in Hung King Development Limited, a wholly-owned subsidiary and beneficial owner of the parcel of land and building in Sai Kung, Hong Kong, to an independent third party pursuant to the sale and purchase agreement dated 17 March 2018 for a cash consideration of HK$250,000,000. The transaction was completed on 15 August 2018. The gain on disposal (before and after tax) amounted to approximately HK$203,169,000 before directly attributable transaction costs of approximately HK$2,600,000, has been recognised in the unaudited condensed consolidated statement of profit or loss.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (2018: Nil).

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

For the six months ended 30 September 2019, the Group's revenue was HK$76,831,000 (2018: HK$71,453,000), an increase of approximately 7.5%. A slight loss attributable to equity holders of the Company of approximately HK$2,160,000 (2018: profit HK$197,448,000). The loss is mainly attributable to the absence of the one-off gain on disposal of the entire equity interest in Hung King Development Limited of approximately HK$200 million (net of directly attributable transaction costs) for the corresponding period of prior year.

Frozen Meats Trading

For the period under review, overall revenue of trading business recorded an increase of 5.2% compared to the corresponding period of prior year. Benefiting from the increase in trading of Japanese wagyu beef to high-end customers, it has more than offset the decline in the sales of traditional frozen meats affected by the social movements. Since June 2019, the social movements in Hong Kong has weakened the local consumers' sentiment of dining outside and also seriously reduced the number of incoming tourists, especially from Mainland China.

During the period under review, overseas supply of frozen pork meats to Hong Kong continued to reduce due to huge demand from Mainland China, attributable to the local outbreak of African Swine Fever ("ASF") since the beginning of 2019, which led to substantial import need from overseas to fill the gap. Simultaneously, the overseas offering prices to Hong Kong market were largely escalated as a result of higher prices payable by Mainland China importers.

Other Food and Food-related Business

Beefar's, the Group's Japanese BBQ restaurant, continued to be popular among Japanese wagyu beef lovers, contributing by the sole supply of consistently high quality "Satsuma" brand Japanese wagyu beef from our joint venture partner, Kamichiku Holdings Co., Ltd. in Japan. In addition, Beefar's is situated in an advantageous location in Tsim Sha Tsui where is the busiest commercial and tourist district in Hong Kong.

Food Business Investment

The Group continued to hold equity interest in Four Seas Mercantile Holdings Limited ("FSMHL") as a strategic investment in the food business. With a sound foundation and being benefited from diversified businesses and prudent marketing strategies, FSMHL progressed solidly throughout the period under review and maintained its leading position. Despite the US-China trade war and the social movements in Hong Kong, FSMHL has pursued growth on steady course and grasped the opportunities to further expand its business. The renowned Japanese ice-cream introduced in this year had a favourable sales performance and was well-received by the consumers. Furthermore, the wholesale business of snacks also resulted in continued growth of revenue. As at 30 September 2019, the Group maintained its equity interest in FSMHL at approximately 29.98% and the share of profits of associates was HK$5,663,000 (2018: HK$6,929,000).

BUSINESS REVIEW AND PROSPECTS (continued)

PROSPECTS

Facing ahead with the challenges of stringent overseas supply of frozen meats and the social movements in Hong Kong, the management will closely monitor the situations and implement prudent strategies in purchasing, selling and cost controlling. Responding to the potential impacts, the Group will take measures in fostering its relationship with overseas suppliers, extending its trading product ranges, deepening its sourcing in Japan, and increasing its proportion of purchases from other meats producing countries. Besides, the Group will continue to launch various kinds of marketing and promotional activities for Beefar's to further develop this segment business.

With its foundation in Hong Kong, FSMHL will continue to actively develop its business in Hong Kong market as well as aggressively expand its Mainland China market. For Hong Kong market, FSMHL will continue to introduce quality brands products, like introducing in this year various famous Japanese ice-cream brands including "MEIJI", "LOTTE", "GLICO", "IMURAYA", "SEIKA" and "BLUE SEAL" which is exclusive in Okinawa, as well as delicious ice-cream from different parts of Japan. In addition, FSMHL will further develop its wholesale business by expanding its sales network to foster its leading position in Hong Kong. In Mainland China, FSMHL will devote efforts to expand in its own brand and other exclusively distributed brand products. Grasping the opportunity provided by the Guangdong-Hong Kong-Macao Greater Bay Area development plan launched in the beginning of the year, FSMHL will push its growth in import and e-commerce in full force to increase its market shares in the Mainland China market and create more business opportunities. FSMHL has recently acquired 15% interests in Miyata Holdings Co., Ltd. ("Miyata"), a renowned snacks and confectionary distributor in Japan. Under this transaction, FSMHL expects to foster greater cooperation and combine its strengths with Miyata in capital, resources and technology to generate synergy effects. Furthermore, the transaction may also benefit FSMHL's distribution business with sustainable growth. It is expected that FSMHL will continue to bring stable contribution 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 2019, the Group had banking facilities of HK$220,000,000 of which 11% had been utilised. The Group had a gearing ratio of 4% as at 30 September 2019. 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 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 2019, the Group held cash and cash equivalents of HK$167,716,000. 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 2019 was 46. 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 2019.

CORPORATE GOVERNANCE

The Company and management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is essential to continuous growth and enhancement of shareholders' value. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance. The Company has applied the principles of and complied with most of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 September 2019 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 appointments. 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 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 2019.

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 2019.

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 2019 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 2019 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, 27 November 2019

As at the date of this announcement, the executive directors of the Company are Mr. TAI Tak Fung, Stephen, Mr. TAI Chun Leung, 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.