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HIFOOD GROUP HOLDINGS CO., LIMITED

海福德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 442)

PROFIT WARNING

This announcement is made by Hifood Group Holdings Co., Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform its shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment by the management of the Group on the unaudited consolidated management accounts of the Group for the eleven months ended 29 February 2020 (the “**Period**”) and the information currently available, the loss attributable to the owners of the parent (the “**Loss**”) is expected to be increased by approximately HK\$36.5 million for the Period as compared to the Loss for the corresponding period in 2019 (the “**Profit Warning**”).

The deterioration of financial results performance is mainly attributable to (i) a loss arising from change in fair value of financial assets at fair value through profit or loss of approximately HK\$32.7 million; (ii) a decline in the Group’s revenue by approximately HK\$38.7 million or 21.8% for the Period; and (iii) a decline in gross profit by approximately HK\$13.7 million or 62.3% for the Period, as compared to the corresponding period in 2019. Notwithstanding the operational efficiency and cost control achieved during the Period, the decrease in the Group’s revenue was primarily due to (i) a significant decrease in sales in Mainland China (the “**PRC**”), Europe (including Russia) and the United States of America (the “**U.S.**”) in view of the weaker-than-expected market conditions; (ii) the escalated trade conflicts between the PRC and the U.S.; and (iii) the outbreak of coronavirus disease (COVID-19) escalated since January 2020. As workers, staff and senior management of the Group had restricted and limited business travelling between Hong Kong and the PRC, within the PRC, and to a number of overseas countries and a number of major international jewellery trade shows have been either cancelled or postponed this year, there had been significant reductions in orders, shipments and production since February 2020.

The net Loss for the Period was deteriorated further by the impact of capital market fluctuations in Hong Kong. Certain financial assets, mainly the shares of China U-Ton Holdings Limited (stock code 6168), at fair value held by the Group demonstrated a decrease in valuation, which in turn led to a significant unrealised loss in fair value changes. The net loss arising in change in fair value of financial assets at fair value through profit or loss was approximately HK\$32.7 million for the Period.

The information contained in this announcement is solely based on a preliminary assessment by the management of the Company with reference to the information currently available to the Company and based on the unaudited consolidated management accounts of the Group for the Period, which is yet to be finalised and has not yet been reviewed or audited by the Company's auditors or the audit committee of the Company. The annual results announcement of the Company for the year ended 31 March 2020 are expected to be published in 10 June 2020 (the **"2020 Annual Results Announcement"**).

Reference is also made to the announcements of the Company dated 13 March 2020 (the **"Rule 3.7 Announcement"**) and 15 April 2020 in relation to the Receivership (as defined in the Rule 3.7 Announcement) and the possible mandatory general offer.

Following the publication of the Rule 3.7 Announcement, the Company is required to comply with the relevant requirements under the Hong Kong Code on Takeovers and Mergers (the **"Takeovers Code"**). Pursuant to Rule 10 of the Takeovers Code, the Profit Warning constitutes a profit forecast and should be reported on by the Company's financial adviser and auditors or reporting accountants in accordance with Rule 10.4 of the Takeovers Code. In view of the requirements of timely disclosures of the inside information under Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

Pursuant to Rule 10.4 of the Takeovers Code and Practice Note 2 of the Takeovers Code, the reports from the Company's financial adviser and auditors on the Profit Warning are required to be included in the next document to be sent to the Shareholders (the **"Shareholders' Document"**). It is expected that the 2020 Annual Results Announcement will be published prior to the despatch of the next Shareholders' Document. If this is the case, the requirement under Rule 10 of the Takeovers Code to report on the Profit Warning will be superseded by the publication of the 2020 Annual Results Announcement. Otherwise, the Profit Warning shall be reported on in accordance with Rule 10 of the Takeovers Code and the relevant reports will be included in the next Shareholders' Document.

Shareholders and potential investors should note that the Profit Warning does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and therefore they are advised to exercise caution in placing reliance on the Profit Warning in assessing the merits and demerits of the possible sale of shares of the Company (as detailed in the Rule 3.7 Announcement).

There is no assurance that the Receivership will result in a change of controlling shareholder and will it lead to general offers under Rule 26.1 of the Takeovers Code for the securities of the Company. Shareholders and potential investors should exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

By order of the Board
Hifood Group Holdings Co., Limited
Li Neng
Chairman

Hong Kong, 15 April 2020

As at the date of this announcement, the executive Directors are Mr. Li Neng, Mr. Zhao Minhao and Mr. Zhao Yeyong; and the independent non-executive Directors are Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.