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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 2021**

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 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September	
		2021	2020
		Unaudited	Unaudited
		HK\$'000	HK\$'000
	<i>Notes</i>		
REVENUE	3	93,461	63,983
Cost of sales		<u>(76,351)</u>	<u>(56,279)</u>
Gross profit		17,110	7,704
Other income and gains, net	3	978	2,091
Selling and distribution expenses		(10,945)	(4,327)
Administrative expenses		(11,514)	(8,354)
Finance costs	4	(369)	(515)
Share of profits and losses of associates		<u>3,972</u>	<u>9,001</u>
PROFIT/(LOSS) BEFORE TAX	5	(768)	5,600
Income tax expense	6	<u>(344)</u>	<u>–</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(1,112)</u>	<u>5,600</u>
Attributable to :			
Equity holders of the Company		(1,948)	5,459
Non-controlling interests		<u>836</u>	<u>141</u>
		<u>(1,112)</u>	<u>5,600</u>
		<i>HK cent</i>	<i>HK cents</i>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY			
– Basic and diluted	7	<u>(0.75)</u>	<u>2.10</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2021	2020
	Unaudited HK\$'000	Unaudited HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(1,112)	5,600
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income of associates, net of tax	4,252	9,754
Exchange differences on translation of foreign operations	(28)	297
	4,224	10,051
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income/(loss) of associates, net of tax	(57)	647
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	4,167	10,698
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,055	16,298
Attributable to:		
Equity holders of the Company	2,219	16,157
Non-controlling interests	836	141
	3,055	16,298

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2021	31 March 2021
	Unaudited	Audited
<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	30,058	29,710
Right-of-use assets	14,851	17,495
Investments in associates	428,727	428,050
Prepayments and deposits	7,820	2,257
Goodwill	2,103	2,103
Financial assets at fair value through profit or loss	12,931	8,417
Deferred tax assets	390	464
Total non-current assets	496,880	488,496
CURRENT ASSETS		
Inventories	48,902	32,168
Trade receivables	8 13,448	10,057
Prepayments, deposits and other receivables	942	1,044
Due from associates	734	184
Due from a related company	6	–
Financial assets at fair value through profit or loss	6,573	6,999
Cash and cash equivalents	136,937	145,088
Total current assets	207,542	195,540
CURRENT LIABILITIES		
Trade and bills payables	9 13,758	8,031
Other payables and accruals	5,135	5,446
Due to associates	200	1,249
Due to a non-controlling shareholder	4,773	3,057
Tax payable	282	12
Interest-bearing bank borrowings	35,171	21,214
Lease liabilities	6,710	6,566
Total current liabilities	66,029	45,575
NET CURRENT ASSETS	141,513	149,965
TOTAL ASSETS LESS CURRENT LIABILITIES	638,393	638,461
NON-CURRENT LIABILITIES		
Accruals	200	200
Lease liabilities	10,266	13,389
Total non-current liabilities	10,466	13,589
Net assets	627,927	624,872

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	117,095	117,095
Reserves	<u>505,322</u>	<u>503,103</u>
	622,417	620,198
Non-controlling interests	<u>5,510</u>	<u>4,674</u>
 Total equity	 <u><u>627,927</u></u>	 <u><u>624,872</u></u>

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 (“Stock Exchange”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 March 2021.

The financial information relating to the year ended 31 March 2021 that is included in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2021 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 2021 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 an interpretation issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

The application of the revised HKASs and HKFRSs in the current period has had no material effect on the amounts reported and/or disclosure set out in these condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments for the period ended 30 September 2021 as follows:

- (a) the trading segment is engaged in the trading of frozen meats, seafood and vegetables in Hong Kong;
- (b) the catering segment is engaged in restaurants operation in Hong Kong; and
- (c) the others segment consists of marketing of meat products and communication and advertising design.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provided. During the period, the Group reviewed the structure and internal organisation and changed the composition of its reportable segments. Accordingly, certain subsidiaries which were previously included in "Others" segment have been reclassified to the "Catering" segment. The relevant comparable figures have been restated to conform with current period's presentation. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

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 and unallocated losses, non-lease-related 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, deferred tax assets, 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 tax payables, 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)

Six months ended 30 September 2021

	Trading Unaudited HK\$'000	Catering Unaudited HK\$'000	Others Unaudited HK\$'000	Total Unaudited HK\$'000
Segment revenue				
Sales to external customers	73,198	17,743	2,520	93,461
Intersegment sales	1,560	–	47	1,607
	<u>74,758</u>	<u>17,743</u>	<u>2,567</u>	<u>95,068</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(1,607)</u>
				<u><u>93,461</u></u>
Segment results	(104)	1,256	(310)	842
<i>Reconciliation:</i>				
Bank interest income				185
Dividend income and unallocated losses				(1,653)
Finance costs (other than interest on lease liabilities)				(215)
Share of profits and losses of associates				3,972
Corporate and other unallocated expenses				<u>(3,899)</u>
Loss before tax				<u><u>(768)</u></u>

Six months ended 30 September 2020

	Trading Unaudited HK\$'000	Catering Unaudited HK\$'000	Others Unaudited HK\$'000	Total Unaudited HK\$'000
Segment revenue				
Sales to external customers	56,563	4,351	3,069	63,983
Intersegment sales	657	–	122	779
	<u>57,220</u>	<u>4,351</u>	<u>3,191</u>	<u>64,762</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(779)</u>
				<u><u>63,983</u></u>
Segment results	(447)	(91)	(271)	(809)
<i>Reconciliation:</i>				
Bank interest income				905
Dividend income and unallocated losses				(466)
Finance costs (other than interest on lease liabilities)				(219)
Share of profits and losses of associates				9,001
Corporate and other unallocated expenses				<u>(2,812)</u>
Profit before tax				<u><u>5,600</u></u>

2. OPERATING SEGMENT INFORMATION (continued)

As at 30 September 2021

	Trading Unaudited HK\$'000	Catering Unaudited HK\$'000	Others Unaudited HK\$'000	Total Unaudited HK\$'000
Segment assets	186,981	25,842	9,171	221,994

Reconciliation:

Elimination of intersegment receivables				(369)
Investments in associates				428,727
Corporate and other unallocated assets				<u>54,070</u>
Total assets				<u><u>704,422</u></u>

Segment liabilities	54,553	13,540	2,489	70,582
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Reconciliation:

Elimination of intersegment payables				(369)
Corporate and other unallocated liabilities				<u>6,282</u>
Total liabilities				<u><u>76,495</u></u>

As at 31 March 2021

	Trading Audited HK\$'000	Catering Audited HK\$'000	Others Audited HK\$'000	Total Audited HK\$'000
Segment assets	172,953	28,705	10,509	212,167

Reconciliation:

Elimination of intersegment receivables				(319)
Investments in associates				428,050
Corporate and other unallocated assets				<u>44,138</u>
Total assets				<u><u>684,036</u></u>

Segment liabilities	34,548	12,876	3,339	50,763
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Reconciliation:

Elimination of intersegment payables				(319)
Corporate and other unallocated liabilities				<u>8,720</u>
Total liabilities				<u><u>59,164</u></u>

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), net is as follows:

	Six months ended 30 September	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Disaggregation of revenue		
Sales of goods	73,198	56,563
Restaurants operation	17,743	4,351
Others	2,520	3,069
	<u>93,461</u>	<u>63,983</u>
Timing of revenue recognition		
At a point in time	<u>93,461</u>	<u>63,983</u>
Other income		
Bank interest income	185	905
Dividend income from financial assets at fair value through profit or loss	166	268
Gross rental income	911	927
Sundry income	51	1
	<u>1,313</u>	<u>2,101</u>
Gains/(losses), net		
Fair value losses on financial assets at fair value through profit or loss	(1,819)	(734)
Foreign exchange difference, net	1,484	724
	<u>(335)</u>	<u>(10)</u>
	<u>978</u>	<u>2,091</u>

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2021	2020
	Unaudited HK\$'000	Unaudited HK\$'000
Interest on bank and trust receipt loans	215	219
Interest on lease liabilities	154	296
	<u>369</u>	<u>515</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2021	2020
	Unaudited HK\$'000	Unaudited HK\$'000
Cost of inventories sold	76,351	56,279
Depreciation of items of property, plant and equipment	1,885	1,217
Depreciation of right-of-use assets	2,997	2,709
Lease payments not included in the measurement of lease liabilities	4,730	3,429
COVID-19-related rent concessions from lessors	(9)	(312)
Government subsidies (<i>Note</i>)	–	(1,474)
Impairment of trade receivables	59	–
	<u>59</u>	<u>–</u>

Note:

The government subsidies mainly represented the grants from the Hong Kong Government, which aims to retain employment and combat COVID-19. There were no unfulfilled conditions or contingencies relating to these subsidies. During the period ended 30 September 2020, government subsidies of HK\$488,000 and HK\$986,000 were included in “Selling and distribution expenses” and “Administrative expenses”, respectively, in the condensed consolidated statement of profit or loss.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates. No provision for profit tax had been made as the Group did not generate any assessable profit arising in Hong Kong and elsewhere during the period ended 30 September 2020.

	Six months ended 30 September	
	2021	2020
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current charge for the period		
– Hong Kong	270	–
Deferred	74	–
	<u>344</u>	<u>–</u>
Total tax charge for the period	<u><u>344</u></u>	<u><u>–</u></u>

The share of tax attributable to associates amounting to HK\$3,773,000 (2020: HK\$3,509,000) 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	
	2021	2020
	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	<u>(1,948)</u>	<u>5,459</u>
	Number of shares	
	2021	2020
	Unaudited	Unaudited
Shares		
Number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	<u><u>259,586,000</u></u>	<u><u>259,586,000</u></u>

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those 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 2021 and 31 March 2021, based on the invoice date and net of loss allowance, is as follows:

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Within 1 month	10,760	7,795
1 to 2 months	2,572	2,009
Over 2 months	116	253
	13,448	10,057

9. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at 30 September 2021 and 31 March 2021, based on the invoice date, is as follows:

	30 September 2021 Unaudited HK\$'000	31 March 2021 Audited HK\$'000
Within 1 month	10,080	7,638
1 to 2 months	3,678	393
	13,758	8,031

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

10. CAPITAL COMMITMENT

The Group had capital commitment in respect of a property located at Japan which was contracted but not provided for in the condensed consolidated financial statements of approximately HK\$13,011,000 as at 30 September 2021 (2020: Nil). Details of which are included in the Company's announcement dated 6 September 2021.

11. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation which would better reflect the financial performance of the Group. The comparative operating segment information has been represented as if the change of the composition of the Group's reportable segments has been effected at the beginning of the comparative period.

12. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 29 October 2021, a wholly-owned subsidiary of the Company, entered into an offer letter with a landlord in respect of the lease of a premises for a term of four years commencing on 1 November 2021 and ending on 31 October 2025 (both days inclusive) for the operation of one of the Group's restaurants at a total rental of HK\$11,025,000. Details of which are included in the Company's announcements dated 29 October 2021 and 4 November 2021, respectively.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021 (2020: Nil).

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

For the six months ended 30 September 2021, the Group's revenue was approximately HK\$93,461,000 (2020: approximately HK\$63,983,000), an increase of approximately 46.1% from the same period last year. The improvement of the Group's revenue was mainly attributable to the increased sales of frozen meats trading business and catering business. The Group recorded a loss attributable to the equity holders of the Company of approximately HK\$1,948,000 (2020: profit approximately HK\$5,459,000). It was mainly attributable to the absence of the subsidies from the Government of the Hong Kong Special Administrative Region related to COVID-19 and the decrease in the contribution of share of profits from associates.

Frozen Meats Trading Business

During the period under review, the overall frozen meats trading business revenue recorded an increase of 29.4% compared to the same period last year, mainly attributable to the enhancement of product portfolio.

Overseas' customer traffic for restaurants and catering sector was almost at a stand-still under the continuing travel restrictions and quarantine requirements for tourists arriving Hong Kong, especially those from Mainland China. As a result, food and beverage consumption by overseas tourists decreased and in turn leading to a generally low level of orders from catering business sector for traditional frozen meats. However, improved traffic rebound of local customers benefited by pandemic fatigue and low level of COVID-19 cases reported, together with increasing demand of local lovers for premium high-quality meats has greatly off-set this low tourists' demand and further facilitated an overall increase in revenue of frozen meats trading business for the period under review.

On the other hand, global supply of frozen meats was very unstable during the period. Tens of thousands of loaded containers were held up on board vessels at the discharging ports, affected by the lengthened screening procedures on COVID-19 contamination-free by local governments on in-bound cargoes. Furthermore, the turnaround time of empty refrigerated containers was adversely affected and led to supply shortage of empty containers for loading products for shipment and soaring freight costs amid global transportation disruption.

Notwithstanding the negative impact of COVID-19 above mentioned, including restrictive measures and resulting economic headwinds, the Group managed to improve the gross profit margin by adopting a prudent purchase strategy on traditional frozen meats while optimising its product mix through strengthening the sales channels of wagyu beef. Similar approach of travel restrictions in Hong Kong has been adopted worldwide including Japan, unexpectedly driving Hong Kong lovers of high-end Japanese wagyu beef to abandon travelling to Japan but to enjoy their favourite wagyu beef cuisines locally through retail and on-line orders. Electronic sales channels and marketing campaigns have been engaged to cope with such changes in consumer behaviour, enabling sales soar of the Group's solely distributed "Satsuma" brand of Japanese wagyu beef and Korean Lotte's "L'Grow" brand of Australian wagyu beef, thus outweighing the negative impact caused by the COVID-19 outbreak to traditional frozen meats trading.

BUSINESS REVIEW AND PROSPECTS (continued)

Catering Business

The restaurant Beefar's, a joint venture between the Group and its Japanese partner, Kamichiku Holdings Co., Ltd., is advantageously located in Tsim Sha Tsui, one of the busiest commercial and tourist district in Hong Kong. Beefar's exclusively supplies high-quality "Satsuma" brand of Japanese wagyu beef with the theme of Japanese style BBQ, which continues its popularity and being followed by Japanese wagyu beef lovers.

Although the social distancing measures and anti-epidemic travel requirements implemented worldwide since the beginning of 2020 have not been eased, local citizens might experience COVID-19 burnout and sought to extend their tightened social lives with caution. In response to public demand for a safer dining environment, the Group's restaurants adopted high standard of health and safety precautions including vaccination for staff, therefore managed to operate in advantageous modes of operation for catering premises with increased dine-in numbers per table and extension of business hours. Customer traffic flow for our restaurants featuring premium quality Japanese wagyu beef rebounded remarkably as consumers are generally willing to pay more for healthy and tasty food with safety assurances from reliable food suppliers amid pandemic.

Riding on this recovery wave of dinning out sentiment amid low number of infection cases, the Group's newly opened restaurant "Gyumai" in Yuen Long in the early of 2021 has delivered outstanding performance in both revenue and profit. Such success was attributable to the great varieties of supreme beef offered, from three major producing areas - "Satsuma" Japanese wagyu beef from Japan, Korean Lotte's "L'Grow" brand Australian wagyu beef from Australia and Angus premium beef from the United States, in all-you-can-eat and self-served yakiniku and shabu shabu, thus further enhancing the Group's presence in the field of high-end catering. The second restaurant is being prepared to open in Kwun Tong in the first quarter of 2022.

Other Businesses

To support the Group's frozen meats trading and catering businesses, the Group also engages in the segment of communication and advertising design, and marketing of meat products. With the dedicated efforts, the Group has been successfully brand building of "Satsuma" and "L'Grow" in the meats trading sector, whilst "Beefar's" and "Gyumai" in the catering sector through active marketing campaigns and digital media.

Food Business Investment

The Group continues to hold approximately 29.98% equity interest of Four Seas Mercantile Holdings Limited ("FSMHL") as a strategic investment in the food business. During the period under review, FSMHL's businesses have improved steadily despite of the epidemic. Benefited from the stability of the epidemic situation in China and Hong Kong and the stimulation from the Tokyo Olympics in Japan, together with FSMHL's forward-looking development positioning, customised product promotion and strategic talent deployment, and further integration of the famous Japanese snack and desserts distributor Miyata Co., Ltd. ("Miyata") in order to strengthen the export of products to Hong Kong and the Mainland China, the overall turnover continued to increase. For the six months ended 30 September 2021, the Group's share of profits from FSMHL, associates of the Group, was approximately HK\$4,611,000 (2020: HK\$9,001,000).

PROSPECTS

Looking forward, frozen meats trading and catering businesses will continue to face challenges and opportunities in the post-pandemic world including but not limited to disruptions in food supply chains, digital transformation, raising health and safety standard and increasingly intertwined economies. In response to the potential impact, the Group will take measures including strengthening the relationship with overseas suppliers, expanding the range of traded products, deepening the source of procurement in Japan and increasing the proportion of procurement from other meat producing countries.

A milestone year has arrived and FSMHL is celebrating its “Golden Jubilee” - 50th anniversary this year. With its past 50 years at the service of emphasising active development of new and innovative products while adapting to local needs, FSMHL has gradually developed into a renowned household food brand which securing unwavering support of consumers in Hong Kong, Mainland China and overseas. Rooted in Hong Kong for five decades, FSMHL will continue to deliver to Hong Kong consumers a greater variety of tasty food and snack items, with the expanding source from the extensive supplying network of the 100%-owned Miyata in Japan, while actively distributed the newly represented famed fruit liqueur “CHOYA”, a variety of famous Japanese ice cream brands and the recently introduced and well-sold products of Japanese eggs, Japanese rice, and Japanese tofu to further consolidating its leadership position in the local market. Leveraging the Group’s successful business footprint in Hong Kong, FSMHL will explore the enormous growth potentials of the Guangdong-Hong Kong-Macao Greater Bay Area driven by its supportive government policies, spill-over demand and infrastructure development, to further expand into the large and growing markets in Mainland China. At the same time, FSMHL will also aggressively develop in the Japanese market through the comprehensive customer base owned by Miyata. With solidifying competitive advantages over various markets, FSMHL is anticipated to provide sustainable profits 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 2021, the Group had banking facilities of HK\$220,753,000 of which 16% had been utilised. The Group had a gearing ratio of 6% as at 30 September 2021. 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 2021, the Group held cash and cash equivalents of HK\$136,937,000. The Group has no significant 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 2021 was 63. 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.

CAPITAL COMMITMENT

The Group had capital commitment in respect of a property located at Japan which was contracted but not provided for in the condensed consolidated financial statements of approximately HK\$13,011,000 as at 30 September 2021 (2020: Nil).

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 2021.

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 Listing Rules during the six months ended 30 September 2021 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, Mr. Tai Tak Fung, Stephen, a non-executive director of the Company, is appointed for a specific term commencing from 23 February 2021 to 31 March 2022 and is subject to termination by either party by giving not less than three months' written notice. He is also subject to retirement by rotation and re-election at the Company's annual general meetings pursuant to Article 105(A) of the Articles of Association. 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. 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 2021.

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 2021.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive directors, namely Mr. CHEUNG Wing Choi (Chairman of the Audit Committee), Mr. LAN Yee Fong, Steve John and Mr. WONG, Louis Chung Yin. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2021 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 2021 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 Chun Kit
Chairman

Hong Kong, 29 November 2021

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