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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)

DISCLOSEABLE TRANSACTION IN RESPECT OF THE OFFER LETTER

On 29 October 2021, the Tenant, a wholly-owned subsidiary of the Company, entered into the Offer Letter with the Landlord in respect of the lease of the 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.

Given that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Offer Letter is more than 5% but less than 25%, the transaction contemplated under the Offer Letter constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 29 October 2021, the Tenant, a wholly-owned subsidiary of the Company, entered into the Offer Letter with the Landlord. The salient terms of the Offer Letter are summarised below:

THE OFFER LETTER

Date : 29 October 2021

Parties : (1) the Landlord
(2) the Tenant

- Premises : 10th Floor of One Pacific Centre, No. 414 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong, with a gross floor area of approximately 11,188 square feet.
- Use : For operation of a restaurant.
- Term : A period of four years from 1 November 2021 to 31 October 2025 (both days inclusive), with the Tenant having the option to renew for a further term of two years subject to the terms and conditions of the formal tenancy agreement will be entered in respect of the lease of the Premises.
- Rent free period : The Tenant is entitled to a rent free period of three months from the commencement of the term.
- Total aggregated value of the consideration : Base rent of HK\$11,025,000 in aggregate (exclusive of management and air-condition fees, government rent and rates and other outgoings) during the term, and an additional turnover rent being an amount equivalent to 10% of the gross turnover of the business to be operated at the Premises that exceeds the monthly base rent payable.
- The Tenant is responsible for the payment of the management and air-condition fees, government rent and rates and other outgoings during the term.
- The rent was determined after arm's length negotiations between the Landlord and the Tenant, taking into consideration the prevailing market rent for properties of comparable standard and location.
- Deposit : A deposit of approximately HK\$1.0 million, equivalent to the sum of three months' rent, management and air-conditioning fees and one quarter of government rent and rates.

The payment of rent and the deposit will be funded by the internal resources of the Group.

RIGHT-OF-USE ASSETS

The unaudited value of the right-of-use assets that will be recognised by the Company under the Offer Letter will amount to approximately HK\$10.9 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the Offer Letter in accordance with HKFRS 16 *Lease*.

Since the turnover rent under the Offer Letter can only be reliably estimated according to the gross turnover generated from the operation of the restaurant at the Premises, such amount constitutes variable lease payments and will not be included in the measurement of the lease liability and right-of-use asset at initial recognition under HKFRS 16 *Lease*. Therefore, no right-of-use asset related to the turnover rent is recognised, and the turnover rent will be recognised as an expense and charged to the profit or loss of the Group in accordance with HKFRS 16 *Lease*.

INFORMATION OF THE PARTIES

The Group principally engages in the trading of frozen meats, seafood and vegetables, operation of restaurants, marketing of meat products and communication and advertising design. The Tenant is a wholly-owned subsidiary of the Company, which is principally engaged in the business of restaurant operation. The Group intends to use the Premises for the operation of one of the Group's restaurants.

The Landlord is a company incorporated in Hong Kong with limited liability. Its principal business activity is property investment. The shareholders of the Landlord are Lau Hon Chung, Tony and Valid Benefit Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquire, and the Landlord and its respective ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE OFFER LETTER

With the COVID-19 pandemic gradually becomes contained and social distancing measures become increasingly relaxed, it is anticipated that there will be a continuing recovery of the economy as well as demand for food catering business in Hong Kong. In view of the satisfactory performance of operating the Group's restaurant, featuring in all-you-can-eat and self-served yakiniku and shabu shabu, the Directors considered that it is a good opportunity to increase the Group's revenue by opening a new restaurant at the Premises.

The Directors consider that the terms of the Offer Letter are on normal commercial terms and fair and reasonable and the entering into of the Offer Letter is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Given that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Offer Letter is more than 5% but less than 25%, the transaction contemplated under the Offer Letter constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Hong Kong Food Investment Holdings Limited (香港食品投資控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a third party(ies) independent of the Company and the connected person(s) of the Company
“Landlord”	CHIEFAST INVESTMENT LIMITED, a company incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Letter”	the offer letter entered into between the Tenant and the Landlord on 29 October 2021 in respect of the lease of the Premises
“Premises”	10th Floor of One Pacific Centre, No. 414 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tenant” Gyumai Catering Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“%” per cent.

By Order of the Board
Hong Kong Food Investment Holdings Limited
Yam Wai Wah, Jenny
Company Secretary

Hong Kong, 29 October 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.