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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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 25 March 2021 in relation to the continuing connected transactions under the 2021 Master Supply Agreement.

SUPPLEMENTAL AGREEMENT

Due to the increase in both sales volume and estimated future sales volume of the Group's Beef Products, the Board anticipated that the Group's purchase amounts of Beef Products from the Supplier and/or its subsidiaries under the 2021 Master Supply Agreement for each of the three financial years ending 31 March 2022, 31 March 2023 and 31 March 2024 will exceed the Existing Annual Caps.

On 7 December 2021, the Company and the Supplier entered into the Supplemental Agreement to revise the Existing Annual Caps for the continuing connected transactions under the 2021 Master Supply Agreement. Save for the revision to the Existing Annual Caps, all other terms and conditions of the 2021 Master Supply Agreement remain the same.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Supplier is interested in 40% of FS-Kamichiku, a 60% held non-wholly owned subsidiary of the Group. The Supplier is hence a connected person of the Company at the subsidiary level. As one or more of the applicable percentage ratios for the proposed Revised Annual Caps contemplated under the 2021 Master Supply Agreement (as supplemented by the Supplement Agreement) will exceed 5% and have an annual consideration of more than HK\$10,000,000, the transactions contemplated under the 2021 Master Supply Agreement (as supplemented by the Supplemental Agreement) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As (i) the Supplier is a connected person at subsidiary level; (ii) the Board has approved the transactions contemplated under the 2021 Master Supply Agreement (as supplemented by the Supplemental Agreement); and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under 2021 Master Supply Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the continuing connected transactions contemplated under the Supplemental Agreement are subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 25 March 2021 in relation to the 2021 Master Supply Agreement for the purchase of Beef Products from the Supplier and/or its subsidiaries for a term of three financial years ending on 31 March 2024.

SUPPLEMENTAL AGREEMENT

Due to the increase in both sales volume and estimated future sales volume of the Group's Beef Products, the Board anticipated that the Group's purchase amounts of Beef Products from the Supplier and/or its subsidiaries under the 2021 Master Supply Agreement for each of the three financial years ending 31 March 2022, 31 March 2023 and 31 March 2024 will exceed the Existing Annual Caps, as stated in the announcement of the Company dated 25 March 2021.

On 7 December 2021, the Company and the Supplier entered into the Supplemental Agreement to revise the Existing Annual Caps for the continuing connected transactions under the 2021 Master Supply Agreement. Save for the revision to the Existing Annual Caps, all other terms and conditions of the 2021 Master Supply Agreement remain the same.

Revision of Existing Annual Caps

The Existing Annual Caps for each of the three financial years ending 31 March 2024 are set out below:

	Financial years ending 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Existing Annual Caps	24,000	26,000	30,000

For the eight months ended 30 November 2021, the Group’s actual purchase amount of Beef Products from the Supplier and/or its subsidiaries under the 2021 Master Supply Agreement was approximately HK\$22.3 million, which accounted for approximately 93% of the Existing Annual Cap of HK\$24 million for the year ending 31 March 2022.

The Revised Annual Caps for each of the three financial years ending 31 March 2024 are set out below:

	Financial years ending 31 March		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revised Annual Caps	36,000	45,000	50,000

The Revised Annual Caps are determined with reference to:

- i. the Group’s historical purchase amounts of Beef Products under the 2021 Master Supply Agreement;
- ii. the estimated future sales volume of Beef Products of the Group for the rest of the financial year ending 31 March 2022 and the whole financial years ending 31 March 2023 and 2024; and
- iii. the strong and increasing market demand for Beef Products.

The price of the products supplied by the Supplier to the Group will be based on the quoted price for the products to be supplied by the Supplier. Such quoted price will be determined based on arm’s length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market price offered by the Supplier to its independent customers for the same or substantially similar products;
- ii. if there are insufficient comparable transactions to (i) above, on normal commercial terms as may be agreed by the parties with reference to the prices quoted by other independent third parties in respect of the same or substantially similar products with comparable quantities; and
- iii. if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously purchased by the Company, and on normal commercial terms which are no less favourable to the Company than that are available from independent third parties.

Payment for the products under the 2021 Master Supply Agreement (as supplemented by the Supplemental Agreement) will be on normal commercial terms and in accordance with the credit policy of the Supplier.

To ensure that the terms of sale offered by the Supplier are no less favourable to the Group than those offered by the Supplier to independent third parties, the Company has a set of internal procedures in place under which:

- i. the Company will periodically obtain market information on the price of Beef Products to establish the prevailing price of the products in the market;
- ii. the Company maintains a list of carefully selected suppliers. The list is regularly reviewed and updated;
- iii. the Company will obtain periodic quotations from these independent suppliers for products of similar specifications and quantities as those purchased by the Group from the Supplier to provide a comparable reference price;
- iv. the Company will compare the price of the products sold by the Supplier and the quotations obtained by the Group from independent suppliers and assess whether the products sold by the Supplier to the Group are on prevailing market prices and in accordance with the terms of each contract;
- v. the relevant personnel from the accounting department and the management of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of the agreement and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy; and
- vi. the independent non-executive Directors will review the transactions under the relevant continuing connected transactions and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof.

The Board considers that with the above internal control procedures in place, the Company will be able to ensure that the transactions with the Supplier will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the independent Shareholders.

REASONS FOR AND BENEFITS OF THE REVISION OF EXISTING ANNUAL CAPS

As disclosed in the interim results announcement of the Company for the six months ended 30 September 2021, there had been improvement to the overall catering business as a result improved traffic of local customers benefited by pandemic fatigue and low level of COVID-19 cases reported, together with increasing demand for premium high-quality meats locally due to travel restrictions and quarantine requirements overseas. As a result, food and beverage consumption by local customers increased significantly and in turn leading to a continuation of high sales turnover of our Beef Products with our aggressive marketing efforts, since the beginning of the interim period for the six months ended 30 September 2021.

With the increased demand, it is anticipated that the demand for Beef Products will exceed the Existing Annual Caps. In this connection, the Existing Annual Caps have been adjusted to cater for the expected increases in demand.

The Directors (including the independent non-executive Directors) consider that the transactions between the Company and the Supplier and the proposed Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION RELATING TO THE GROUP AND THE SUPPLIER

The principal activities of the Group consisted of the trading of frozen meats, seafood and vegetables, operation of restaurants, marketing of meat products and communication and advertising design.

FS-Kamichiku is a 60% held non-wholly owned subsidiary of the Group and is principally engaged in the operation of a Japanese restaurant and the trading in Beef Products.

The Supplier is a limited liability company established in Japan and is principally engaged in the business of operating Japanese restaurants, the manufacture and sale of Beef Products, dairy and other processed food products. The ultimate beneficial owner of the Supplier is Mr. Masashi Kamimura (上村昌志), who is independent of, and not connected with, the Company and its connected persons.

IMPLICATION UNDER THE LISTING RULES

As the Supplier is interested in 40% of FS-Kamichiku, a 60% held non-wholly owned subsidiary of the Group, the Supplier is a connected person of the Company at the subsidiary level. As one or more of the applicable percentage ratios for the proposed Revised Annual Caps contemplated under the 2021 Master Supply Agreement (as supplemented by the Supplemental Agreement) will exceed 5% and have an annual consideration of more than HK\$10,000,000, the transactions contemplated under the 2021 Master Supply Agreement (as supplemented by the Supplemental Agreement) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As (i) the Supplier is a connected person at subsidiary level; (ii) the Board has approved the transactions contemplated under the 2021 Master Supply Agreement (as supplemented by the Supplemental Agreement); and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under 2021 Master Supply Agreement (as amended and supplemented by the Supplemental Agreement) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the continuing connected transactions contemplated under the Supplemental Agreement are subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the continuing connected transactions and thus no Director was required to abstain from voting on the board resolutions passed to approve the continuing connected transactions.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Beef Products”	premium beef and beef products;
“Board”	the board of Directors;
“2021 Master Supply Agreement”	the agreement dated 25 March 2021 entered into between the Supplier and the Company;
“Company”	Hong Kong Food Investment Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Annual Caps”	the annual caps under the 2021 Master Supply Agreement;
“FS-Kamichiku”	FS-Kamichiku Company Limited, a company incorporated in Hong Kong with limited liability, a non-wholly owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Revised Annual Caps”	the revised annual caps for each of the three financial years ending 31 March 2022, 31 March 2023 and 31 March 2024 under the 2021 Master Supply Agreement (as supplemented by the Supplemental Agreement);
“Shares”	ordinary shares of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement entered into between the Company and the Supplier on 7 December 2021 to amend the Existing Annual Caps in the 2021 Master Supply Agreement;
“Supplier”	Kamichiku Holdings Co., Ltd., a company incorporated in Japan with limited liability; and
“%”	per cent.

On behalf of the Board
Hong Kong Food Investment Holdings Limited
TAI Chun Kit
Chairman

Hong Kong, 7 December 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.