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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 25 March 2021 and 7 December 2021 in respect of the 2021 Master Supply Agreement and the Supplemental Agreement and the underlying continuing connected transactions with the Supplier.

As the term of the 2021 Master Supply Agreement is due to expire on 31 March 2024, on 19 March 2024, the Company entered into the 2024 Master Supply Agreement to enable the Company to continue the continuing connected transactions with the Supplier.

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 at the subsidiary level of the Company and the entering into of the 2024 Master Supply Agreement constitutes continuing connected transactions for the Company under the Listing Rules.

As (i) the Supplier is a connected person at the subsidiary level; (ii) the Board has approved the transactions contemplated under the 2024 Master Supply Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the 2024 Master Supply Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the continuing connected transactions contemplated under the 2024 Master Supply Agreement are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Rule 14A.101 of the Listing Rules.

1. BACKGROUND

Reference is made to the announcements of the Company dated 25 March 2021 and 7 December 2021 in respect of the 2021 Master Supply Agreement and the Supplemental Agreement. The term of the 2021 Master Supply Agreement is due to expire on 31 March 2024.

2. THE NEW MASTER SUPPLY AGREEMENT

On 19 March 2024, the Company entered into the 2024 Master Supply Agreement. The principal terms are set out below:

- Date: 19 March 2024
- Parties: (1) the Company, as the purchaser; and
(2) Kamichiku Holdings Co., Ltd., as the supplier
- Subject: Pursuant to the terms of the 2024 Master Supply Agreement, the Group will continue to purchase premium beef, beef products and other meat products from the Supplier and/or its subsidiaries.
- Term: The 2024 Master Supply Agreement has a term of three financial years ending on 31 March 2025, 2026 and 2027.
- Price: 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 not less favourable to the Company than that are available from independent third parties.

Payment for the products under the 2024 Master Supply Agreement will be on normal commercial terms and in accordance with the credit policy of the Supplier.

Cap amount: Pursuant to the 2024 Master Supply Agreement, the purchases of the premium beef, beef products and other meat products during the term of the agreement will be subject to the following annual caps:

Transaction amount	Financial year ending 31 March		
	2025	2026	2027
	HK\$'000	HK\$'000	HK\$'000
Purchase of premium beef, beef products and other meat products	50,000	50,000	50,000

The annual caps for the 2024 Master Supply Agreement were determined based on the historical purchase amounts and the expected demand of the Group for premium beef, beef products and other meat products for the restaurants and trading operations of the Group in accordance with the business development plan of the Group.

The historical purchases of the Group for the two financial years ended 31 March 2022 and 2023 and the ten months ended 31 January 2024 under the 2021 Master Supply Agreement and the Supplemental Agreement are set out below:

	Financial year ended 31 March		Ten months ended
	2022	2023	31 January 2024
	HK\$'000	HK\$'000	HK\$'000
Actual purchase amounts	32,961	28,221	13,743
Annual cap*	36,000	45,000	*50,000

* The annual cap is for the entire financial year.

For the two financial years ended 31 March 2022 and 2023, the actual transaction amounts have not exceeded the respective annual cap amount under the 2021 Master Supply Agreement and the Supplemental Agreement for each financial year. Based on the actual transaction amounts for the ten months ended 31 January 2024, the Directors do not expect that the annual cap for the financial year ending 31 March 2024 would be exceeded.

3. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The premium beef, beef products and other meat products supplied by the Supplier are being used for the Group's restaurants and trading operations in its ordinary course of business. As the term of the 2021 Master Supply Agreement is due to expire on 31 March 2024, the 2024 Master Supply Agreement is being entered into to enable the Supplier to continue to supply such products to the Group for the restaurants and trading operations of the Group.

As the 2024 Master Supply Agreement is being entered into in the usual and ordinary course of business of the Company and the terms have been negotiated on an arm's length basis and on normal commercial terms, with the purchase price of the products being based on prevailing market price of similar products offered by the Supplier to its independent customers, the Directors (including the independent non-executive Directors) consider that the transactions between the Company and the Supplier and the proposed annual caps for the transactions under the 2024 Master Supply Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. INTERNAL CONTROL MEASURES

To ensure that the terms of sale offered by the Supplier are not 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 premium beef and 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;
- vi. the independent non-executive Directors will review the transactions under the relevant continuing connected transactions; and
- vii. the Company's auditors will be engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants.

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.

5. INFORMATION ON THE PARTIES

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

FS-Kamichiku

FS-Kamichiku is a limited liability company incorporated in Hong Kong and is principally engaged in trading of beef products and operation of a Japanese restaurant. FS-Kamichiku is owned as to 60% by the Group and as to 40% by the Supplier.

The Supplier

The Supplier is a limited liability company established in Japan and is principally engaged in the business of manufacture and sale of premium beef and beef products, dairy and other processed food products and operation of Japanese restaurants. 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 at the subsidiary level of the Company and the entering into of the 2024 Master Supply Agreement constitutes continuing connected transactions for the Company under the Listing Rules.

As (i) the Supplier is a connected person at the subsidiary level; (ii) the Board has approved the transactions contemplated under the 2024 Master Supply Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the 2024 Master Supply Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the continuing connected transactions contemplated under the 2024 Master Supply Agreement are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under 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:

“Board”	the board of Directors;
“2021 Master Supply Agreement”	the agreement dated 25 March 2021 entered into between the Supplier and the Company;
“Supplemental Agreement”	the supplemental agreement entered into between the Company and the Supplier on 7 December 2021 to amend the annual caps of the 2021 Master Supply Agreement;
“2024 Master Supply Agreement”	the agreement dated 19 March 2024 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”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“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;
“Shares”	ordinary shares of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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, 19 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. TAI Chun Kit 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.