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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

FINANCIAL HIGHLIGHTS

Revenue was approximately HK\$39.5 million for the six months ended 30 September 2020 (the “**Period**”), representing a decrease of approximately 59.7% as compared with the same for the six months ended 30 September 2019.

Gross profit was approximately HK\$3.1 million for the six months ended 30 September 2020, representing a decrease of approximately 38.7% as compared with the same for the six months ended 30 September 2019.

Gross profit margin increased to approximately 7.7% for the six months ended 30 September 2020, as compared with approximately 5.1% for the six months ended 30 September 2019.

For the six months ended 30 September 2020, Hifood Group Holdings Co., Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a consolidated loss attributable to the owners of the parent of approximately HK\$89.9 million, compared with consolidated losses of approximately HK\$37.8 million for the corresponding period of 2019.

Basic and diluted losses per share amounted to approximately HK\$0.52 for the six months ended 30 September 2020, compared with the basic and diluted losses per share of approximately HK\$0.22 for the six months ended 30 September 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company does not recommend the payment of an interim dividend for the six months ended 30 September 2020.

INTERIM RESULTS

The Board announces the unaudited condensed consolidated interim financial results of the Group for the six months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019. The condensed consolidated interim financial statements have not been audited by the Company’s independent auditors but have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 September 2020

		Six months ended	
		30 September	
	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	4	39,520	98,001
Cost of sales		<u>(36,466)</u>	<u>(93,021)</u>
Gross profit		3,054	4,980
Other income		459	233
Selling expenses		(2,828)	(2,301)
Administrative expenses		<u>(12,136)</u>	<u>(14,715)</u>
Operating loss		(11,451)	(11,803)
Other losses, net	5	(78,109)	(25,417)
Finance costs	6	(317)	(499)
Share of loss of a joint venture		<u>(5)</u>	<u>(5)</u>
Loss before tax	7	(89,882)	(37,724)
Income tax expense	8	<u>–</u>	<u>(43)</u>
Loss for the Period attributable to the owners of the parent		<u>(89,882)</u>	<u>(37,767)</u>
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax			
Exchange differences on translation of foreign operations		<u>1,005</u>	<u>(1,139)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>1,005</u>	<u>(1,139)</u>
Total comprehensive loss for the period attributable to the owners of the parent		<u>(88,877)</u>	<u>(38,906)</u>
Losses per share attributable to ordinary equity holders of the parent:			
Basic and diluted	10	<u>HK\$(0.52)</u>	<u>HK\$(0.22)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		3,612	4,721
Intangible assets		1,317	–
Right-of-use assets		896	1,009
Investment in a joint venture		99	105
Financial asset at fair value through profit or loss	11	91,181	16,720
Total non-current assets		97,105	22,555
Current assets			
Inventories	12	33,220	18,664
Trade receivables	13	29,754	78,910
Prepayments, deposits and other receivables	14	6,412	9,222
Financial asset at fair value through profit or loss	11	–	152,201
Cash and bank balances		56,225	27,915
Total current assets		125,611	286,912
Total assets		222,716	309,467
Current liabilities			
Trade and other payables	15	31,798	19,725
Lease liabilities		237	254
Interest-bearing other borrowings	16	–	9,924
Tax payable		210	145
Total current liabilities		32,245	30,048
Non-current liabilities			
Lease liabilities		743	814
Deferred tax liabilities		299	299
Total non-current liabilities		1,042	1,113
Total liabilities		33,287	31,161
Equity			
Equity attributable to owners of parent			
Share capital	17	863	863
Reserves		188,566	277,443
Total equity		189,429	278,306
Total equity and liabilities		222,716	309,467

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Hifood Group Holdings Co., Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 6 June 2014. The registered office of the Company is located at Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the period, the Company and its subsidiaries (collectively the “**Group**”) were principally involved in the manufacture and sale of jewellery and related products, and trading of watches.

In the opinion of the directors, the holding company of the Company is HNA Aviation Investment Holding Company Ltd., which was incorporated in Cayman Islands. The ultimate controlling company is HNA Group Co., Ltd.

The Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 March 2015 (the “**Listing**”).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the Period have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated interim financial statements have not been audited by the Company’s independent auditors but have been reviewed by the Company’s audit committee.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for financial asset at fair value through profit or loss, which has been measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include HKASs and Interpretations), the significant accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s audited consolidated financial statements for the year ended 31 March 2020.

2.2 Changes in accounting policies and disclosures

New amendments to standards and interpretations already adopted

The Group has adopted the following new standards, new interpretations and amendments to standards and interpretations for the first time since the financial year beginning 1 April 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

3. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in the manufacture and sale of jewellery products, and trading of watches. Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, who have been identified as the executive Directors of the Company. Information reported to the Group’s chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated. Accordingly, the Group has identified one reportable operating segment, i.e. manufacture and sale of jewellery products, and trading of watches, and no further analysis thereof is presented.

Geographical information

Information about the Group’s revenue by geographical locations is presented based on the area or country in which external customers are operated.

(a) Revenue from external customers

	Six months ended 30 September	
	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(unaudited)
Americas	21,212	3,991
Europe (including Russia)	12,253	985
Hong Kong	5,178	82,997
Mainland China	793	9,698
Other countries	84	330
	39,520	98,001

Information about the Group’s non-current assets, excluding financial asset at fair value through profit or loss, is presented based on the locations of the assets.

(b) *Non-current assets*

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Hong Kong	4,683	4,377
Mainland China	1,241	1,458
	<u>5,924</u>	<u>5,835</u>

The Company is domiciled in the Cayman Islands while the Group operates its business in Hong Kong and Mainland China. During the Period, no revenue was generated from any customer in the Cayman Islands and no assets were located in the Cayman Islands.

4. **REVENUE**

Revenue represents the net amounts received and receivable arising from sales of jewellery products, and trading of watches during the Period.

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Revenue recognised at a point in time		
— Sales of jewellery products*	39,520	92,319
— Trading of watches	—	5,682
	<u>39,520</u>	<u>98,001</u>

* Among the sales of jewellery products, no products (2019: HK\$71,000) were sold to any related party.

5. **OTHER LOSSES, NET**

An analysis of other losses, net, is as follows:

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Net gains on disposal of subsidiary and items of property, plant and equipment, net	—	210
Foreign exchange differences, net	(369)	(439)
Fair value losses on financial assets at fair value through profit or loss	(77,740)	(25,243)
Gains on disposal of raw materials, net	—	55
	<u>(78,109)</u>	<u>(25,417)</u>

6. FINANCE COSTS

An analysis of finance cost is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on other borrowings	276	369
Interest on factoring of trade receivables	–	101
Interest on lease liabilities	41	29
	<u>317</u>	<u>499</u>

7. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Cost of inventories sold*	31,727	90,116
Depreciation	1,189	1,376
Write-down/(write-back) of inventories to net realisable value	1,250	(88)
Minimum lease payments under operating lease	75	392
	<u>34,241</u>	<u>92,806</u>

* These items are included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX EXPENSE

The statutory income tax rates for Hong Kong and Mainland China are 16.5% and 25.0%, respectively. A subsidiary of the Group enjoyed a lower profit tax rate during the Period as further explained below. The profit tax of the Group has been provided at the applicable tax rates on estimated assessable profits arising in Hong Kong and Mainland China during the Period.

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current — Hong Kong		
Charge for the period	–	–
Current — Mainland China		
Charge for the period	–	43
Deferred	–	–
	<u>–</u>	<u>43</u>

Financial assets mandatorily measured at FVPL include the following:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Included in non-current assets:		
Life insurance policy (a)	17,020	16,720
Hong Kong listed equity securities (b)	74,161	–
Included in current assets:		
Hong Kong listed equity securities (b)	–	152,201
	<u>91,181</u>	<u>168,921</u>

- (a) Under the life insurance policy (the “**Policy**”), the beneficiary and policy holder is KTL Trading and the total insured sum is approximately US\$6,500,000 (approximately HK\$50,375,000). The Group paid an upfront premium for the Policy of approximately US\$2,325,000 (approximately HK\$18,020,000) and may surrender any time by filing a written request and receive cash based on the surrender value of the Policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors, the surrender value of the Policy provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy.

The movements in fair value measurement within Level 3 (life insurance policy) during the period are as follows:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 30 September 2019 <i>HK\$'000</i> (unaudited)
At the beginning of the period	16,720	16,189
Change in fair value	<u>300</u>	<u>187</u>
At the end of the period	<u>17,020</u>	<u>16,376</u>

- (b) The fair values of Hong Kong listed equity securities are determined based on the quoted market closing prices available on the Stock Exchange at the end of the reporting period.

(ii) **Amounts recognised in profit or loss**

During the period, the following (losses)/gains were recognised in profit or loss:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 30 September 2019 <i>HK\$'000</i> (unaudited)
Fair value (losses)/gains on financial assets at FVPL		
— Life insurance policy	300	187
— Hong Kong listed equity securities	(78,040)	(25,430)
	(77,740)	(25,243)

12. INVENTORIES

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Raw materials	17,625	10,812
Work in progress	5,875	3,550
Finished goods	9,720	4,302
	33,220	18,664

13. TRADE RECEIVABLES

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Trade receivables	33,152	82,269
Less: Allowance for doubtful debts	(3,398)	(3,359)
	29,754	78,910

The Group's trading terms with its customers are mainly on credit, except for new customers. Before accepting any new customer, the Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limits by customer. The credit period is generally for a period of 90 to 120 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a treasury department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Within 1 month	14,942	15,782
1 to 2 months	4,061	6,991
2 to 3 months	5,880	3,778
Over 3 months	8,269	55,718
	<u>33,152</u>	<u>82,269</u>

14. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Deposits	1,665	6,292
Prepayment	645	875
Other receivables	4,102	2,055
	<u>6,412</u>	<u>9,222</u>

15. TRADE AND OTHER PAYABLES

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	21,636	6,358
Other payables:		
Salaries and bonus payables	5,579	6,307
Other taxes payables	2,399	2,399
Auditor's remuneration	1,567	1,475
Interest payable	–	740
Others	617	2,446
	<u>31,798</u>	<u>19,725</u>

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Within 1 month	15,154	2,252
1 to 2 months	2,502	957
2 to 3 months	781	647
Over 3 months	3,199	2,502
	<u>21,636</u>	<u>6,358</u>

The trade payables are non-interest-bearing and the credit period of purchases ranges from 30 to 180 days. Other payables are non-interest-bearing and have an average term of one to three months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

16. BORROWINGS

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Secured borrowings	<u>–</u>	<u>9,924</u>

In June 2018, the Group entered into three loan facilities agreements with a financial institution, which provided for a revolving facility amount in the sum of HK\$60 million. The borrowings under the facility agreements bear an interest rate of HIBOR plus 6% per annum, and are due for repayment in one calendar year after drawdown of such borrowings. The borrowings shall be secured by the pledge of the Group's trade receivables with the same amount as that of the outstanding borrowings. As at 31 March 2020, the borrowings outstanding under the facility agreements amounted to HK\$9,924,000. The borrowings were fully repaid by the Group as at the period ended 30 September 2020.

17. SHARE CAPITAL

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Authorised: 2,000,000,000 (31 March 2020: 2,000,000,000) ordinary shares of HK\$0.005 each (31 March 2020: HK\$0.005 each)	<u>10,000</u>	<u>10,000</u>
Issued and fully paid: 172,600,000 (31 March 2020: 172,600,000) ordinary shares of HK\$0.005 each (31 March 2020: HK\$0.005 each)	<u>863</u>	<u>863</u>

18. COMMITMENTS

At 30 September 2020, the Group had no capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Being an integrated fine jewellery provider and an original design manufacturer with a well-established operating history in Hong Kong, the Group is primarily engaged in designing, manufacturing and exporting fine jewellery to jewellery wholesalers and retailers mainly in Hong Kong, Mainland China, the Americas and Europe (including Russia). The Group has been offering a wide range of fine jewellery products in karat gold encompassing rings, earrings, pendants, necklaces, bracelets, bangles, cufflinks, brooches and anklets that are generally targeted at the mass to middle segment, the lowest among the three tiers of the fine jewellery market segments in terms of retail prices. At the same time, in order to enrich the product range, the Group also provides gold products and watches. The Group's customers are mainly wholesalers and retailers of jewellery products.

During the Period, global economic situation remained difficult. The uncertainties caused by the escalated trade conflict between China and the U.S. as well as the U.S. presidential election, all weighted on the global risk sentiment. Coupled with the fact that the COVID-19 pandemic has not been effectively controlled, the continuous quarantine measures implemented for slowing down the spread has brought significant challenges to the jewellery industry, which has further severely and adversely affected the Group's sales performance in all regions. Due to the business travel restrictions and the fact that many large-scale international jewelry fairs have been cancelled or postponed, there had been significant reductions in orders, shipments and production during the Period.

The Mainland China market continued to experience a challenging operating environment with the protracted COVID-19 pandemic. The Mainland China has been able to control the pandemic to certain extent, however, the consumer's demand for gold and jewellery has not shown any sign of recovery in the short term. Also, the escalation of Sino-US trade conflict and the U.S. presidential election, as well as the uncertainty over the policies towards China of the new U.S. president, were dampening the business sentiment and significantly curbing consumer confidence and expenditure. In light of this situation, for the six months ended 30 September 2020, revenue generated from sales to the Mainland China market registered a decrease of approximately 92% to approximately HK\$793,000 as compared with the same period last year. U.S. announced to end the preferential economic treatment for Hong Kong and imposed sanctions on certain Hong Kong officials, such actions has severely and adversely affected Hong Kong market, and therefore, the revenue generated from Hong Kong market decreased by approximately 94% to approximately HK\$5.2 million.

The Americas market, which was severely plagued by the pandemic, has also begun to see signs that its COVID-19 hospitalizations may be slowing down. Coupled with the fact that the U.S. Federal Reserve has taken positive actions to boost the economy, the number of Americans seeking unemployment benefits fell slightly recently, and the US stock market index hit record high. Therefore, for the six months ended 30 September 2020, revenue generated from sales in the Americas market increased by 431% to approximately HK\$21.2 million. However, the Group remains conservative and prudent about the Americas market outlook, primarily due to the U.S. presidential election and the uncertainty over the policies towards China of the new U.S. president, and taking into account that the business environment has not improved, which increased the potential risk of the Group's business in Americas market.

In Europe (including Russia), the spread of COVID-19 pandemic has slowed down for a while, the restriction measures and border closure implemented by many countries had also been relieved. Coupled with the rebound of international crude oil prices, the declining European countries (including Russia) economy were temporarily rejuvenated despite the COVID-19 crisis, which stimulated the Group's sales to rise. For the six months ended 30 September 2020, revenue generated from sales to the Europe (including Russia) market increased 1,143% to approximately HK\$12.3 million. However, with another wave of COVID-19 infections spread in Europe (including Russia) market, many countries have re-implemented lockdown measures to combat the spread of coronavirus. It is expected that the economic plight of Europe (including Russia) market will be exacerbated and the road to recovery is hampered.

To better adapt to uncertain market outlook, the Group has relentlessly applied stringent controls over capital expenditures. For the six months ended 30 September 2020, the Group's administrative expenses were approximately HK\$12.1 million, which were approximately 17.5% lower than that of the corresponding period of last year, while selling expenses increased by approximately 22.9% to approximately HK\$2.8 million, which was mainly because the provision for samples and consignments used for exhibition.

Prospects

Looking ahead, under the influence of uncertain factors such as the Sino-U.S. trade conflict, the uncertainty over the policies towards China of the new U.S. president and the global spread of COVID-19, the downward pressure on the global economy is obvious, the Group reckons that the global economy will continue to experience several stages of adjustments and is cautiously prudent about the outlook for 2021.

In Europe (including Russia), the economy was temporarily rejuvenated with the containment of COVID-19 pandemic and the rebound of international crude oil prices. However, with the second wave of COVID-19 infections, many countries have re-implemented lockdown measures to combat the spread of coronavirus. There are many uncertainties in those countries, leading to the questions about when and how their economies will restart.

The U.S. has the most serious outbreak of COVID-19. The continuous fermentation of the epidemic and the large-scale "pause" of the economy have continued, resulting in serious economic losses. At the same time, the uncertainty over the policies towards China of the new president and the continuing Sino-U.S. trade conflict may hinder China's economic growth.

In addition, COVID-19 will promote the rapid enhancement of science and technology, including the next generation of remote working technology, digital transformation and upgrading as well as contactless business models. Consumption habits will also change, and the traditional jewellery industry will face a new business and technological environment.

In order to cope with the probable uncertainties and adverse market environment in the future, the management of the Group will continue to actively optimise resource allocation, improve operating efficiency and seek new business growth areas.

Business Strategies

With continued political, economic and market uncertainties, the existing business of the Group in manufacturing and sale of jewellery products has a decrease in both revenue and gross profit. In light of the operations and financial position of the Group, the Group intends to explore other possible business opportunities both locally and abroad while staying on with its jewellery business.

Concurrently, the Group remains committed to maintain its status as a top fine jewellery manufacturer and exporter in Hong Kong by strengthening its sales and marketing force, solidifying its presence in existing markets and reinforcing market recognition of its brand name globally.

The Group continues to explore opportunities where it believes would benefit the integrated services it is offering, i.e. providing a wider range of styles and designs tailored for individual markets and adjusting its production resources and capacity to better cater for the varied product lead time, consumer preferences and festive shopping practices. The Group will also draw on strength of its established corporate brand name and proven design capabilities to increase resources in a bid to further attract jewellery wholesalers or chain stores in the trade. The Group will spend its sales and marketing resources on promoting its brand and products, participating in selected trade exhibitions, and allocate sufficient design and product development resources to offer a wider range of designs that are favourable to consumers in different markets.

Financial Review

	Six months ended 30 September	
	2020 (unaudited)	2019 (unaudited)
Revenue (<i>HK\$'000</i>)	39,520	98,001
Gross profit (<i>HK\$'000</i>)	3,054	4,980
Gross profit margin (%)	7.7	5.1
Loss attributable to the owners of the parent (<i>HK\$'000</i>)	<u>(89,882)</u>	<u>(37,767)</u>

Revenue

The Group's revenue during the Period was approximately HK\$39.5 million, representing a decrease of approximately HK\$58.5 million or 59.7% over the corresponding period in 2019. The decrease in Group's revenue was mainly due to a substantial decrease of approximately HK\$77.8 million in sales in the Hong Kong market. The significant decrease in the Hong Kong market was due to the revocation of the special trade status granted to Hong Kong by the U.S. and related sanctions imposed by the U.S. The sales in the Mainland China decreased by approximately HK\$8.9 million, which was negatively affected by the trade conflict

between China and the U.S. With the normalisation of the COVID-19, the US Federal Reserve continued to take positive actions to boost the economy, and the revenue from sales in the Americas market increased by approximately HK\$17.2 million. In Europe (including Russia), the COVID-19 had slowed down for a period, and epidemic controlling measures had been relaxed. The revenue generated from sales in Europe (including Russia) increased by approximately HK\$11.3 million.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Period was approximately HK\$3.1 million, representing a decrease of approximately HK\$1.9 million or 38.7% over the corresponding period in 2019. Gross profit margin increased to approximately 7.7% from approximately 5.1%, which was mainly due to the increase in sales of jewellery business with higher gross profit.

Selling Expenses

The Group's selling expenses increased by approximately HK\$0.5 million or 22.9%, to approximately HK\$2.8 million for the Period from approximately HK\$2.3 million for the six months ended 30 September 2019. The increase was primarily due to the expansion of new markets and the consolidation of new businesses causing an increase in the cost by approximately HK\$1.2 million, which was partially offset by the cost reduction of business adjustment and optimisation of resource allocation by approximately HK\$0.7 million.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$2.6 million or 17.5%, to approximately HK\$12.1 million for the Period from approximately HK\$14.7 million for the six months ended 30 September 2019. The decrease was primarily due to the combined effects of (i) the adjustment of business operation resulted in a decrease of expenses of approximately HK\$1.6 million; (ii) reasonable allocation of resources, promotion of energy conservation and environmental protection, and continuous implementation of cost control measures to reduce the utility costs in office by approximately HK\$0.5 million; and (iii) the decrease in the loan charges by approximately HK\$0.3 million during the Period.

Finance Costs

The Group's finance costs decreased by approximately HK\$0.2 million or 36.5% from approximately HK\$0.5 million for the six months ended 30 September 2019 to approximately HK\$0.3 million for the Period. The decrease was primarily due to the decrease in average borrowing balance as compared with the corresponding period in 2019.

Loss Attributable to the Owners of the Parent

During the Period, the Group recorded a consolidated loss (the "Loss") attributable to the owners of the parent of approximately HK\$89.9 million, compared with a consolidated loss of approximately HK\$37.8 million for the corresponding period of 2019. The loss was mainly attributable to a decline in the Group's revenue by approximately HK\$58.5 million or 59.7% and gross profit by approximately HK\$1.9 million or 38.7% for the Period, as compared to the corresponding period in 2019.

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 Automobile New Retail (Holdings) Limited (stock code: 526) and China U-Ton Future Space Industrial Group 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\$77.7 million for the Period.

Liquidity and Financial Resources

As at 30 September 2020, the Group had current assets of approximately HK\$125.6 million (31 March 2020: approximately HK\$286.9 million) which comprised cash and bank balances of approximately HK\$56.2 million (31 March 2020: approximately HK\$27.9 million). As at 30 September 2020, the Group had non-current liabilities of approximately HK\$1.0 million (31 March 2020: HK\$1.1 million), and its current liabilities amounted to approximately HK\$32.2 million (31 March 2020: approximately HK\$30.0 million), consisting mainly of payables arising in the normal course of operation and short-term loan. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 3.9 at 30 September 2020 (31 March 2020: approximately 9.5).

Gearing Ratio

The gearing ratio of the Group as at 30 September 2020 was not applicable as cash and bank balances exceeded interest-bearing bank and other borrowings and obligations under finance lease.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the Period. The Group strives to reduce exposure to credit risk by buying credit insurance on certain customers' receivables, performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Exchange Exposure

For the Period, the Group had monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective Group entities, which are mainly trade receivables, other receivables, cash and bank balance, trade and other payables. Consequently, the Group had foreign exchange risk exposure from conversion of amount denominated in foreign currencies as at 30 September 2020. Since HK\$ is pegged to US\$, the Group does not expect any significant movements in HK\$/US\$ exchange rate. We are exposed to foreign exchange risk primarily with respect to Renminbi ("RMB"). If HK\$ as at 30 September 2020 had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the period attributable to the owners of the parent would have been increased/decreased by approximately HK\$5,000 for the Period (30 September 2019: loss for the period attributable to the owners of the parent would have been increased/decreased by approximately HK\$6,000).

The Group does not engage in any derivatives activities and does not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital Structure

There was no change in the capital structure of the Group as at 30 September 2020 as compared with that as at 31 March 2020.

Capital Commitments

As at 30 September 2020, the Group had no capital commitments (31 March 2020: nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Period.

Information on Employees

As at 30 September 2020, the Group had 26 employees (31 March 2020: 31), including the executive Directors. Remuneration is determined with reference to market conditions and individual employees' performance, qualification and experience.

Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the Group's performance as well as assessment of individual performance. Since the adoption of the share option scheme on 10 February 2015 and up to 30 September 2020, no options had been granted by the Company.

The Directors believe that the salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Share Option Scheme

The Company has adopted the share option scheme on 10 February 2015 (the "**Scheme**") under which certain selected classes of participants (including, among others, Directors and full-time employees) may be granted options to subscribe for the shares. Unless otherwise cancelled or amended, the scheme will remain in force for 10 years from that date. No share option had ever been granted under the Scheme since its adoption.

Significant Investments Held

During the period, the Group held the following significant investments in equity interest of other companies:

Name	Place of incorporation	HK stock code	Date of acquisitions	Number of acquired shares as at 30 September 2020	Proportion of acquired shares in the total issued share capital of investee as at 30 September 2020	Cost HK\$ (exclusive of transaction costs)	Principal activities
China Automobile New Retail (Holdings) Limited (the former name is "Lisi Group (Holdings) Limited") ("Lisi Group")	Bermuda	0526	11 and 16 July 2019	86,672,000	Approximately 1.08%	Approximately 68,789,000	Provision of car trading platform related services, trading of imported cars, manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances and investments holding
China U-Ton Holdings Limited ("China U-Ton")	Cayman Islands	6168	11 July and 14 August 2019	200,540,000	Approximately 7.01%	Approximately 69,658,000	Provision of design, deployment and maintenance of optical fibers services, the provision of other communication networks services, the provision of environmentally intelligent technical products and services and the money lending services
Xiezhong International Holdings Limited ("Xiezhong International")	Cayman Islands	3663	11 July and 14 August 2019	19,296,000	Approximately 2.41%	Approximately 36,390,000	(i) Design, production and sale of automotive heating, ventilation and cooling systems and a range of automotive H V A C components and rendering of services; and (ii) 4S dealership business

For further information, please refer to (i) the announcement dated 17 July 2019 in relation to acquisitions of the shares of Lisi Group; (ii) the announcements dated 16 August and 19 August 2019 in relation to acquisitions of the shares of China U-Ton and Xiezhong International; and (iii) the circular dated 19 September 2019 in relation to acquisitions of the shares of China U-Ton.

Future Plan for Material Investments and Capital Assets

There was no definite future plan for material investments and acquisition of material capital assets as at 30 September 2020.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in the paragraph headed “Significant Investment Held” in this announcement, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the Period.

Charge of Assets

The Group did not have any charge of assets as at 30 September 2020 (31 March 2020: the Group’s other borrowings were secured by its trade receivables of approximately HK\$9.9 million).

Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2020 (31 March 2020: nil).

CORPORATE GOVERNANCE

Corporate Governance Practices

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

For the Period, the Company had complied with the code provisions (“**Code Provisions**”) set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Directors of the Company. Having made specific enquiries to all the Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code during the Period.

Disclosure of Directors’ Information Pursuant to Rules 13.51(2) and 13.51B of the Listing Rules

For the six months ended 30 September 2020, Mr. Li Neng has resigned as the chairman of the Board (the “**Chairman**”) and an executive Director, and no longer served as the chairman of the nomination committee of the Company (the “**Nomination Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”) with effect from 16 September 2020.

For the six months ended 30 September 2020, Mr. Zhao Minhao has resigned as an executive Director and the chief executive officer of the Company (the “**Chief Executive Officer**”), and no longer served as a member of the Nomination Committee and the Remuneration Committee and an authorised representative with effect from 16 September 2020.

For the six months ended 30 September 2020, Mr. Zhao Yeyong has resigned as an executive Director with effect from 16 September 2020.

For the six months ended 30 September 2020, Mr. Su Zhiyi has been appointed as the Chairman and an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 16 September 2020.

For the six months ended 30 September 2020, Mr. Xiong Cong has been appointed as an executive Director and the Chief Executive Officer, a member of the Nomination Committee and Remuneration Committee and an authorised representative with effect from 16 September 2020.

For the six months ended 30 September 2019, Mr. Cai Si has been appointed as an executive Director with effect from 16 September 2020.

Details of the above changes of Directors and their resumes have been disclosed in the announcement dated 16 September 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Save as disclosed in this announcement, during the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Su Zhiyi (Chairman), Mr. Xiong Cong and Mr. Cai Si and three independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong. Changes in the composition of the Board during the Period is disclosed in the Corporate Governance section.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Chan Chi Kuen (Chairman of the Audit Committee), Mr. Ting Tit Cheung and Mr. Lo Chun Pong.

The Audit Committee has reviewed the Company’s unaudited interim report (containing the unaudited condensed consolidated interim financial statements) for the Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding internal control and financial reporting matters.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company at (www.ktl.com.hk). The interim report of the Company will be despatched to the shareholders and published on the above websites in due course.

By order of the Board
Hifood Group Holdings Co., Limited
Su Zhiyi
Chairman and Executive Director

Hong Kong, 23 November 2020

As at the date of this announcement, the executive Directors are Mr. Su Zhiyi, Mr. Xiong Cong and Mr. Cai Si; and the independent non-executive Directors are Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong.