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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 2021

FINANCIAL HIGHLIGHTS

Hifood Group Holdings Co., Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded revenue of approximately HK\$68.8 million for the six months ended 30 September 2021 (the “**Period**”), representing an increase of approximately 74.2% as compared with the same for the six months ended 30 September 2020.

Gross profit was approximately HK\$3.6 million for the six months ended 30 September 2021, representing an increase of approximately 17.2% as compared with the same for the six months ended 30 September 2020.

Gross profit margin decreased to approximately 5.2% for the six months ended 30 September 2021, as compared with approximately 7.7% for the six months ended 30 September 2020.

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 2021.

INTERIM RESULTS

The Board announces the unaudited condensed consolidated interim financial results of the Group for the six months ended 30 September 2021 together with the comparative figures for the corresponding period in 2020. 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 2021

		Six months ended	
		30 September	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	68,845	39,520
Cost of sales		<u>(65,265)</u>	<u>(36,466)</u>
Gross profit		3,580	3,054
Other income		725	459
Selling expenses		(1,748)	(2,828)
Administrative expenses		(8,117)	(12,136)
Reversal of impairment losses on financial assets		<u>1,194</u>	<u>–</u>
Operating loss		(4,366)	(11,451)
Other gains, net	5	1,737	–
Other losses, net	5	(65,310)	(78,109)
Finance costs	6	(37)	(317)
Share of loss of a joint venture		<u>(2)</u>	<u>(5)</u>
Loss before tax	7	(67,978)	(89,882)
Income tax expense	8	<u>–</u>	<u>–</u>
Loss for the Period attributable to the equity holders of the Company		<u>(67,978)</u>	<u>(89,882)</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>359</u>	<u>1,005</u>
Other comprehensive income/(loss) for the period, net of tax		<u>359</u>	<u>1,005</u>
Total comprehensive loss for the period attributable to the equity holders of the Company		<u>(67,619)</u>	<u>(88,877)</u>
Losses per share attributable to ordinary equity holders of the Company:			
Basic and diluted	10	<u>HK\$(0.39)</u>	<u>HK\$(0.52)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	11	1,027	1,273
Intangible assets		1,326	1,324
Right-of-use assets		673	781
Investment in a joint venture		89	91
Financial asset at fair value through profit or loss	12	34,012	112,596
Total non-current assets		37,127	116,065
Current assets			
Inventories	13	6,098	21,437
Trade receivables	14	35,531	51,137
Prepayments, deposits and other receivables	15	1,360	2,654
Cash and bank balances		86,580	37,213
Total current assets		129,569	112,441
Total assets		166,696	228,506
Current liabilities			
Trade and other payables and accruals	16	27,517	21,601
Lease liabilities		156	180
Tax payables		575	588
Total current liabilities		28,248	22,369
Non-current liabilities			
Lease liabilities		628	698
Deferred tax liabilities		106	106
Total non-current liabilities		734	804
Total liabilities		28,982	23,173
Equity			
Equity attributable to the equity holders of the Company			
Issued capital	17	863	863
Reserves		136,851	204,470
Total equity		137,714	205,333
Total equity and liabilities		166,696	228,506

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

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**”).

During the period, involved in the manufacture and sale of jewellery products, sales of precious metals and other raw jewellery materials and sales of luxury watches.

In the opinion of the directors, the immediate holding company of the Company is Perfect Gain Group Limited, which was incorporated in the British Virgin Islands and is beneficially wholly owned by Dr. So Shu Fai who is also the sole director of the company.

On 26 September 2021, the Board was informed that the offeror Perfect Gain Group Limited (as purchaser) and the joint receivers (as receivers) entered into the sale and purchase agreement, pursuant to which the purchaser has conditionally agreed to acquire, and the joint receivers have (as receiver exercising their power pursuant to the deed of appointment of receivers) conditionally agreed to sell, the sale shares, being 129,372,494 shares (representing approximately 74.96% of the entire issued share capital of the Company as at the date of this joint announcement). The consideration is HK\$200,000,000, equivalent to approximately HK\$1.546 per sale share. All the conditions have been satisfied and completion took place on 30 September 2021. Accordingly, the Board was then informed the discharge of responsibilities by the joint receivers. Please refer to the announcements of the Company dated 8 October 2021 for further details.

Immediately following Completion, Perfect Gain Group Limited, its ultimate beneficial owner and their respective parties acting in concert own 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the Latest Practicable Date). On 5 November 2021, the Purchaser (i.e. the Offeror) was therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer in cash for all issued Shares other than those already owned or agreed to be acquired by the Offeror and its parties acting in concert. Please refer to the circulars of the Company dated 5 November 2021 for further details.

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 2021.

2.2 Changes in accounting policies and disclosures

New amendments to standards and interpretations already adopted

The Group has adopted the following new standard, new interpretation and amendment to standard and interpretation for the first time since the financial year beginning 1 April 2021.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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Except as described below, the application of the amendment 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 Amendment to HKFRS 16 "Covid-19-Related Rent Concessions"

The amendment provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease (the "**2020 Amendment**"). The amendment is effective for annual periods beginning on or after 1 June 2020 and shall be applied retrospectively. In April 2021, the HKICPA issued another amendment to HKFRS 16 to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "**2021 Amendment**"). The 2021 Amendment is effective for annual periods beginning on or after 1 April 2021 and shall be applied retrospectively.

The application of the amendment in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendment, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2022.

3. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in the manufacture and sale of jewellery products, trading of precious metals and other raw jewellery materials and luxury 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 sales of jewellery products, sales of precious metals and other raw jewellery materials and sales of luxury watches, and no further analysis thereof is presented.

Geographical segment

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

(a) *Revenue from external customers*

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	34,351	5,178
Americas	31,967	21,212
Europe (including Russia)	1,925	12,253
Mainland China	–	793
Other countries	602	84
	<u>68,845</u>	<u>39,520</u>

(b) *Non-current assets excluding financial assets at fair value through profit or loss*

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.

	At	At
	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong	2,200	2,410
Mainland China	915	1,059
	<u>3,115</u>	<u>3,469</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, sales of precious metals and other raw jewellery materials and sales of luxury watches during the Period.

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue recognised at a point in time		
— Sales of jewellery products*	34,494	34,353
— Sales of precious metals and other raw jewellery materials	18,068	5,167
— Sales of luxury of watches	16,283	–
	<u>68,845</u>	<u>39,520</u>

* Among the sales of jewellery products, no products (2020: nil) were sold to any related party.

5. OTHER GAINS, NET AND OTHER LOSSES, NET

Other gains, net

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposal of Hong Kong listed equity security	1,737	–
	<u>1,737</u>	<u>–</u>

Other losses, net

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value losses on financial assets at fair value through profit or loss	64,884	77,740
Foreign exchange differences, net	426	369
	<u>65,310</u>	<u>78,109</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on borrowings	–	276
Interest on lease liabilities	37	41
	<u>37</u>	<u>317</u>

7. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold*	56,143	31,727
Depreciation	280	1,189
Write-down/(write-back) of inventories to net realisable value	(879)	1,250
Minimum lease payments under operating lease	236	75
	<u>56,143</u>	<u>31,727</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 Group had no income tax expenses in Hong Kong and Mainland China during the Period (six months ended 30 September 2020: nil).

In relation to the Departmental Interpretation and Practice Notes No. 21 (Revised) (apportionment under a 50:50 basis) of the Inland Revenue Department Hong Kong, a portion of profits from KTL Jewellery Trading Limited (“**KTL Trading**”), a wholly-owned subsidiary of the Company, is considered neither arisen in, nor derived from Hong Kong. Accordingly, that portion of KTL Trading’s profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the Directors that portion of KTL Trading’s profit is not subject to taxation in any other jurisdiction in which KTL Trading operates during the Period.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 September 2020: nil).

10. LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic losses per share amounts is based on the loss for the Period attributable to ordinary equity holders of the Company of approximately HK\$67,978,000 (2020: losses of approximately HK\$89,882,000), and the weighted average number of ordinary shares in issue of 172,600,000 (2020: 172,600,000). The Group has no potentially dilutive ordinary shares in issue during the periods ended 30 September 2021 and 2020.

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Losses		
Losses attributable to ordinary equity holders of the Company used in the basic losses per share calculation	<u>(67,978)</u>	<u>(89,882)</u>
	Number of shares	
	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
Issued Shares		
Weighted average number of ordinary shares in issue during the period used in the basic losses per share calculation	<u>172,600,000</u>	<u>172,600,000</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment with an aggregate cost of approximately HK\$32,000 (six months ended 30 September 2020: approximately HK\$70,000). During the Period, no items of property, plant and equipment were disposed by the Group (six months ended 30 September 2020: nil).

12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at FVPL:

- debt instruments that do not qualify for measurement at either amortised cost or at FVOCI;
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains or losses through other comprehensive income.

Financial assets measured at FVPL include the following:

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Included in non-current assets:		
Life insurance policy (a)	17,383	17,111
Hong Kong listed equity securities (b)	16,629	95,485
	<u>34,012</u>	<u>112,596</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 (equivalent to HK\$50,375,000). The Group paid an upfront premium for the Policy of approximately US\$2,325,000 (equivalent to 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 <i>HK\$'000</i> (unaudited)	At 30 September <i>HK\$'000</i> (unaudited)
At the beginning of the period	17,111	16,720
Change in fair value	272	300
At the end of the period	<u>17,383</u>	<u>17,020</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. The fair values of Hong Kong listed equity securities and their respective percentages to the Group's total assets are as follows:

	Fair value		Percentage to the Group's total assets	
	At 30 September 2021 HK\$'000 (unaudited)	At 31 March 2021 HK\$'000 (audited)	At 30 September 2021 %	At 31 March 2021 %
Hong Kong listed equity securities				
China Auto NR	3,727	7,714	2.23	3.37
U-Ton Future*	–	35,896	–	15.71
Xiezhong International**	–	13,700	–	5.99
Fordoo	4,467	27,990	2.68	12.25
Redsun	8,435	10,185	5.06	4.46
	16,629	95,485	9.97	41.78

* As U-Ton Future is under receivership and there is significant uncertainty about the prospect of resumption, the fair values of the shares of U-Ton Future held by the Group as at 30 September 2021 was assessed to be zero.

** Based on the announcements of Xiezhong International and the scheme document jointly issued by Brilliance International Holding Limited, Golden Fair Chemical (Holding) Limited and Xiezhong International on 24 May 2021 (the “Scheme Document”), a proposal (the “Proposal”) for the privatisation of Xiezhong International by way of a scheme of arrangement under Section 86 of the Companies Act (the “Scheme”) was made on 26 February 2021. Pursuant to the announcement of Xiezhong International dated 5 July 2021, the Proposal becomes unconditional and the Scheme becomes effective, the withdrawal of the listing of the Shares on the Stock Exchange becomes effective from 7 July 2021. Please refer to the announcements of Xiezhong International for further details. Cheques of approximately HK\$15,437,000 for cash payment under the Scheme was received on 15 July 2021 which was intended to be used as general working capital purposes of the Group.

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

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value (losses)/gains on financial assets at FVPL		
— Life insurance policy	272	300
— Hong Kong listed equity securities:		
China Auto NR	(3,987)	(37,789)
U-Ton Future	(35,896)	(22,661)
Xiezhong International	—	(10,613)
Fordoo	(23,523)	(8,097)
Redsun	(1,750)	1,120
	(64,884)	(77,740)

13. INVENTORIES

	At	At
	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Raw materials	5,536	13,915
Work in progress	6	4,479
Finished goods	556	3,043
	6,098	21,437

14. TRADE RECEIVABLES

	At	At
	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	36,454	53,239
Less: Allowance for doubtful debts	(923)	(2,102)
	35,531	51,137

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 is as follows:

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Within 1 month	3,033	8,762
1 to 2 months	–	15,054
2 to 3 months	959	13,572
Over 3 months	32,462	15,851
	<u>36,454</u>	<u>53,239</u>

15. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Deposits	136	1,703
Prepayment	653	263
Other receivables	571	688
	<u>1,360</u>	<u>2,654</u>

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Trade payables	17,449	11,200
Other payables and accruals:		
Salaries and bonus payables	3,765	5,548
Other taxes payables	2,400	2,399
Auditor's remuneration	893	1,450
Others	3,010	1,004
	<u>27,517</u>	<u>21,601</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 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Within 1 month	19	3,214
1 to 2 months	–	723
2 to 3 months	246	2,171
Over 3 months	17,184	5,092
	<u>17,449</u>	<u>11,200</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.

17. SHARE CAPITAL

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Authorised: 2,000,000,000 ordinary shares of HK\$0.005 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid: 172,600,000 ordinary shares of HK\$0.005 each	<u>863</u>	<u>863</u>

18. COMMITMENTS

At 30 September 2021, the Group had no capital commitments.

19. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had no related parties transactions during the six months ended 30 September 2021 (2020: approximately HK\$175,000 service fee was paid to Guarantee Travel Limited, an entity controlled by a close family member of a director of subsidiary of the Company, for provision of reservation services for tickets and hotel accommodation etc. to a subsidiary of the Group. The service charges were based on the terms and conditions mutually agreed between both parties).

(b) Compensation of key management personnel of the Group:

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Short-term employee benefits	1,542	6,898
Pension scheme contributions	<u>–</u>	<u>9</u>
Total compensation paid to key management personnel	<u>1,542</u>	<u>6,907</u>

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	At	At	At	At
	30 September	31 March	30 September	31 March
	2021	2021	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(unaudited)	(audited)
Financial asset				
Hong Kong listed equity securities (i)	16,629	95,485	16,629	95,485
Life insurance policy (ii)	17,383	17,111	17,383	17,111
	<u>34,012</u>	<u>112,596</u>	<u>34,012</u>	<u>112,596</u>

- (i) The fair value of Hong Kong listed equity securities is based on the quoted market closing prices available on the stock exchange at the end of the reporting period. These instruments are included in Level 1 of the fair value hierarchy.
- (ii) The fair value of the Policy is estimated at the surrender value of the Policy as disclosed in Note 12 as at the end of reporting period. As there is no active market to demonstrate the fair value of FVPL, and the potential exit price in a hypothetical transfer of the life insurance policy to another market participant cannot be reliably estimated, the directors believe that the estimated fair value resulting from the surrender value is reasonable and is the most appropriate value at the end of the reporting period. This instrument is included in Level 3 of the fair value hierarchy.

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in other receivables, trade payables and financial liabilities included in other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments: As at 30 September 2021, the financial assets measured at fair value are as followings:

	Fair value measurement using			Total HK\$'000 (unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (unaudited)	Significant observable inputs (Level 2) HK\$'000 (unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (unaudited)	
As at 30 September 2021				
Hong Kong listed equity securities	16,629	–	–	16,629
Life insurance policy	–	–	17,383	17,383
	<u>16,629</u>	<u>–</u>	<u>17,383</u>	<u>34,012</u>
As at 31 March 2021				
Hong Kong listed equity securities	95,485	–	–	95,485
Life insurance policy	–	–	17,111	17,111
	<u>95,485</u>	<u>–</u>	<u>17,111</u>	<u>112,596</u>

The Group did not have any financial liabilities measured at fair value as at 30 September 2021 and 31 March 2021.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

21. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the Board on 30 November 2021.

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, COVID-19 situation has been kept under control and improving, and the global economy has gradually recovered. Demand in jewellery market has accelerated recovery. Although there is still insufficiency in supply side, the price pressure in most countries is expected to ease in 2022. At the same time, the positive tone set by the recent meeting between the heads of state of China and the United States has generated new expectations for the possibility of reducing trade tariffs, and the business environment of foreign trade will continue to improve. Therefore, the revenue of the Group increased significantly compared with the same period last year.

With the implementation of various economic support measures by the Hong Kong government and the effectiveness of epidemic prevention and anti-epidemic work, the Hong Kong economy has improved significantly and the momentum of improvement continues. The revenue generated from the Hong Kong market increased by 563.4% to approximately HK\$34.3 million which made up for the loss in revenue from the Mainland China market.

The Americas market, which was severely plagued by the pandemic, has also begun to see signs of recovery because the U.S. Federal Reserve has taken positive actions to boost the economy. Therefore, for the six months ended 30 September 2021, revenue generated from sales in the Americas market increased by 50.7% to approximately HK\$32.0 million. Despite the constraints of continuous labour and supply shortage, the U.S. economy continues to heat up. The Group is optimistic and cautious about the prospect of the America's market. While actively striving for orders, the Group reduces the potential risks in the local market by means of close communication with customers, configuring credit insurance and accelerating the collection of trade receivables.

In Europe (including Russia), the COVID-19 pandemic continued, which had a huge impact on the global supply chain, resulting in rising energy prices, material shortages, rising consumer goods prices and record high inflation, resulting in reduced sales of the Group in the European (including Russia) market. For the six months ended 30 September 2021, revenue generated from sales to the Europe (including Russia) market decreased 84.3% to approximately HK\$1.9 million.

To better adapt to unstable market outlook, the Group has relentlessly applied stringent controls over capital expenditures. For the six months ended 30 September 2021, the Group's administrative expenses were approximately HK\$8.1 million, which were approximately 33.1% lower than that of the corresponding period of last year, at the same time, selling expenses decreased by approximately 38.2% to approximately HK\$1.7 million.

Prospects

Although COVID-19 is still repeating, the global economy has continued to recover. Looking forward to the future, the Group believes that the epidemic will continue to affect people's daily life. However, with the effective implementation of prevention and control measures and the popularisation of vaccines all over the world, customs clearance between Hong Kong and the Mainland is imminent, consumer demand will be further released, so we believe that the luxury market will continue to recover. In order to grasp the business opportunities of the recovery of the luxury market, the Group intends to continue to focus on its main business continuing from the past moving forward to new jewellery business area.

In addition to improving sales performance, the management of the Group will continue to actively optimise resource allocation, improve operation efficiency and working capital, including accelerating accounts receivable recovery, inventory management and cost control.

Furthermore, rapid enhancement of science and technology includes artificial intelligence technology, digital assets models. Consumption habits have also changed, online consumption has become the norm, and the traditional jewellery industry will face a new business and technological environment.

Business Strategies

Although the existing business of the Group in manufacturing and sale of jewellery products recorded relatively higher growth in sales and effective control in expenses and costs but gross profit margin slightly decreased. 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 brand 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.

Since e-commerce has been involved in jewellery sales business, online jewellery sellers have developed very fast. Seizing the development opportunity of e-commerce is one of the focuses for jewellery brands to improve their competitiveness. The Group continues the assessment on utilising livestream e-commerce as a new channel for the sale to other overseas countries. Fashionable trendy jewellery and innovative products are promoted to the public and young consumer platforms. At the same time, the Group has capabilities in strengthening innovation and designing high end jewellery area with cultural and collectible value product, in conjunction with the rising of digital assets leading to new development direction and business model. Please refer to the circular of the Company dated 5 November 2021 on intention in relation to the Group for further details.

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 further attract jewellery wholesalers to cooperate in the trade. The Group will spend its resources and marketing resources on promoting its brand and products, proactively participating in 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	
	2021	2020
	(unaudited)	(unaudited)
Revenue (<i>HK\$'000</i>)	68,845	39,520
Gross profit (<i>HK\$'000</i>)	3,580	3,054
Gross profit margin (%)	5.2	7.7
Loss attributable to the equity holders of the Company (<i>HK\$'000</i>)	(67,978)	(89,882)

Revenue

The Group's revenue during the Period was approximately HK\$68.8 million, representing an increase of approximately HK\$29.3 million or 74.2% over the corresponding period in 2020. The increase in Group's revenue was mainly due to a substantial increase of approximately HK\$29.2 million in sales in the Hong Kong market. The significant increase in the Hong Kong market was due to the implementation of various economic support measures by the Hong Kong government, Hong Kong's economy has improved significantly. The sales in the Mainland China decreased by approximately HK\$0.8 million, which was negatively affected by the trade conflict between China and the U.S and global energy supply shortage. With the normalisation of the COVID-19, the U.S. Federal Reserve continued to take positive actions to boost the economy, and the revenue from sales in the Americas market increased by approximately HK\$10.8 million. In Europe (including Russia), the recovery of the COVID-19 has led to a shortage of materials and rising prices. The revenue generated from sales in Europe (including Russia) decreased by approximately HK\$10.4 million. And the revenue generated from other regions increased by approximately HK\$0.5 million.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Period was approximately HK\$3.6 million, representing an increase of approximately HK\$0.5 million or 17.2% over the corresponding period in 2020. Gross profit margin decreased to approximately 5.2% from approximately 7.7%, which was mainly due to the increase in sales of gold and watch business with lower gross profit.

Selling Expenses

The Group's selling expenses decreased by approximately HK\$1.1 million or 38.2%, to approximately HK\$1.7 million for the Period from approximately HK\$2.8 million for the six months ended 30 September 2020. The decrease was mainly due to business operation adjustment and effective cost control measures.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$4.0 million or 33.1%, to approximately HK\$8.1 million for the Period from approximately HK\$12.1 million for the six months ended 30 September 2020. The decrease was primarily due to the combined effects of (i) the adjustment of business operation and the impact of the COVID-19 resulted in a decrease of travelling, motor vehicle and entertainment expenses of approximately HK\$0.9 million; (ii) reasonable allocation of resources, promotion of energy conservation and environmental protection, and continuous implementation of cost control measures to reduce the office expenses, utility costs and depreciation by approximately HK\$1.4 million; (iii) select professional services according to the service level and actual needs, and reduce audit fees, consulting fees and professional service fees by approximately HK\$1.9 million; and (iv) offset by the increase of labor cost due to the change of directors by approximately HK\$0.2 million.

Loss Attributable to the Equity Holders of the Company

During the Period, the Group recorded a consolidated loss (the "Loss") attributable to the equity holders of the Company of approximately HK\$68.0 million, mainly attributable to the loss on changes in fair value on listed equity securities investment of approximately HK\$65.2 million, while compared with consolidated losses of approximately HK\$89.9 million for the corresponding period of 2020, mainly attributable to the loss on changes in fair value on listed equity securities investment of approximately HK\$78.0 million. The consolidated loss decrease compared with the corresponding period in 2020 was mainly attributable to an increase in the Group's revenue by approximately HK\$29.3 million or 74.2%, gross profit increased by approximately HK\$0.5 million or 17.2% and the loss on changes in fair value on listed equity securities investment decreased by approximately HK\$12.8 million or 16.5%.

Liquidity and Financial Resources

As at 30 September 2021, the Group had current assets of approximately HK\$129.6 million (31 March 2021: approximately HK\$112.4 million) which comprised cash and bank balances of approximately HK\$86.6 million (31 March 2021: approximately HK\$37.2 million). To proactively manage the liquidity and financial resources, the Group continues to expedite the collection of trade receivables from customers. As at 30 September 2021, the Group had non-current liabilities of approximately HK\$0.7 million (31 March 2021: approximately HK\$0.8 million), and its current liabilities amounted to approximately HK\$28.2 million (31 March 2021: approximately HK\$22.4 million), consisting mainly of payables arising in the normal course of operation. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 4.6 as at 30 September 2021 (31 March 2021: approximately 5.0).

Gearing Ratio

The gearing ratio of the Group as at 30 September 2021 was not applicable as cash and bank balances exceeded 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. 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**”). However, the amount of the Group denominated in RMB as foreign currency on September 30, 2021 is very small, and the foreign exchange risk from the conversion of amounts denominated in foreign currency is almost zero. (30 September 2020: If HK\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the period attributable to the equity holders of the Company 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 2021 as compared with that as at 31 March 2021.

Capital Commitments

As at 30 September 2021, the Group had no capital commitments (31 March 2021: nil).

Interim Dividend

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

Information on Employees

As at 30 September 2021, the Group had 19 employees (31 March 2021: 22), 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 2021, 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 end 30 September 2021, the Group held financial assets at fair value through profit or loss in the amounts of approximately HK\$34,012,000 as non-current assets, representing approximately 20.40% of its total assets.

The financial assets at fair value through profit or loss consist of a life insurance policy in the amounts of approximately HK\$17,383,000, representing approximately 10.43% of its total assets, and Hong Kong listed equity securities in the amounts of approximately HK\$16,629,000, representing approximately 9.97% of its total assets. Particulars of Hong Kong listed equity securities are set out below:

Name	Place of incorporation	HK stock code	Date of acquisitions	Number of acquired shares as at 30 September 2021	Proportion of acquired shares in the total issued share capital of investee as at 30 September 2021	Cost HK\$ (exclusive of transaction costs) HK\$'000	Principal activities
China Automobile New Retail (Holdings) Limited (the former name is "Lisi Group (Holdings) Limited") ("China Auto NR")	Bermuda	0526	11 and 16 July 2019	86,672,000	Approximately 1.08%	Approximately 68,789	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 Future Space Industrial Group Holdings Limited (the former name is "China U-Ton Holdings Limited") ("U-Ton Future") (Note 1)	Cayman Islands	6168	11 July and 14 August 2019	200,540,000	Approximately 7.01%	Approximately 69,658	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
China Fordoo Holdings Limited ("Fordoo")	Cayman Islands	2399	11 July 2019	6,980,000	Approximately 0.36%	Approximately 14,746	Design, sourcing, manufacturing and sales of its branded menswear products
Redsun Properties Group Limited ("Redsun")	Cayman Islands	1996	14 August 2019	3,500,000	Approximately 0.11%	Approximately 8,470	Property development, commercial property investment and operations, and hotel operations

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

Note 1: Based on the announcements of China U-Ton Future Space Industrial Group Holdings Limited (the former name is “China U-Ton Holdings Limited”) (“**U-Ton Future**”) dated 5 May 2021, 7 May 2021 and 13 May 2021, a petition in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) was filed in the High Court of The Hong Kong Special Administrative Region (the “**High Court**”) against U-Ton Future on 4 February 2021, upon which U-Ton Future was ordered to be wound up by the High Court on 5 May 2021 in HCCW 57/2021 and the official receiver was appointed as the provisional liquidator of U-Ton Future. Trading in the shares of U-Ton Future has been suspended since 5 May 2021 with share price of HK\$0.161 per share. On 7 May 2021, the official receiver made an application to the High Court seeking, inter alia, an order to appoint joint and several liquidators of U-Ton Future. The U-Ton Future announces that, with effect date of 25 June 2021, Mr. Ho Man Kit and Ms. Kong Sze Man Simone of Maninvest Asia Limited, have been appointed as joint and several liquidators of the Company pursuant to an order dated 25 June 2021 made by the High Court which has been heard since 25 June 2021. Please refer to the announcements of U-Ton Future for further details. At the date of approval of these financial statements, the Group held approximately 7.01% of U-Ton Future.

As U-Ton Future is under receivership and there is significant uncertainty about the prospect of resumption, the fair values of the shares of U-Ton Future held by the Group as at 30 September 2021 was assessed to be zero (31 March 2021: approximately HK\$35,896,000).

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 2021.

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 2021 (31 March 2021: nil).

Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2021 (31 March 2021: 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

During the period under review and up to the date of this announcement, there were certain changes of the Directors.

With effect from 11 May 2021:

- (i) Mr. Yau Pak Yue has been appointed as an independent non-executive Director;
- (ii) Mr. Chung Wai Man has been appointed as an independent non-executive Director; and
- (iii) Mr. Ning Rui has been appointed as an independent non-executive Director.

With effect from 9 July 2021:

- (i) Ms. Mary Ang Mei Lee has been appointed as a non-executive Director; and
- (ii) Mr. Tom Xie has been appointed as a non-executive Director.

With effect from 8 November 2021:

- (i) Mr. Tom Xie has been redesignated from the position of non-executive Director to the position of executive Director; and
- (ii) Mr. Chan Wai Dune has been appointed as a non-executive Director.

With effect from 27 November 2021:

- (i) Mr. Su Zhiyi has resigned from the position of executive Director and the chairman of the Board, and ceased to be the chairman of the Nomination Committee and a member of the Remuneration Committee;
- (ii) Mr. Xiong Cong has resigned from the position of executive Director and the Chief Executive Officer, and ceased to be a member of the Nomination Committee and the Remuneration Committee and the Authorised Representative under Rule 3.05 of the Listing Rules;
- (iii) Mr. Cai Si has resigned from the position of executive Director;
- (iv) Ms. Mary Ang Mei Lee has resigned from the position of non-executive Director;

- (v) Mr. Ting Tit Cheung has resigned from the position of independent non-executive Director, and ceased to be the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee;
- (vi) Mr. Chan Chi Kuen has resigned from the position of independent non-executive Director, and ceased to be the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee;
- (vii) Mr. Lo Chun Pong has resigned from the position of independent non-executive Director, and ceased to be a member of the Remuneration Committee, the Nomination Committee and the Audit Committee;
- (viii) Mr. Tom Xie, the executive Director, has been appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee, and as the Authorised Representative;
- (ix) Mr. Chan Wai Dune, the non-executive Director, has been appointed as the chairman of the Remuneration Committee and a member of the Nomination Committee;
- (x) Mr. Yau Pak Yue, the independent non-executive Director, has been appointed as the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee;
- (xi) Mr. Chung Wai Man, the independent non-executive Director, has been appointed as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee; and
- (xii) Mr. Ning Rui, the independent non-executive Director, has been appointed as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Details of the above changes of Directors and their biographies, and board committees composition, respectively have been disclosed in the announcements of the Company dated 11 May 2021, 12 July 2021, 8 November 2021 and 29 November 2021 respectively.

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 the executive Director Mr. Tom Xie, non-executive Director, Mr. Chan Wai Dune and three independent non-executive Directors, namely Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui. 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. Yau Pak Yue (Chairman of the Audit Committee), Mr. Chung Wai Man and Mr. Ning Rui.

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
Tom Xie
Executive Director

Hong Kong, 30 November 2021

As at the date of this announcement, the executive Director is Mr. Tom Xie; the non-executive Director is Mr. Chan Wai Dune; and the independent non-executive Directors are Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui.