# HONG KONG FOOD INVESTMENT HOLDINGS LIMITED

# 香港食品投資控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 60)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

### ANNUAL RESULTS

The Board of Directors (the "Board") of Hong Kong Food Investment Holdings Limited (the "Company") announces the preliminary consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014, together with the comparative figures for the previous year, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 March 2014*

| | Notes | **2014** *HK$'000* | 2013 *HK$'000* |
|---|---|---|---|
| **REVENUE** | 4 | **231,589** | 386,056 |
| Cost of sales | | **(206,948)** | (393,679) |
| Gross profit/(loss) | | **24,641** | (7,623) |
| Other income and gains | 4 | **9,638** | 3,902 |
| Selling and distribution expenses | | **(25,295)** | (16,549) |
| Administrative expenses | | **(27,240)** | (28,975) |
| Finance costs | 5 | **(4,229)** | (3,979) |
| Share of profits and losses of associates | | **47,568** | 32,874 |
| Fair value gains on financial assets at fair value through profit or loss | | **–** | 18 |
| **PROFIT/(LOSS) BEFORE TAX** | 6 | **25,083** | (20,332) |
| Income tax credit/(expense) | 7 | **210** | (3,288) |
| **PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | | **25,293** | (23,620) |
| | | ***HK cents*** | *HK cents* |
| **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | |
| – Basic and diluted | 9 | **9.74** | (9.10) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 March 2014*

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **PROFIT/(LOSS) FOR THE YEAR** | **25,293** | (23,620) |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Share of other comprehensive income of associates, net of tax | **3,338** | 8,232 |
| Exchange differences on translation of foreign operations | **(322)** | 391 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **3,016** | 8,623 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | **28,309** | (14,997) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 March 2014*

| | Notes | **2014** *HK$'000* | 2013 *HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **86,894** | 88,794 |
| Investments in associates | | **407,267** | 370,465 |
| Prepayments and deposits | | **2,232** | 2,522 |
| Other non-current asset | | **540** | 540 |
| Total non-current assets | | **496,933** | 462,321 |
| **CURRENT ASSETS** | | | |
| Inventories | | **44,784** | 74,830 |
| Trade receivables | 10 | **14,442** | 22,377 |
| Tax recoverable | | **–** | 269 |
| Prepayments, deposits and other receivables | | **3,484** | 6,059 |
| Financial assets at fair value through profit or loss | | **–** | 178 |
| Cash and cash equivalents | | **42,332** | 65,884 |
| Total current assets | | **105,042** | 169,597 |
| **CURRENT LIABILITIES** | | | |
| Due to an associate | | **254** | 181 |
| Trade and bills payables | 11 | **13,797** | 28,904 |
| Other payables and accruals | | **8,623** | 11,157 |
| Interest-bearing bank borrowings | | **147,841** | 183,786 |
| Total current liabilities | | **170,515** | 224,028 |
| **NET CURRENT LIABILITIES** | | **(65,473)** | (54,431) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **431,460** | 407,890 |
| **NON-CURRENT LIABILITIES** | | | |
| Accruals | | **2,407** | 897 |
| Deferred tax liabilities | | **1,567** | 1,777 |
| Total non-current liabilities | | **3,974** | 2,674 |
| Net assets | | **427,486** | 405,216 |
| **EQUITY** | | | |
| Issued capital | | **117,095** | 25,959 |
| Reserves | | **310,391** | 379,257 |
| Total equity | | **427,486** | 405,216 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 March 2014, the Group had net current liabilities of HK$65,473,000. The directors believe that the Group has sufficient cash flows from operations to meet its liabilities as and when they fall due. Therefore, the consolidated financial statements are prepared on a going concern basis.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | *Consolidated Financial Statements* |
| HKFRS 11 | *Joint Arrangements* |
| HKFRS 12 | *Disclosure of Interests in Other Entities* |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* |
| HKFRS 13 | *Fair Value Measurement* |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* |
| HKAS 19 (2011) | *Employee Benefits* |
| HKAS 27 (2011) | *Separate Financial Statements* |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* |
| HKAS 36 Amendments | Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted) |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements 2009-2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012 |

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13 and amendments to HKAS 1 and HKAS 36, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows: (continued)

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(e) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the year ended 31 March 2014 as follows:

(i) the trading segment is engaged in the trading of frozen meats, seafood and vegetables in Hong Kong; and

(ii) the retailing segment is engaged in the retailing of consumer goods in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, dividend income and unallocated gains, gain on deemed acquisition of additional interests in an associate, fair value gains on financial assets at fair value through profit or loss, finance costs, share of profits and losses of associates and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude tax recoverable, investments in associates and certain items of property, plant and equipment as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities as these liabilities are managed on a group basis.

| | **Trading** | | **Retailing** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue:** | | | | | | |
| Sales to external customers | **187,284** | 359,627 | **44,305** | 26,429 | **231,589** | 386,056 |
| **Segment results** | **(61)** | (32,747) | **(11,686)** | (12,617) | **(11,747)** | (45,364) |
| *Reconciliation*: | | | | | | |
| Interest income | | | | | **26** | 34 |
| Dividend income and unallocated gains | | | | | **30** | 2,016 |
| Gain on deemed acquisition of additional interests in an associate | | | | | **–** | 496 |
| Fair value gains on financial assets at fair value through profit or loss | | | | | **–** | 18 |
| Finance costs | | | | | **(4,229)** | (3,979) |
| Share of profits and losses of associates | | | | | **47,568** | 32,874 |
| Corporate and other unallocated expenses | | | | | **(6,565)** | (6,427) |
| Profit/(loss) before tax | | | | | **25,083** | (20,332) |

## 3. OPERATING SEGMENT INFORMATION (continued)

| | Trading | | Retailing | | Total | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment assets** | **157,268** | 155,411 | **41,098** | 43,817 | **198,366** | 199,228 |
| *Reconciliation:* | | | | | | |
| Elimination of intersegment receivables | | | | | **(60,304)** | – |
| Investments in associates | | | | | **407,267** | 370,465 |
| Corporate and other unallocated assets | | | | | **56,646** | 62,225 |
| Total assets | | | | | **601,975** | 631,918 |
| **Segment liabilities** | **164,879** | 217,721 | **64,872** | 3,721 | **229,751** | 221,442 |
| *Reconciliation:* | | | | | | |
| Elimination of intersegment payables | | | | | **(60,304)** | – |
| Corporate and other unallocated liabilities | | | | | **5,042** | 5,260 |
| Total liabilities | | | | | **174,489** | 226,702 |
| **Other segment information:** | | | | | | |
| Write-down/(write-back) of inventories to net realisable value | **(2,968)** | 2,968 | **–** | – | **(2,968)** | 2,968 |
| Capital expenditure* | **82** | 199 | **8,169** | 15,630 | **8,251** | 15,829 |
| Depreciation | **854** | 857 | **3,691** | 1,208 | **4,545** | 2,065 |
| Unallocated depreciation | | | | | **1,983** | 1,984 |
| | | | | | **6,528** | 4,049 |
| Non-current assets** | **14,042** | 17,259 | **20,147** | 17,136 | **34,189** | 34,395 |
| Unallocated non-current assets | | | | | **55,477** | 57,461 |
| | | | | | **89,666** | 91,856 |

* Capital expenditure consists of additions to property, plant and equipment.

** Non-current assets exclude investments in associates.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | **231,589** | 386,056 |
| **Other income** | | |
| Bank interest income | **26** | 34 |
| Claims received | **69** | 192 |
| Dividend income from financial assets at fair value through profit or loss | **6** | 693 |
| Gross rental income | **637** | 698 |
| Sundry income | **144** | 2 |
| | **882** | 1,619 |
| **Gains** | | |
| Foreign exchange differences, net | **201** | 354 |
| Gain on disposal of items of property, plant and equipment | **8,531** | 110 |
| Gain on disposal of financial assets at fair value through profit or loss | **24** | 1,323 |
| Gain on deemed acquisition of additional interests in an associate | **–** | 496 |
| | **8,756** | 2,283 |
| | **9,638** | 3,902 |

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and trust receipt loans wholly repayable within one year | **4,229** | 3,979 |

## 6. PROFIT/(LOSS) BEFORE TAX

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **209,916** | 390,711 |
| Depreciation | **6,528** | 4,049 |
| Rental expenses under operating leases in respect of land and buildings: | | |
| Minimum lease payments | **11,637** | 27,668 |
| Contingent rents | **2,529** | 841 |
| | **14,166** | 28,509 |
| Auditors' remuneration | **930** | 883 |
| Employee benefits expense (including directors' remuneration): | | |
| Wages, salaries, allowances and benefits in kind | **21,256** | 20,358 |
| Pension scheme contributions | **2,128** | 1,547 |
| | **23,384** | 21,905 |
| Foreign exchange differences, net | **(201)** | (354) |
| Net rental income | **(524)** | (524) |
| Fair value gains on financial assets at fair value through profit or loss | **–** | (18) |
| Write-down/(write-back) of inventories to net realisable value* | **(2,968)** | 2,968 |
| Gain on deemed acquisition of additional interests in an associate^ | **–** | (496) |

* The write-down/(write-back) of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

^ The gain on deemed acquisition of additional interests in an associate is included in "Other income and gains" in the consolidated statement of profit or loss.

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). No provision for Mainland China corporate income tax has been made as the Group did not generate any assessable profits in Mainland China during the year (2013: Nil).

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Deferred tax and total tax charge/(credit) for the year | **(210)** | 3,288 |

The share of tax attributable to associates amounting to HK$11,783,000 (2013: HK$9,952,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

## 8. DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year.

## 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$25,293,000 (2013: loss of HK$23,620,000), and on the 259,586,000 (2013: 259,586,000) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

## 10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **5,841** | 9,841 |
| 1 to 2 months | **6,895** | 11,486 |
| Over 2 months | **1,706** | 1,050 |
| | **14,442** | 22,377 |

## 11. TRADE AND BILLS PAYABLES

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **12,856** | 23,367 |
| 1 to 2 months | **941** | 5,537 |
| | **13,797** | 28,904 |

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

## 12. EVENT AFTER THE REPORTING PERIOD

On 29 May 2014, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of certain of its land and buildings situated in Hong Kong for a cash consideration of HK$8,000,000. This transaction is scheduled to be completed on or before 30 June 2014 and is expected to result in a gain on disposal before tax of approximately HK$5,373,000.

## PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2014 (2013: Nil).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 28 August 2014 (the "AGM"), the Register of Members of the Company will be closed from Tuesday, 26 August 2014 to Thursday, 28 August 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 August 2014.

## BUSINESS REVIEW AND PROSPECTS

### BUSINESS REVIEW

For the financial year under review, the Group turned around to record a profit from last year's loss. This was mainly attributable to the improved gross margins from its operations of frozen meats trading and retail chain of mini department stores. Also, the Group shared a significant profit after tax from its equity interest in Four Seas Mercantile Holdings Limited ("FSMHL") which performed remarkably for the year.

### Frozen Meats Trading

Coping with the persistently weak local demand, softening selling prices and volatile overseas' import supply prices, the Group adopted a series of measures including stringent purchases and prudent sales strategies to reduce market risks. Also, the Group strived for reducing inventories on hand through exercising flexible selling prices which successfully controlled the inventories to a prudent level and largely lowered the cold storage costs and in turn improved the gross margin. Sales for the year was HK$187,284,000 (2013: HK$359,627,000). Despite the impact from reduced sales, the Group's segmental performance in frozen meats trading was significantly improved comparing to last year as a result of implemented measures to reduce operating costs.

### Retail Chain of Mini Department Stores

Operation of retail chain of mini department stores in Mainland China developed satisfactorily. At the end of the year, the Group had a total of six stores in operation which are located in modern and large multi-purpose shopping malls with potential of high customer flow. At the present time, the Group's network of stores covers Guangzhou City and Foshan City. Commencing from the third quarter of the financial year, the Group increased the unit selling price. Coupled with the depreciation of Japanese Yen since the third quarter of this financial year which benefited the Group in lowering the purchase costs of Yen-based imported products, gross margin improved for the year. Sales for the year amounted to HK$44,305,000 (2013: HK$26,429,000).

## BUSINESS REVIEW AND PROSPECTS (continued)

### Food Business Investment

As at 31 March 2014, the Group maintained its equity interest in FSMHL at approximately 29.70%. Capitalising on manufacturing at its own food factories and long-established extensive distribution network for many exclusively distributed worldwide famous brands and proprietary brands, it provided competitive synergies for FSMHL to drive its business growth. Furthermore, its prudent cost control measures, coupled with cheaper Yen-based imported products as a result of Yen depreciation, boosted the profit of FSMHL to a historical record level. As a result, the Group's share of profit after tax substantially increased to HK$47,568,000 (2013: HK$32,874,000).

## PROSPECTS

Looking forward, the Group will continue to operate prudently and adopt stringent cost control measures to consolidate its frozen meats trading business. Also, the Group will carefully select suitable locations in Mainland China to further develop its mini department stores business. Besides, it is expected that Mainland China with a population of 1.3 billion will provide enormous business opportunities for FSMHL to further drive its business growth, as currently approximately 66% of turnover of FSMHL was generated from Hong Kong with over 7 million people. As FSMHL will commit to develop with full effort its business in Mainland China to build a snack food conglomerate in Mainland China, it is expected that investment in FSMHL will continue to contribute sustainable earnings growth to the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 31 March 2014, the Group had banking facilities of HK$371,000,000 of which 40% had been utilised. The Group had a gearing ratio of 35% as at 31 March 2014. This is expressed as the total bank borrowings to equity attributable to equity holders of the Company. Bank borrowings of the Group, denominated in Hong Kong dollars, are mainly short term loans and trust receipt loans (the "Interest-Bearing Bank Borrowings") at prevailing market interest rates. The Interest-Bearing Bank Borrowings which are classified as current liabilities are repayable within one year. As at 31 March 2014, the Group held cash and cash equivalents of HK$42,332,000. There were no significant changes in the Group's contingent liabilities and no charges on the Group's assets as at the end of the reporting period.

## STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2014 was 170. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2014.

## CORPORATE GOVERNANCE

The Company and management are committed to maintain good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is essential to continual growth and enhancement of shareholders' value. The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance. Throughout the year under review, the Company has applied the principles of and complied with most of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviations:

### Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

Currently, all independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company (the "Articles of Association"). As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

### Code Provision A.4.2

Under the code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as a casual vacancy seldom appears and the interval between the appointment made to fill casual vacancy and the immediate following annual general meeting is short.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 March 2014, which will be sent to the shareholders in due course.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by directors of the Company (the "Code of Conduct"). Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct throughout the year ended 31 March 2014.

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company throughout the year ended 31 March 2014.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive directors, namely Mr. Chan Kay Cheung *(Chairman of the Audit Committee)*, Mr. Lan Yee Fong, Steve John and Mr. Lui Shing Ming, Brian. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management in relation to internal controls and financial reporting matters including a review of the Group's preliminary consolidated financial statements for the year ended 31 March 2014.

## REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2014 as set out in this announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement was published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.hongkongfoodinvestment.com.hk. The annual report of the Company for the year ended 31 March 2014, containing information required by the Listing Rules, will be despatched to shareholders and published on the above websites in due course.

## APPRECIATION

The Board of the Company would like to take this opportunity to thank our shareholders and business partners for their continuous support and the fellow directors and our staff for their dedication and hard work throughout the reporting year.

On behalf of the Board
**Hong Kong Food Investment Holdings Limited**
**TAI Tak Fung, Stephen**, *GBS, SBS, JP*
*Chairman*

Hong Kong, 27 June 2014

*As at the date of this announcement, the directors of the Company are Mr. TAI Tak Fung, Stephen, Mr. MAN Wing Cheung, Ellis, Mr. TAI Chun Kit, Mr. YIP Wai Keung, Mr. TSE Siu Wan and Mr. LAI Yuk Chuen as executive directors, Mr. CHAN Kay Cheung, Mr. LAN Yee Fong, Steve John and Mr. LUI Shing Ming, Brian as independent non-executive directors.*