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 RESULTS FOR THE YEAR ENDED 31 MARCH 2018

RESULTS

The board of directors (the "Board") of Hong Kong Food Investment Holdings Limited (the "Company") announces the preliminary consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000* (Restated)
CONTINUING OPERATIONS			
REVENUE	4	**151,886**	137,310
Cost of sales		**(151,442)**	(130,394)
Gross profit		**444**	6,916
Other income and gains, net	4	**219**	1,231
Selling and distribution expenses		**(3,535)**	(2,711)
Administrative expenses		**(19,671)**	(20,045)
Finance costs	5	**(3,941)**	(3,276)
Share of profits and losses of associates		**104,266**	15,076
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	**77,782**	(2,809)
Income tax credit	7	**318**	300
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**78,100**	(2,509)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	**(11,755)**	(7,889)
PROFIT/(LOSS) FOR THE YEAR		**66,345**	(10,398)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

Year ended 31 March 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
			(Restated)
Attributable to:			
Equity holders of the Company		**66,620**	(10,398)
Non-controlling interests		**(275)**	–
		66,345	(10,398)
		HK cents	*HK cents*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted			
– For profit/(loss) for the year		**25.66**	(4.01)
– For profit/(loss) from continuing operations		**30.19**	(0.97)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**66,345**	(10,398)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates, net of tax	**25,464**	(18,810)
Exchange differences on translation of foreign operations	**1,209**	(1,178)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**26,673**	(19,988)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**93,018**	(30,386)
Attributable to:		
Equity holders of the Company	**93,293**	(30,386)
Non-controlling interests	**(275)**	–
	93,018	(30,386)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2018

	Notes	2018 *HK$'000*	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**61,022**	65,237
Investments in associates		**494,589**	409,324
Prepayments and deposits		**819**	1,504
Other non-current asset		**540**	540
Total non-current assets		**556,970**	476,605
CURRENT ASSETS			
Inventories		**25,005**	30,911
Trade receivables	11	**21,403**	17,825
Prepayments, deposits and other receivables		**2,088**	1,697
Due from associates		**297**	30
Cash and bank balances		**68,427**	39,341
Total current assets		**117,220**	89,804
CURRENT LIABILITIES			
Trade and bills payables	12	**6,876**	8,074
Other payables and accruals		**21,858**	8,967
Due to associates		**41**	344
Due to a non-controlling shareholder		**282**	–
Interest-bearing bank borrowings		**162,561**	160,683
Total current liabilities		**191,618**	178,068
NET CURRENT LIABILITIES		**(74,398)**	(88,264)
TOTAL ASSETS LESS CURRENT LIABILITIES		**482,572**	388,341
NON-CURRENT LIABILITIES			
Accruals		**100**	2,819
Deferred tax liabilities		**458**	776
Total non-current liabilities		**558**	3,595
Net assets		**482,014**	384,746
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**117,095**	117,095
Reserves		**361,994**	267,651
		479,089	384,746
Non-controlling interests		**2,925**	–
Total equity		**482,014**	384,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These 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 and are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 March 2018, the Group had net current liabilities of HK$74,398,000. 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.

The unaudited financial information relating to the year ended 31 March 2018 and the financial information relating to the year ended 31 March 2017 included in this preliminary announcement of annual results for the year ended 31 March 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2017, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2018 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 March 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

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.

1. **BASIS OF PREPARATION** (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 elements of control described above. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 2018 as follows:

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

(b) the "others" segment consists of restaurant operation and investment holding

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 from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit/loss before tax from continuing operations except that bank interest income, finance costs, share of profits and losses of associates and corporate and other unallocated expenses are excluded from such measurement.

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

Segment liabilities exclude deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

	Trading		**Others**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)
Segment revenue	**150,590**	137,310	**1,296**	–	**151,886**	137,310
Segment results	**(12,913)**	(5,526)	**(692)**	–	**(13,605)**	(5,526)
Reconciliation:						
Bank interest income					**1**	–
Finance costs					**(3,941)**	(3,276)
Share of profits and losses of associates					**104,266**	15,076
Corporate and other unallocated expenses					**(8,939)**	(9,083)
Profit/(loss) before tax from continuing operations					**77,782**	(2,809)

3. **OPERATING SEGMENT INFORMATION** (continued)

	Trading		**Others**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)
Segment assets	**109,394**	158,792	**9,404**	–	**118,798**	158,792
Reconciliation:						
Elimination of intersegment receivables					**–**	(74,337)
Investments in associates					**494,589**	409,324
Corporate and other unallocated assets					**60,803**	72,630
Total assets					**674,190**	566,409
Segment liabilities	**172,689**	172,667	**1,985**	–	**174,674**	172,667
Reconciliation:						
Elimination of intersegment payables					**–**	(74,337)
Corporate and other unallocated liabilities					**17,502**	83,333
Total liabilities					**192,176**	181,663
Other segment information:						
Write-down of inventories to net realisable value	**782**	–	**–**	–	**782**	–
Capital expenditure*	**29**	28	**4,759**	–	**4,788**	28
Unallocated capital expenditure*					**30**	237
					4,818	265
Depreciation	**698**	717	**78**	–	**776**	717
Unallocated depreciation					**1,984**	1,984
					2,760	2,701

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

Geographical information

The revenue of continuing operations is solely derived from Hong Kong.

The non-current assets of continuing operations are located in Hong Kong.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains from continuing operations is as follows:

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Revenue	**151,886**	137,310
Other income		
Bank interest income	**1**	–
Claims received	**8**	14
Gross rental income	**781**	1,034
Sundry income	**60**	3
	850	1,051
Gains/(losses)		
Foreign exchange differences, net	**(631)**	180
	219	1,231

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**3,941**	3,276

6. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**150,660**	130,394
Depreciation	**2,760**	2,701
Minimum lease payments under operating leases	**7,834**	6,540
Auditor's remuneration	**1,181**	1,090
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**11,615**	11,428
Pension scheme contributions	**286**	318
	11,901	11,746
Foreign exchange differences, net	**631**	(180)
Net rental income	**(449)**	(524)
Write-down of inventories to net realisable value*	**782**	–

* The write-down of inventories to net realisable value is included in "Cost of sales" 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 (2017: 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 (2017: Nil).

	2018	2017
	HK$'000	*HK$'000*
Deferred tax and total tax credit for the year from continuing operations	**(318)**	(300)

The share of tax attributable to associates amounting to HK$10,674,000 (2017: HK$7,490,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

8. DISCONTINUED OPERATION

During the year, the Group has decided to cease its retailing business operated by **廣州四方創意商貿有限公司**, a wholly-owned subsidiary of the Group, because it plans to focus its resources on its trading businesses. The cessation of business was completed during the current year and thus classified as a discontinued operation. With the retailing business being classified as a discontinued operation, it is no longer included in the note for operating segment information.

The results of retailing business for the year are presented as below:

	2018	2017
	HK$'000	*HK$'000*
Revenue	**21,247**	27,769
Cost of sales	**(14,387)**	(14,638)
Gross profit	**6,860**	13,131
Other income	**3,264**	1,221
Expenses	**(21,879)**	(22,241)
Loss before tax from the discontinued operation	**(11,755)**	(7,889)
Income tax credit	**–**	–
Loss for the year from the discontinued operation	**(11,755)**	(7,889)

9. DIVIDEND

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

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	**78,375**	(2,509)
From discontinued operation	**(11,755)**	(7,889)
	(66,620)	(10,398)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**259,586,000**	259,586,000

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

11. 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.

An ageing 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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**8,193**	5,666
1 to 2 months	**5,008**	7,341
Over 2 months	**8,202**	4,818
	21,403	17,825

12. TRADE AND BILLS PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**6,876**	7,650
1 to 2 months	**–**	424
	6,876	8,074

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

13. EVENT AFTER THE REPORTING PERIOD

On 21 May 2018, a resolution was duly passed as an ordinary resolution by shareholders of the Company in relation to the disposal of its entire equity interest in Hung King Development Limited, a wholly-owned subsidiary and beneficial owner of the parcel of land and building in Sai Kung, Hong Kong, to an independent third party pursuant to the sale and purchase agreement dated 17 March 2018 for a cash consideration of HK$250,000,000. The gain on disposal before tax is expected to be approximately HK$199,000,000. The transaction has been scheduled to be completed on 15 August 2018.

14. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and related notes to the consolidated financial statements have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2018 (2017: 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 Tuesday, 28 August 2018 (the "AGM"), the Register of Members of the Company will be closed from Wednesday, 22 August 2018 to Tuesday, 28 August 2018, 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, unregistered holders of shares of the Company shall ensure that all transfer 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 Tuesday, 21 August 2018.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

Benefited from an increase in the profit from associates, the Group recorded a turnaround to profit from last year's loss. In the past year, impacted by excessive supply of frozen meats worldwide, the global business environment of frozen meats market was volatile. Coupled with the fierce competition in the local industry, it led to the selling prices in the Hong Kong market under pressure. Besides, as the mini department stores operation in Mainland China did not perform as expected, the Group withdrew this non-core business by the end of this financial year and reallocated the resources to focus on its core business of frozen meats trading.

Frozen Meats Trading

During the year under review, there was an oversupply of frozen meats from overseas, however, the cost price did not fall but rose. On the other hand, the increase in local consumption lagged behind the increase in import volume which led to fierce competition in the local market and depressed the local selling prices. Despite the rise in both sales volume and turnover this year, the increase in local selling prices was more than offset by the higher imported costs and therefore resulted in a decrease in gross profit. For the financial year ended 31 March 2018, turnover was HK$150,590,000 (2017: HK$137,310,000).

Retail Chain of Mini Department Stores

The business of mini department stores in Mainland China was adversely affected by the changing landscape of the retail industry in Mainland China, including the surge in on-line sales, the increase in labour costs and rental, and keen competition, which led to the continuing losses. After in-depth consideration, the management decided to terminate this operation which was completed before the end of this financial year.

BUSINESS REVIEW AND PROSPECTS (continued)

Food Business Investment

As at 31 March 2018, the Group maintained its equity interest in Four Seas Mercantile Holdings Limited ("FSMHL") at approximately 29.98%. In response to market challenges, FSMHL adopted a timely strategy and successfully maintaining its competitiveness and market share, further consolidating its market leadership. The performance of both Hong Kong and Mainland China showed good progress and the overall business was profitable and stable. During the year under review, FSMHL disposed a property located in Sai Kung, New Territories and recorded a one-off gain that led to an increase in its profit. For the financial year ended 31 March 2018, the Group's share of profit from associates was HK$104,266,000 (2017: HK$15,076,000).

PROSPECTS

In March this year, the Group entered into a sale and purchase agreement with an independent third party to dispose of a wholly-owned subsidiary (the "Disposal") holding a property in Sai Kung. Details were set out in the circular to shareholders dated 25 April, 2018. Also, an extraordinary general meeting was held on 21 May 2018 to approve the Disposal which was formally passed and announced on the same day. It is expected that the Disposal will be completed on 15 August 2018 and will generate a cash flow of HK$250,000,000 to the Group, with a gain on disposal before tax of approximately HK$199,000,000 to be booked in the next financial year. The proceeds from the Disposal will be used to reduce the Group's borrowings to improve the cost structure, strengthen the existing frozen meats business, and expand to new market of premium meats, thereby enhancing its earnings.

With its long history and solid foundation in the Hong Kong frozen meats market, a comprehensive distribution network covering wet market, major supermarket chains and fast food chains in Hong Kong, coupled with excellent and long-term business relationship with overseas suppliers in major meats exporting countries, the Group will continue to operate its frozen meats business and develop the trading of Japanese premium beef business.

In late 2017, the Group entered into a joint venture agreement with a Japanese company, namely, Kamichiku Holdings Co., Ltd. ("Kamichiku"), in the business of operating Japanese restaurants and trading of beef, dairy and other processed food products. Kamichiku is one of the largest Wagyu beef farmers and producers in Japan. The management expects that through the cooperation with Kamichiku, it will further enhance the Group's position in the premium meats sector and penetrate into other different market segments.

In the meantime, the Group's investment in FSMHL, which is based in Hong Kong, will continue to develop and enhance its market share in the Hong Kong food market by adding new elements. This year, a Michelin-starred Japanese sushi restaurant, "Sushiyoshi", has been successfully opened in the prime location in Tsim Sha Tsui. This restaurant has been well received by customers for its creative menu and sensational food tastes. Besides, in light of the rapid development of the e-sport market, FSMHL cooperated with Hero Entertainment, a leading Mainland China mobile electronic sports enterprise, to add new elements to traditional snacks through marketing and brand interaction. This cooperation will enable FSMHL to further expand its business to the Greater China market.

BUSINESS REVIEW AND PROSPECTS (continued)

PROSPECTS (continued)

Following the continuous sales growth, Calbee Four Seas Company Limited, an associate of FSMHL, will expand its production lines and facilities in its factory premises located in Tseung Kwan O Industrial Estate. Output quantity will be increased to meet the market demand.

For the business in Mainland China, FSMHL has always adhered to its motto "Eating Safely, Eating Happily" when exploring the enormous and potential Mainland China market. In order to grasp new business opportunities and broaden its retail network, especially the e-commerce business, FSMHL will develop its wholly-owned company in Nansha New District in the Guangdong Free Trade Zone to expand international trade of food imports and e-commerce business to keep up with social trends. Currently, the products of FSMHL are available on a number of e-commerce platforms, including Taobao, Tmall, Tmall Global, Jingdong, etc. where consumers in Mainland China can purchase their favourite snacks at anytime and anywhere. Capitalising on the continuous growing demand for quality foods and huge potential in Mainland China that will generate good earnings, FSMHL will continue to promote the Four Seas brand as well as other distributed food products to the Mainland China market. It is expected that FSMHL will continue to contribute stable earnings 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 2018, the Group had banking facilities of HK$310,000,000 of which 52% had been utilised. The Group had a gearing ratio of 34% as at 31 March 2018. This is expressed as the total interest-bearing 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 2018, the Group held cash and bank balances of HK$68,427,000. 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.

The net proceeds from the Disposal, which will be completed on 15 August 2018, amounting to approximately HK$247,000,000 (after deducing the associate estimated direct cost in the amount of approximately HK$3,000,000) is intended to be applied and allocated as to (i) approximately 30% (equivalent to approximately HK$74,000,000) for expanding the meats trading business of the Group; (ii) approximately 65% (equivalent to approximately HK$161,000,000) as general working capital of the Group, of which as to approximately 60% (equivalent to approximately HK$149,000,000) will be used to reduce the bank borrowings of the Group, and as to approximately 5% (equivalent to approximately HK$12,000,000) for capital expenditures; and (iii) approximately 5% (equivalent to approximately HK$12,000,000) for funding the opening of new restaurants relating to the existing business of the Group.

STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2018 was 49. 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

CORPORATE GOVERNANCE

The Company and management are committed to maintaining 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.

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. The chairman of the board of the Company, Mr. Tai Tak Fung, Stephen was unable to attend the annual general meeting of the Company held on 30 August 2017 ("2017 AGM") as he had another important engagement on the same day. Mr. Man Wing Cheung, Ellis, the managing director of the Company, attended and took the chair of the 2017 AGM.

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 2018, 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 2018.

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 2018.

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. Cheung Wing Choi. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management in relation to risk management and internal control systems, and financial reporting matters including a review of the Group's consolidated financial statements for the year ended 31 March 2018.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

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 2018 as set out in this preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is 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 2018, 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, *GBM*, *GBS*, *SBS*, *JP*
Chairman

Hong Kong, 28 June 2018

As at the date of this announcement, the executive directors of the Company are Mr. TAI Tak Fung, Stephen, Mr. TAI Chun Leung, Mr. MAN Wing Cheung, Ellis, Mr. TAI Chun Kit and Mr. TSE Siu Wan, and the independent non-executive directors of the Company are Mr. CHAN Kay Cheung, Mr. LAN Yee Fong, Steve John and Mr. CHEUNG Wing Choi.