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 2019

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 2019, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	4	**151,102**	151,886
Cost of sales		**(136,588)**	(151,442)
Gross profit		**14,514**	444
Other income and gains, net	4	**206,793**	219
Selling and distribution expenses		**(9,819)**	(3,535)
Administrative expenses		**(30,283)**	(19,671)
Finance costs	5	**(2,184)**	(3,941)
Share of profits and losses of associates		**9,044**	104,266
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**188,065**	77,782
Income tax credit	7	**161**	318
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**188,226**	78,100
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	**–**	(11,755)
PROFIT FOR THE YEAR		**188,226**	66,345
Attributable to:			
Equity holders of the Company		**188,050**	66,620
Non-controlling interests		**176**	(275)
		188,226	66,345
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted			
– For profit for the year		**72.44**	25.66
– For profit from continuing operations		**72.44**	30.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**188,226**	66,345
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates, net of tax	**(19,518)**	25,464
Exchange differences on translation of foreign operations	**(590)**	1,209
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(20,108)**	26,673
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**168,118**	93,018
Attributable to:		
Equity holders of the Company	**167,942**	93,293
Non-controlling interests	**176**	(275)
	168,118	93,018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**17,442**	61,022
Investments in associates		**445,032**	494,589
Prepayments and deposits		**999**	819
Goodwill		**2,103**	–
Financial assets at fair value through profit or loss		**1,300**	–
Other non-current asset		**–**	540
Total non-current assets		**466,876**	556,970
CURRENT ASSETS			
Inventories		**36,422**	25,005
Trade receivables	11	**20,251**	21,403
Prepayments, deposits and other receivables		**1,171**	2,088
Due from associates		**90**	297
Financial assets at fair value through profit or loss		**3,979**	–
Cash and bank balances		**175,590**	68,427
Total current assets		**237,503**	117,220
CURRENT LIABILITIES			
Trade and bills payables	12	**7,790**	6,876
Other payables and accruals		**4,853**	21,858
Due to associates		**35**	41
Due to a non-controlling shareholder		**2,507**	282
Interest-bearing bank borrowings		**37,527**	162,561
Total current liabilities		**52,712**	191,618
NET CURRENT ASSETS/(LIABILITIES)		**184,791**	(74,398)
TOTAL ASSETS LESS CURRENT LIABILITIES		**651,667**	482,572
NON-CURRENT LIABILITIES			
Accruals		**235**	100
Deferred tax liabilities		**–**	458
Total non-current liabilities		**235**	558
Net assets		**651,432**	482,014
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**117,095**	117,095
Reserves		**531,247**	361,994
		648,342	479,089
Non-controlling interests		**3,090**	2,925
Total equity		**651,432**	482,014

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 ("HKICPA"), 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.

The unaudited financial information relating to the year ended 31 March 2019 and the financial information relating to the year ended 31 March 2018 included in this preliminary announcement of annual results for the year ended 31 March 2019 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2018, 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 2019 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 2018 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 2018. 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 2019. 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 new and revised HKFRSs for the first time for the current year's financial statements, which are applicable to the Group.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impact of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follow:

		HKAS 39 measurement					HKFRS 9 measurement	
	Note	Category	Amount	Re-classification	ECL	Other	Amount	Category
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Financial assets								
Trade receivables		L&R [1]	21,403	–	–	–	21,403	AC [2]
Financial assets included in prepayments, deposits and other receivables		L&R	1,828	–	–	–	1,828	AC
Due from associates		L&R	297	–	–	–	297	AC
Cash and bank balances		L&R	68,427	–	–	–	68,427	AC
Financial assets at fair value through profit or loss	(i)	N/A	–	540	–	640	1,180	FVPL [3] (mandatory)
			91,955	540	–	640	93,135	
Other asset								
Other non-current assets	(i)		540	(540)	–	–	–	
Total assets			92,495	–	–	640	93,135	

[1] L&R : Loans and receivables
[2] AC : Financial assets at amortised cost
[3] FVPL : Financial assets at fair value through profit or loss

Note:

(i) The Group has classified its investment in a club debenture previously classified as other non-current asset as financial assets at fair value through profit or loss as the club debenture did not pass the contractual cash flow characteristics test in HKFRS 9.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) HKFRS 9 *Financial Instruments* (continued)

Impairment

Trade receivables

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information. Management has closely monitored the credit qualities and the collectability of the trade receivables. Trade receivables in dispute are assessed individually for impairment to determine whether specific loss allowance provisions are required. The adoption of the simplified ECL approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 April 2018.

Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, including financial assets included in prepayments, deposits and other receivables, due from associates and cash and bank balances, the ECL is based on the 12-month ECL. This represents the portion of lifetime ECL that results from default events on the financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Management has closely monitored the credit qualities and the collectability of other financial assets at amortised cost and considers that the ECL is immaterial.

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$'000
Balance as at 31 March 2018 under HKAS 39	333,470
Remeasurement of other non-current asset designated as financial assets at fair value through profit or loss	640
Share of effect of adoption of HKFRS 9 of associates	38
Balance as at 1 April 2018 under HKFRS 9	334,148

(b) HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKFRS 15 *Revenue from Contracts with Customers* (continued)

Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised deposit received from customers as accruals. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

The application of HKFRS 15 has had no impact on the financial position or performance of the Group, except for the reclassification of deposit received from customers as accruals to contract liabilities.

Accordingly, upon adoption of HKFRS 15, the Group reclassified HK$176,000 from accruals to contract liabilities as at 1 April 2018 in relation to the deposit received from customers as at 1 April 2018.

As at 31 March 2019, had the Group not applied HKFRS 15, contract liabilities of HK$150,000 in relation to the deposit received from customers for the sale of goods would have been included in accruals.

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 2019 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, marketing of meat products, communication and advertising design 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 before tax from continuing operations except that bank interest income, dividend income and unallocated gains, gain on disposal of a subsidiary, 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION (continued)

	Trading		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**138,310**	150,590	**12,792**	1,296	**151,102**	151,886
Intersegment sales	**284**	–	**–**	–	**284**	–
	138,594	150,590	**12,792**	1,296	**151,386**	151,886
Reconciliation:						
Elimination of intersegment sales					**(284)**	–
					151,102	151,886
Segment results	**(9,622)**	(12,913)	**(450)**	(692)	**(10,072)**	(13,605)
Reconciliation:						
Bank interest income					**1,386**	1
Dividend income and unallocated gains					**308**	–
Gain on disposal of a subsidiary					**203,169**	–
Finance costs					**(2,184)**	(3,941)
Share of profits and losses of associates					**9,044**	104,266
Corporate and other unallocated expenses					**(13,586)**	(8,939)
Profit before tax from continuing operations					**188,065**	77,782

3. OPERATING SEGMENT INFORMATION (continued)

	Trading		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**221,066**	109,394	**19,411**	9,404	**240,477**	118,798
Reconciliation:						
Elimination of intersegment receivables					**(11)**	–
Investments in associates					**445,032**	494,589
Corporate and other unallocated assets					**18,881**	60,803
Total assets					**704,379**	674,190
Segment liabilities	**50,243**	172,689	**1,462**	1,985	**51,705**	174,674
Reconciliation:						
Elimination of intersegment payables					**(11)**	–
Corporate and other unallocated liabilities					**1,253**	17,502
Total liabilities					**52,947**	192,176
Other segment information:						
Write-down of inventories to net realisable value	**–**	782	**–**	–	**–**	782
Capital expenditure*	**168**	29	**3,430**	4,759	**3,598**	4,788
Unallocated capital expenditure*					**2,262**	30
					5,860	4,818
Depreciation	**198**	698	**1,110**	78	**1,308**	776
Unallocated depreciation					**1,159**	1,984
					2,467	2,760

* 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/(losses) from continuing operations is as follows:

	2019	2018
	HK$'000	*HK$'000*
Disaggregation of revenue		
Sales of goods	**138,310**	150,590
Others	**12,792**	1,296
	151,102	151,886
Timing of revenue recognition		
At a point in time	**151,102**	151,886

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**1,386**	1
Claims received	**–**	8
Dividend income from financial assets at fair value through profit or loss	**41**	–
Gross rental income	**1,108**	781
Sundry income	**7**	60
	2,542	850
Gains/(losses)		
Gain on disposal of a subsidiary	**203,169**	–
Gain on disposal of items of property, plant and equipment	**374**	–
Fair value gains on financial assets at fair value through profit or loss	**267**	–
Foreign exchange differences, net	**441**	(631)
	204,251	(631)
	206,793	219

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2019
	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sales of goods	**176**

5. FINANCE COSTS

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

	2019	2018
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**2,184**	3,941

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**136,588**	150,660
Depreciation	**2,467**	2,760
Minimum lease payments under operating leases	**12,893**	7,834
Auditor's remuneration	**1,182**	1,181
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**16,077**	11,615
Pension scheme contributions	**473**	286
	16,550	11,901
Written-off of trade receivables	**86**	–
Foreign exchange differences, net	**(441)**	631
Net rental income	**(700)**	(449)
Impairment of trade receivables	**4,904**	–
Gain on disposal of a subsidiary	**(203,169)**	–
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 (2018: Nil).

	2019	2018
	HK$'000	*HK$'000*
Deferred tax and total tax credit for the year from continuing operations	**(161)**	(318)

The share of tax attributable to associates amounting to HK$9,102,000 (2018: HK$10,674,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

8. DISCONTINUED OPERATION

During the year ended 31 March 2018, the Group had 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 planned to focus its resources on its trading businesses. The cessation of business was completed in prior 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 prior year are presented as below:

	2018
	HK$'000
Revenue	21,247
Cost of sales	(14,387)
Gross profit	6,860
Other income	3,264
Expenses	(21,879)
Loss before tax from the discontinued operation	(11,755)
Income tax credit	–
Loss for the year from the discontinued operation	(11,755)

9. DIVIDEND

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

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 259,586,000 (2018: 259,586,000) in issue during the year.

The calculation of the basic and diluted earnings/(loss) per share are based on:

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit/(loss) attributable to equity holders of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	**188,050**	78,375
From discontinued operation	**–**	(11,755)
	188,050	66,620

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

	Number of shares	
	2019	2018
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 year ended 31 March 2019 and 2018 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 loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**10,765**	8,193
1 to 2 months	**4,523**	5,008
Over 2 months	**4,963**	8,202
	20,251	21,403

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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**7,790**	6,876

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

13. BUSINESS COMBINATION

On 1 February 2019, the Group acquired a 90% interest in Spark Communications Limited from an independent third party at a cash consideration of HK$2,000,000. Spark Communications Limited is engaged in communication and advertising design. The acquisition was made as part of the Group's strategy to enrich the variety of the Group's businesses.

The fair values of the identifiable assets and liabilities of Spark Communications Limited as at the date of acquisition were as follows:

	Fair values recognised on acquisition 2019 *HK$'000*
Property, plant and equipment	**26**
Trade and other receivables	**264**
Cash and cash equivalents	**49**
Trade and other payables	**(6)**
Amount due to shareholder	**(447)**
Total identifiable net liabilities at fair value	**(114)**
Non-controlling interests	**11**
	(103)
Goodwill on acquisition	**2,103**
Satisfied by cash	**2,000**

The fair value of the trade and other receivables as at the date of acquisition amounted to HK$264,000. The gross contractual amounts of trade and other receivables was HK$264,000, which is expected to be collectable.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follow:

	2019 *HK$'000*
Cash consideration	**(2,000)**
Cash and bank balances acquired	**49**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(1,951)**

Since the acquisition, Spark Communication Limited contributed HK$347,000 to the Group's revenue and HK$16,000 to the consolidated profit for the year ended 31 March 2019.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$152,999,000 and HK$187,942,000, respectively.

14. DISPOSAL OF A SUBSIDIARY

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 ("Hung King"), 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 transaction was completed on 15 August 2018. The net assets of Hung King at the date of disposal were as follows:

	2019 ***HK$'000***
Net assets disposed of:	
Property, plant and equipment	**46,799**
Prepayments and deposits	**329**
Deferred tax liabilities	**(297)**
	46,831
Gain on disposal of a subsidiary	**203,169**
Satisfied by cash	**250,000**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2019 ***HK$'000***
Cash consideration and net flow of cash and cash equivalents in respect of the disposal of subsidiary	**250,000**

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2019 (2018: 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 Wednesday, 28 August 2019 (the "AGM"), the Register of Members of the Company will be closed from Thursday, 22 August 2019 to Wednesday, 28 August 2019, 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 54 (Level 22, on or before 10 July 2019), Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 August 2019.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

During the year under review, frozen meats trading continued to be the core business of the Group and performed steadily. Partnering with one of the largest wagyu beef farmers and producers in Japan, the Group has developed its business in trading of wagyu beef to high-end customer groups with the advantages of having stable quality products and source of supply, since the middle of this financial year. Besides, the Group's Japanese BBQ restaurant, "Beefar's", is well received by patronage customers and performed satisfactorily.

Frozen Meats Trading

During the year, major overseas meat producing countries increased their production volume. Whilst overseas supply to Hong Kong was abundant in most of the time during the year, it became tightened since the beginning of 2019. This was attributable to the surge in demand for import of overseas frozen meats by Mainland China, affected by its local outbreak of African Swine Fever ("ASF") and reduced buying from the United States due to trade disputes. During the year, consumer spending sentiment remained weak in Hong Kong. Since the middle of this financial year, the Group started to trade Japanese wagyu beef to high-end customers with preliminary encouraging result. For the financial year ended 31 March 2019, the Group's frozen meats trading revenue recorded a mild decrease to HK$138,310,000 (2018: HK$150,590,000). Nevertheless, gross margin was improved due to more stringent purchasing and selling strategies.

Other Food Business

Beefar's, the Group's Japanese BBQ restaurant which was opened last year, has been exclusively providing customers with wagyu beef directly from our joint venture partner, Kamichiku Holdings Co., Ltd. in Japan who farms, produces and owns the brand "Satsuma" for wagyu beef. The high quality of this Japanese wagyu beef has become popular among the customers of Beefar's. In addition, the location advantage of Beefar's in the busiest commercial and tourist district in Tsim Sha Tsui has facilitated it to build up loyal customer groups, hence, sales performance progressing steadily with good results.

BUSINESS REVIEW AND PROSPECTS (continued)

Food Business Investment

As at 31 March 2019, the Group maintained its equity interest in Four Seas Mercantile Holdings Limited ("FSMHL") at approximately 29.98%. Although the overall operating environment in Hong Kong was full of challenge due to global economic volatility, FSMHL excelled with bringing in new business concepts, by promoting Japanese ice-cream in full force, which has helped capturing opportunities for furthering its results while maintaining competitiveness and market share. For the financial year ended 31 March 2019, the Group's share of profit from associates was HK$9,044,000 (2018: HK$104,266,000). The decrease was mainly due to a one-off gain from the disposal of a property recorded in last year.

PROSPECTS

Leveraging on the long term and excellent business relationship with Hong Kong customers and overseas suppliers, the Group will continue to consolidate by enlarging its frozen meats market share in Hong Kong. Besides, the Group will focus on developing the trading business of Japanese wagyu beef to increase its revenue to enhance earnings.

FSMHL, the equity investment of the Group, will continue to maintain its leading position in the food market and bringing in more variety of food items to the customers. Starting from this year, it has been promoting various Japanese ice-cream in full force and has been successfully introduced various Japanese ice-cream brands into Hong Kong, including "MEIJI", "LOTTE" , "GLICO" , "IMURAYA", "SEIKA" and the exclusive Okinawa brand "BLUE SEAL". For the business in the Mainland China market, FSMHL will capture on its already build-up image of renowned Hong Kong brand to grasp new business opportunities and broaden its sales network, especially the e-commerce business. FSMHL has established a wholly-owned company in Nansha New District in the Guangdong Free Trade Zone to expand the international trade and e-commerce business. In parallel, FSMHL has made available its products on several e-commerce platforms, including Taobao, Tmall, Tmall Global and Jingdong, on which the "Four Seas Milk Drink" being become a popular item among those available on-line. 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 2019, the Group had banking facilities of HK$230,000,000 of which 16% had been utilised. The Group had a gearing ratio of 6% as at 31 March 2019. 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 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 2019, the Group held cash and bank balances of HK$175,590,000. 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 Group completed the disposal of Hung King on 15 August 2018 and received net proceeds of approximately HK$247,000,000 (net of directly attributable transaction costs). The net proceeds have been utlilised as to (i) approximately HK$149,000,000 for the reduction of bank borrowings; (ii) approximately HK$15,000,000 for the expansion of meats trading business; and (iii) approximately HK$ 6,000,000 for capital expenditures, and the remaining approximately HK$77,000,000 for the general working capital of the Group.

STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2019 was 46. 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 2019.

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.

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 2019.

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 2019.

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 2019.

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 2019 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 2019, 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, 27 June 2019

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.