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 2020

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 2020, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	4	**140,048**	151,102
Cost of sales		**(126,063)**	(136,588)
Gross profit		**13,985**	14,514
Other income and gains, net	4	**6,076**	206,793
Selling and distribution expenses		**(10,297)**	(9,819)
Administrative expenses		**(26,222)**	(30,283)
Finance costs	5	**(1,618)**	(2,184)
Share of profits and losses of associates		**(5,940)**	9,044
PROFIT/(LOSS) BEFORE TAX	6	**(24,016)**	188,065
Income tax credit/(expense)	7	**(40)**	161
PROFIT/(LOSS) FOR THE YEAR		**(24,056)**	188,226
Attributable to :			
Equity holders of the Company		**(24,111)**	188,050
Non-controlling interests		**55**	176
		(24,056)	188,226
		HK cents	*HK cents*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	9	**(9.29)**	72.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(24,056)**	188,226
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates, net of tax	**(17,508)**	(19,518)
Exchange differences on translation of foreign operations	**(42)**	(590)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(17,550)**	(20,108)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(41,606)**	168,118
Attributable to:		
Equity holders of the Company	**(41,661)**	167,942
Non-controlling interests	**55**	176
	(41,606)	168,118

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**28,440**	17,442
Right-of-use assets		**18,347**	–
Investments in associates		**406,093**	445,032
Prepayments and deposits		**1,406**	999
Goodwill		**2,103**	2,103
Financial assets at fair value through profit or loss		**1,300**	1,300
Total non-current assets		**457,689**	466,876
CURRENT ASSETS			
Inventories		**27,450**	36,422
Trade receivables	10	**9,970**	20,251
Prepayments, deposits and other receivables		**1,283**	1,171
Due from associates		**235**	90
Financial assets at fair value through profit or loss		**6,106**	3,979
Tax recoverable		**41**	–
Cash and cash equivalents		**154,389**	175,590
Total current assets		**199,474**	237,503
CURRENT LIABILITIES			
Trade and bills payables	11	**4,694**	7,790
Other payables and accruals		**4,416**	4,853
Due to associates		**144**	35
Due to a non-controlling shareholder		**3,128**	2,507
Tax payable		**5**	–
Interest-bearing bank borrowings		**20,469**	37,527
Lease liabilities		**4,846**	–
Total current liabilities		**37,702**	52,712
NET CURRENT ASSETS		**161,772**	184,791
TOTAL ASSETS LESS CURRENT LIABILITIES		**619,461**	651,667
NON-CURRENT LIABILITIES			
Accruals		**100**	235
Lease liabilities		**14,631**	–
Total non-current liabilities		**14,731**	235
Net assets		**604,730**	651,432
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**117,095**	117,095
Reserves		**484,584**	531,247
		601,679	648,342
Non-controlling interests		**3,051**	3,090
Total equity		**604,730**	651,432

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 2020 and the financial information relating to the year ended 31 March 2019 included in this preliminary announcement of annual results for the year ended 31 March 2020 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2019, 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 2020 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 2019 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 2019. 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 2020. 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 three elements of control described in the accounting policy for subsidiaries 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19, HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) HKFRS 16 *Leases* (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019;
- using hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 April 2019 as an alternative to performing an impairment review; and
- excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application when applying HKFRS 16.C8(b)(i).

Financial impact at 1 April 2019

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 was as follows:

	HK$'000
Assets	
Increase in right-of-use assets	23,932
Decrease in property, plant and equipment	(61)
Increase in prepayments, deposits and other receivables	28
Decrease in investments in associates	(4,434)
Increase in total assets	19,465
Liabilities	
Increase in lease liabilities	24,748
Decrease in other payables and accruals	(297)
Increase in total liabilities	24,451
Equity	
Decrease in retained profits	(4,892)
Decrease in non-controlling interests	(94)
Decrease in total equity	(4,986)

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) HKFRS 16 *Leases* (continued)

Financial impact at 1 April 2019 (continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 were as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	10,512
Add: Payments for optional extension periods not recognised as at 31 March 2019	14,559
	25,071
Effect of discounting at incremental borrowing rate as at 1 April 2019	(323)
Lease liabilities as at 1 April 2019	24,748
Weighted average incremental borrowing rate as at 1 April 2019	3.15%

(b) HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered that the interpretation did not have any impact on the financial position or performance of the Group.

(c) Early adoption of amendments to standards during the year ended 31 March 2020 where early adoption is permitted:

Amendment to HKFRS 16 *COVID-19-Related Rent Concessions,* effective for annual periods beginning on or after 1 April 2021, provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. The Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification.

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 2020 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. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, dividend income and unallocated gains/losses, gain on disposal of a subsidiary, non-lease-related 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**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**125,544**	138,310	**14,504**	12,792	**140,048**	151,102
Intersegment sales	**876**	284	**293**	–	**1,169**	284
	126,420	138,594	**14,797**	12,792	**141,217**	151,386
Reconciliation:						
Elimination of intersegment sales					**(1,169)**	(284)
					140,048	151,102
Segment results	**(9,060)**	(9,622)	**(1,643)**	(450)	**(10,703)**	(10,072)
Reconciliation:						
Bank interest income					**2,643**	1,386
Dividend income and unallocated gains/losses					**438**	308
Gain on disposal of a subsidiary					**–**	203,169
Finance costs (other than interest on lease liabilities)					**(923)**	(2,184)
Share of profits and losses of associates					**(5,940)**	9,044
Corporate and other unallocated expenses					**(9,531)**	(13,586)
Profit/(loss) before tax					**(24,016)**	188,065

3. OPERATING SEGMENT INFORMATION (continued)

	Trading		Others		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**184,576**	221,066	**27,642**	19,411	**212,218**	240,477
Reconciliation:						
Elimination of intersegment receivables					**(59)**	(11)
Investments in associates					**406,093**	445,032
Corporate and other unallocated assets					**38,911**	18,881
Total assets					**657,163**	704,379
Segment liabilities	**30,388**	50,243	**10,891**	1,462	**41,279**	51,705
Reconciliation:						
Elimination of intersegment payables					**(59)**	(11)
Corporate and other unallocated liabilities					**11,213**	1,253
Total liabilities					**52,433**	**52,947**
Other segment information:						
Write-down of inventories to net realisable value	**523**	–	**–**	–	**523**	–
Capital expenditure*	**369**	168	**789**	3,430	**1,158**	3,598
Unallocated capital expenditure*					**12,057**	2,262
					13,215	5,860
Depreciation	**654**	198	**4,321**	1,110	**4,975**	1,308
Unallocated depreciation					**2,849**	1,159
					7,824	2,467

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The Group's revenue from external customers based on the location of its customers and information about the Group's non-current assets excluding financial assets, analysed by the geographical area in which the assets are located, are as follows:

	Revenue from external customers		Carrying amounts of Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**140,048**	151,102	**442,724**	464,577
Japan	**–**	–	**12,259**	–
	140,048	151,102	**454,983**	464,577

Information about major customers

There was no revenue from customers individually contributing to over 10% of 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) is as follows:

	2020	2019
	HK$'000	*HK$'000*
Disaggregation of revenue		
Sales of goods	**125,544**	138,310
Others	**14,504**	12,792
	140,048	151,102
Timing of revenue recognition		
At a point in time	**140,048**	151,102
Other income		
Bank interest income	**2,643**	1,386
Claims received	**6**	–
Dividend income from financial assets at fair value through profit or loss	**548**	41
Gross rental income	**1,633**	1,108
Sundry income	**532**	7
	5,362	2,542

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

	2020	2019
	HK$'000	*HK$'000*
Gains/(losses), net		
Gain on disposal of a subsidiary	**–**	203,169
Gain on disposal of items of property, plant and equipment	**–**	374
Fair value gains/(losses) on financial assets at fair value through profit or loss	**(110)**	267
Foreign exchange difference, net	**824**	441
	714	204,251
	6,076	206,793

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:

	2020	2019
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods	**150**	176

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**923**	2,184
Interest on lease liabilities	**695**	–
	1,618	2,184

6. PROFIT/(LOSS) BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**125,540**	136,588
Depreciation of items of property, plant and equipment	**2,390**	2,467
Depreciation of right-of-use assets	**4,981**	–
Minimum lease payments under operating leases	**–**	12,893
Lease payments not included in the measurement of lease liabilities	**8,388**	–
Auditors' remuneration	**1,253**	1,182
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**16,637**	16,077
Depreciation of staff quarter included in right-of-use assets	**453**	–
Pension scheme contributions	**506**	473
	17,596	16,550
Written-off of trade receivables	**–**	86
Foreign exchange differences, net	**(824)**	(441)
Net rental income	**(1,231)**	(700)
Impairment of trade receivables	**4,136**	4,904
Gain on disposal of a subsidiary	**–**	(203,169)
Write-down of inventories to net realisable value *	**523**	–

* 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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. Tax on profits assessable elsewhere has been calculated at the rates of tax prevailing in the country in which the Group operates. In the prior year, no provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong.

	2020	2019
	HK$'000	*HK$'000*
Current charge for the year		
– Hong Kong	**35**	–
– Japan	**5**	–
Deferred	**–**	(161)
Tax charge/(credit) for the year	**40**	(161)

The share of tax attributable to associates amounting to HK$4,379,000 (2019: HK$9,102,000) 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/(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 (2019: 259,586,000) in issue during the year.

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

	2020	2019
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation	**(24,111)**	188,050

	Number of shares	
	2020	2019
Shares		
Number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) 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 2020 and 2019 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.

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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**6,103**	10,765
1 to 2 months	**3,400**	4,523
Over 2 months	**467**	4,963
	9,970	20,251

11. 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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**4,694**	7,790

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

12. 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 inflow 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 2020 (2019: 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 Monday, 31 August 2020 (the "AGM"), the Register of Members of the Company will be closed from Tuesday, 25 August 2020 to Monday, 31 August 2020, 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, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 August 2020.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

During the year under review, the business environment of meats trading industry was full of challenges. Due to the outbreak of African Swine Fever ("ASF") in Mainland China and its huge overseas demand, the global supply of frozen meats had witnessed a sudden spike and lingered throughout the year. Also, the coupling effect of COVID-19 and social movement in Hong Kong has negatively impacted to the local economy and dampened local consumer spending. Nonetheless, with the Group's solid foundation, comprehensive distribution network, flexible pricing strategy and wealth of marketing experience, the core business developed steadily.

Frozen Meats Trading

During the year, the trading environment of frozen meats was volatile. The shortage of local supply due to the spread of ASF and the trade war between Mainland China and the United States led to huge import demand of overseas frozen meats by Mainland China and resulted in decreased supplies to Hong Kong market from major production countries including South America. Besides, the outbreak of COVID-19 in the last quarter of the financial year and the social movement in Hong Kong in the second half of 2019, that greatly reduced the number of visitors from Mainland China and overseas and led to weakened local consumer spending sentiment, negatively impacted the frozen meats trading business. However, during the year, the Group was able to steadily develop its trading of Japanese wagyu beef in Hong Kong to high-end customer groups and being well-received by patronage consumers, benefitted by the consistently high-quality products from the joint venture partner, one of the largest Japanese wagyu farm operators in Japan. For the financial year ended 31 March 2020, the Group's frozen meats trading revenue recorded HK$125,544,000 (2019: HK$138,310,000).

Other Food Business

Beefar's, the Group's Japanese BBQ restaurant, is a joint venture with its Japanese partner Kamichiku Holdings Co., Ltd. who provides exclusive supply of stable and high-quality "Satsuma" brand Japanese wagyu beef. Due to the impact of the COVID-19 and the local social movement, consumers in Hong Kong have reduced their desire to dine out, coupled with a substantial decrease in visitors from Mainland China and overseas, resulting in a decline in turnover.

BUSINESS REVIEW AND PROSPECTS (continued)

Food Business Investment

As at 31 March 2020, the Group maintained its equity interest in Four Seas Mercantile Holdings Limited ("FSMHL") at approximately 29.98%. During the year, restaurants and retail shops businesses of FSMHL were negatively impacted by the outbreak of COVID-19 and the protests in Hong Kong. Nevertheless, the multifaceted expansion and success of production and distribution businesses of FSMHL in Hong Kong and Mainland China helped to partly offset the negative impact. For the financial year ended 31 March 2020, the Group's share of loss from associates was HK$5,940,000 (2019: profit HK$9,044,000).

PROSPECTS

Looking forward, the business environment is expected to remain challenging in the upcoming year as the global economy has been severely hit by the COVID-19 pandemic and may require a longer period of time for recovery. In the short run, the outlook of the Hong Kong economy will remain gloomy with weak consumer spending sentiment. In light of various unfavorable factors, the Group will continue its cautious attitude in business operation and cost management. With the long-standing relationships with Hong Kong customers and overseas suppliers, the Group will strive to leverage on its competitive advantage to solidify its frozen meats trading business for a stable growth. The Group will also continue to focus on the trading of Japanese wagyu beef in Hong Kong to further increase the revenue. Furthermore, to meet the ever-growing customer demands, the Group will utilise its recently set-up Japanese office to expand the purchases in Japan for the diversification of product categories and origins.

With great market confidence, FSMHL will establish a platform for food products across Mainland China, Hong Kong and Japan, pursuing its business development strategy of "Based in Hong Kong, Yearning for Mainland China, Reaching Out to the World".

FSMHL will continue to actively expand its food distribution business and offer numerous products in big chain stores such as Don Don Donki, Aeon and OK Convenience Store, consolidating its leading status in the Hong Kong market. At the same time, FSMHL will strive to further develop and establish the hugely promising Mainland China market by promoting its products which are currently available on a number of e-commerce platforms in Mainland China, such as Taobao, Tmall, Tmall Global and Jingdong to increase sales and expand its market share in the Mainland China.

Besides, FSMHL successfully acquired Miyata Holding Co., Ltd. and its subsidiaries ("Miyata"), a renowned Japanese confectionery distributor, to increase its presence in the food distribution industry, creating a unique platform which covers Mainland China, Hong Kong and Japan. Riding on Miyata's current customer base, FSMHL will be able to enter the Japanese consumer market. In parallel, FSMHL will introduce to the markets of Hong Kong and Mainland China those top-notch Japanese confectionery products provided by Miyata.

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 2020, the Group had banking facilities of HK$220,000,000 of which 9% had been utilised. The Group had a gearing ratio of 3% as at 31 March 2020. 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 2020, the Group held cash and cash equivalents of HK$154,389,000. There were no significant changes in the Group's contingent liabilities and no charges on the Group's assets at the end of the reporting period.

STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2020 was 43. 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 purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

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 continuous 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.

CORPORATE GOVERNANCE (continued)

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 appointments. 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 a 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 2020.

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 2020.

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 2020.

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 2020 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 2020, 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, 29 June 2020

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.