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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 2022

AND

CHANGE OF ADDRESS OF SHARE REGISTRAR AND TRANSFER OFFICE

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 2022, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Year ended 31 March 2022*

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	183,133	131,120
Cost of sales		<u>(157,693)</u>	<u>(115,110)</u>
Gross profit		25,440	16,010
Other income and gains, net	4	4,510	4,707
Selling and distribution expenses		(24,009)	(12,601)
Administrative expenses		(22,321)	(20,435)
Other expenses		(1,326)	–
Finance costs	5	(776)	(872)
Share of profits and losses of associates		<u>2,821</u>	<u>9,003</u>
LOSS BEFORE TAX	6	(15,661)	(4,188)
Income tax credit/(expense)	7	<u>(99)</u>	<u>449</u>
LOSS FOR THE YEAR		<u>(15,760)</u>	<u>(3,739)</u>
Attributable to:			
Equity holders of the Company		(17,337)	(4,162)
Non-controlling interests		<u>1,577</u>	<u>423</u>
		<u>(15,760)</u>	<u>(3,739)</u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY			
– Basic and diluted	9	<u>(6.68)</u>	<u>(1.60)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2022*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(15,760)</u>	<u>(3,739)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income of associates, net of tax	7,862	21,702
Exchange differences on translation of foreign operations	(2,099)	(220)
Reclassification adjustment for foreign operation deregistered during the year	<u>1,219</u>	<u>–</u>
<i>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>	6,982	21,482
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income /(loss) of associates, net of tax	(1,745)	1,605
Gain on property revaluation	<u>87</u>	<u>–</u>
<i>Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods</i>	(1,658)	1,605
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>5,324</u>	<u>23,087</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(10,436)</u>	<u>19,348</u>
Attributable to:		
Equity holders of the Company	(12,013)	18,925
Non-controlling interests	<u>1,577</u>	<u>423</u>
	<u>(10,436)</u>	<u>19,348</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		34,163	29,710
Right-of-use assets		27,526	17,495
Investment properties		10,939	–
Investments in associates		416,574	428,050
Prepayments and deposits		3,851	2,257
Goodwill		2,103	2,103
Financial assets at fair value through profit or loss		12,821	8,417
Deferred tax assets		961	464
Total non-current assets		<u>508,938</u>	<u>488,496</u>
CURRENT ASSETS			
Inventories		52,894	32,168
Trade receivables	10	14,109	10,057
Prepayments, deposits and other receivables		8,393	1,044
Due from associates		1,698	184
Financial assets at fair value through profit or loss		6,762	6,999
Cash and cash equivalents		92,452	145,088
Total current assets		<u>176,308</u>	<u>195,540</u>
CURRENT LIABILITIES			
Trade and bills payables	11	4,241	8,031
Other payables and accruals		7,164	5,446
Due to associates		69	1,249
Due to a non-controlling shareholder		4,311	3,057
Tax payable		556	12
Interest-bearing bank borrowings		35,235	21,214
Lease liabilities		9,763	6,566
Total current liabilities		<u>61,339</u>	<u>45,575</u>
NET CURRENT ASSETS		<u>114,969</u>	<u>149,965</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>623,907</u>	<u>638,461</u>
NON-CURRENT LIABILITIES			
Accruals		400	200
Lease liabilities		18,538	13,389
Total non-current liabilities		<u>18,938</u>	<u>13,589</u>
Net assets		<u><u>604,969</u></u>	<u><u>624,872</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 March 2022*

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	117,095	117,095
Reserves	481,623	503,103
	598,718	620,198
Non-controlling interests	6,251	4,674
Total equity	604,969	624,872

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 and investment properties 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 2022 and the financial information relating to the year ended 31 March 2021 included in this preliminary announcement of annual results for the year ended 31 March 2022 do not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2021, 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 2022 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 2021 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 2021. 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 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and United States dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period.

The Group has adopted the amendment on 1 April 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$241,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 March 2022. There was no impact on the opening balance of equity as at 1 April 2021.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments for the year ended 31 March 2022 as follows:

- (a) the trading segment is engaged in the trading of frozen meats, seafood and vegetables in Hong Kong;
- (b) the catering segment is engaged in restaurants operation in Hong Kong; and
- (c) the “others” segment consists of marketing of meat products and communication and advertising design.

The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provided. During the year, the Group reviewed the structure and internal organisation and changed the composition of its reportable segments. Accordingly, certain subsidiaries which were previously included in “Others” segment have been reclassified to the “Catering” segment. The relevant comparable figures have been restated to conform with current year’s presentation. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

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 loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s loss before tax except that bank interest income, dividend income and unallocated losses, 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, deferred tax assets, 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 tax payable, 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)

Year ended 31 March 2022

	Trading <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sales to external customers	148,092	29,988	5,053	183,133
Intersegment sales	2,498	–	47	2,545
	<u>150,590</u>	<u>29,988</u>	<u>5,100</u>	<u>185,678</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(2,545)</u>
				<u><u>183,133</u></u>
Segment results	(7,118)	(1,409)	481	(8,046)
<i>Reconciliation:</i>				
Bank interest income				441
Dividend income and unallocated losses				(1,637)
Finance costs (other than interest on lease liabilities)				(495)
Share of profits and losses of associates				2,821
Corporate and other unallocated expenses				<u>(8,745)</u>
Loss before tax				<u><u>(15,661)</u></u>

Year ended 31 March 2021

	Trading <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sales to external customers	114,020	10,675	6,425	131,120
Intersegment sales	1,530	–	202	1,732
	<u>115,550</u>	<u>10,675</u>	<u>6,627</u>	<u>132,852</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(1,732)</u>
				<u><u>131,120</u></u>
Segment results	(1,824)	(1,137)	(2,199)	(5,160)
<i>Reconciliation:</i>				
Bank interest income				1,241
Dividend income and unallocated losses				(440)
Finance costs (other than interest on lease liabilities)				(384)
Share of profits and losses of associates				9,003
Corporate and other unallocated expenses				<u>(8,448)</u>
Loss before tax				<u><u>(4,188)</u></u>

3. OPERATING SEGMENT INFORMATION (continued)

As at 31 March 2022

	Trading <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	149,992	45,963	7,595	203,550
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(5)
Investments in associates				416,574
Corporate and other unallocated assets				<u>65,127</u>
Total assets				<u><u>685,246</u></u>
Segment liabilities	47,088	26,765	289	74,142
<i>Reconciliation:</i>				
Elimination of intersegment payables				(5)
Corporate and other unallocated liabilities				<u>6,140</u>
Total liabilities				<u><u>80,277</u></u>
Other segment information:				
Write-down of inventories to net realisable value	281	–	–	281
Capital expenditure*	2,176	6,249	22	8,447
Unallocated capital expenditure*				<u>13,653</u>
				<u><u>22,100</u></u>
Depreciation	1,014	6,377	649	8,040
Unallocated depreciation				<u>2,407</u>
				<u><u>10,447</u></u>

3. OPERATING SEGMENT INFORMATION (continued)

As at 31 March 2021

	Trading <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	172,953	28,705	10,509	212,167
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(319)
Investments in associates				428,050
Corporate and other unallocated assets				<u>44,138</u>
Total assets				<u><u>684,036</u></u>
Segment liabilities	34,548	12,876	3,339	50,763
<i>Reconciliation:</i>				
Elimination of intersegment payables				(319)
Corporate and other unallocated liabilities				<u>8,720</u>
Total liabilities				<u><u>59,164</u></u>
Other segment information:				
Write-down of inventories to net realisable value	106	–	–	106
Impairment of items of property, plant and equipment	–	–	864	864
Impairment of right-of-use assets	–	–	917	917
Capital expenditure*	8	5,073	–	<u><u>5,081</u></u>
Depreciation	645	2,685	1,749	5,079
Unallocated depreciation				<u>2,818</u>
				<u><u>7,897</u></u>

* 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 and deferred tax 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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	183,133	131,120	467,440	465,471
Japan	–	–	23,865	11,887
	<u>183,133</u>	<u>131,120</u>	<u>491,305</u>	<u>477,358</u>

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), net is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Disaggregation of revenue		
Sales of goods	148,092	114,020
Restaurants operation	29,988	10,675
Others	<u>5,053</u>	<u>6,425</u>
	<u>183,133</u>	<u>131,120</u>
Timing of revenue recognition		
At a point in time	<u>183,133</u>	<u>131,120</u>
Other income		
Bank interest income	441	1,241
Dividend income from financial assets at fair value through profit or loss	166	363
Gross rental income	1,987	1,863
Government subsidies*	1,050	450
Gain on lease termination	997	–
Sundry income	<u>65</u>	<u>25</u>
	<u>4,706</u>	<u>3,942</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gains/(losses), net		
Fair value losses on financial assets at fair value through profit or loss	(1,803)	(803)
Foreign exchange difference, net	<u>1,607</u>	<u>1,568</u>
	<u>(196)</u>	<u>765</u>
	<u>4,510</u>	<u>4,707</u>

* Government subsidies during the year ended 31 March 2022 and 2021 were Covid-19 relief subsidies received. As at the end of the reporting periods, there were no unfulfilled conditions or other contingencies attaching to the government subsidies that had been recognised by the Group.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within one to three months from delivery.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank and trust receipt loans	495	384
Interest on lease liabilities	<u>281</u>	<u>488</u>
	<u>776</u>	<u>872</u>

6. LOSS BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories sold	157,412	115,004
Depreciation of items of property, plant and equipment	3,974	2,632
Depreciation of right-of-use assets	6,013	4,805
Lease payments not included in the measurement of lease liabilities	11,048	7,737
Covid-19-related rent concession from lessors	(241)	(355)
Auditors' remuneration	1,666	1,539
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind*	22,117	14,191
Depreciation of staff quarter included in right-of-use assets	460	460
Pension scheme contributions	<u>711</u>	<u>460</u>
	<u>23,288</u>	<u>15,111</u>

6. LOSS BEFORE TAX (continued)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Write-off of items of property, plant and equipment**	29	2
Gain on lease termination	(997)	–
Loss on disposal of items of property, plant and equipment**	845	–
Impairment of items of property, plant and equipment**	–	864
Impairment of right-of-use assets**	–	917
Impairment of an amount due from associate****	107	–
Loss on deregistration of a subsidiary****	1,219	–
Foreign exchange differences, net	(1,607)	(1,568)
Net rental income	(1,629)	(1,496)
Impairment/(reversal of impairment) of trade receivables	(173)	277
Write-down of inventories to net realisable value***	<u>281</u>	<u>106</u>

* In the prior year, included in the employee benefit expense was the government subsidies mainly represented the grants from the Employment Support Scheme of the Hong Kong Government, totaling HK\$2,267,000, which aims to retain employment and combat Covid-19. There were no unfulfilled conditions or contingencies relating to these subsidies. In the prior year, government subsidies of HK\$794,000 and HK\$1,473,000 were included in the employee benefit expense in “selling and distribution expenses” and “administrative expenses”, respectively, in the consolidated statement of profit or loss.

** The loss on disposal of items of property, plant and equipment, write-off of items of property, plant and equipment and impairment of items of property, plant and equipment and right-of-use assets are included in “selling and distribution expenses” in the consolidated statement of profit or loss.

*** The write-down of inventories to net realisable value is included in “cost of sales” in the consolidated statement of profit or loss.

**** The impairment of an amount due from an associate and the loss on deregistration of a subsidiary were included in “other expenses” in the consolidated statement of profit or loss.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current charge for the year		
– Hong Kong	596	50
Overprovision in prior year	–	(35)
Deferred	<u>(497)</u>	<u>(464)</u>
Total tax charge/(credit) for the year	<u>99</u>	<u>(449)</u>

The share of tax attributable to associates amounting to HK\$7,622,000 (2021: HK\$7,346,000) 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. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company and the number of ordinary shares in issue during the year.

The calculation of the basic and diluted loss per share are based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<u>(17,337)</u>	<u>(4,162)</u>
	Number of shares	
	2022	2021
Shares		
Number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>259,586,000</u>	<u>259,586,000</u>

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2022 and 2021 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	7,453	7,795
1 to 2 months	3,162	2,009
Over 2 months	<u>3,494</u>	<u>253</u>
	<u><u>14,109</u></u>	<u><u>10,057</u></u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	4,237	7,638
1 to 2 months	<u>4</u>	<u>393</u>
	<u><u>4,241</u></u>	<u><u>8,031</u></u>

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

12. COMPARATIVE AMOUNTS

The comparative operating segment information has been represented as if the change of the composition of the Group's reportable segments has been effected at the beginning of the comparative year.

13. SUBSEQUENT EVENT AFTER REPORTING PERIOD

On 12 June 2022, a wholly-owned subsidiary of the Company entered into the sales and purchase agreement with the vendors in respect of purchasing a property located in Japan with a consideration of JPY190,000,000 (equivalent to approximately HK\$11,139,700). Details of which are included in the Company's announcement dated 12 June 2022.

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2022 (2021: Nil).

CHANGE OF ADDRESS OF SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 15 August 2022, the Share Registrar and Transfer Office of the Company, Tricor Abacus Limited (“Share Registrar”) will change its address from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

All telephone and facsimile numbers of the Share Registrar will remain unchanged.

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, 29 August 2022 (the “AGM”), the Register of Members of the Company will be closed from Tuesday, 23 August 2022 to Monday, 29 August 2022, 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, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (and with effect from 15 August 2022 onwards, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong) for registration not later than 4:30 p.m. on Monday, 22 August 2022.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

Economic and business environment in 2021-22 became increasingly complex and uncertain against the background of pandemic outbreak, Russian-Ukraine conflict, rising inflation and the quantitative tightening of various central banks. The potential negative effects of these issues on business were multiple: weakening customers’ demand, unstable global supply, strengthening of the virus containment measures and rising energy and transportation costs, etc. Under such circumstances, Hong Kong economy has been severely hit by weakened domestic consumption under the outbreak of the fifth wave of Covid-19 and the reinforcement of social distancing measures.

Based on the Group’s long standing reputation, the solid foundation of comprehensive customer network and good relationships with our customers, the Group successfully positioned itself to achieve revenue growth by diversifying its products towards the high quality food segment under the unstable economic environment.

BUSINESS REVIEW AND PROSPECTS (continued)

Frozen Meats Trading

While global economy continued its unstable recovery from the last year, several crises occurred in the beginning of 2022 affected the global economy, e.g. the new wave of Omicron variant outbreak, increasing threats of monetary tapering triggered by concerns over inflation, and Russia-Ukraine crisis leading to rising energy and food costs. All these factors negatively affected the Group's core business of frozen meats trading. Firstly, the demand of frozen meats from catering business sector dropped significantly because the number of customers decreased, due to the continuing travel restrictions, quarantine requirements and social distancing policy. Secondly, supply delay frequently occurred since loaded containers were held up on board vessels due to labour shortage under strict anti-pandemic measures. Thirdly, profit margin was further eroded by the rising transportation and warehouse costs caused by the supply chain disruption.

Notwithstanding the negative impacts mentioned above, the frozen meats trading business managed to improve its revenue by adopting a prudent purchase strategy on traditional frozen meats while optimising its product mix through the high quality frozen meat products. The Group's solely distributed Japanese wagyu beef brand "Satsuma" and Korean Lotte's Australian wagyu beef brand "L'Grow" fulfilled the growing needs of premium food. At the same time, high-end Japanese wagyu beef consumers turned to buy wagyu beef locally through retail and on-line channels under travel restrictions.

Catering Business

The catering business operates two restaurant brands, Beefar's and Gyumai, serving various types of premium wagyu beef cuisine in prime locations of Hong Kong.

The restaurant Beefar's, located in Tsim Sha Tsui, is a joint venture between the Group and our Japanese partner, Kamichiku Holdings Co., Ltd., offering the high-quality "Satsuma" brand of Japanese wagyu beef in Japanese BBQ style, which is popular among the Japanese wagyu beef lovers.

The Group's another restaurant brand "Gyumai" opened its first restaurant in Yuen Long in early 2021 delivered outstanding performance. Such success was attributable to the great varieties of supreme beef offered, from three major producing areas - "Satsuma" Japanese wagyu beef from Japan, Korean Lotte's "L'Grow" brand Australian wagyu beef from Australia and Angus premium beef from the United States, in all-you-can-eat Japanese BBQ and Japanese hotpot style, thus further enhancing the Group's presence in the field of catering.

Throughout the year of 2021-22, the operation of the catering industry in Hong Kong has been severely hindered by the outbreak of Covid-19. Subject to social distancing policies of seat restrictions, reduced hours of operations and other restrictive policies, the numbers of customers have dropped significantly. Furthermore, with the fifth wave outbreak of Omicron occurred in the first quarter of 2022, continuing border control measures and suspension of dine-in dinner seriously affected the restaurant business. As a result, both the consumption amount and transaction volume at the Group's restaurants dropped substantially comparing to the corresponding period of previous financial year.

BUSINESS REVIEW AND PROSPECTS (continued)

Other Business

Recognising the importance of brand building and marketing strategies to a leading company in the food industry, the Group also engages in the segment of communication and advertising design, and marketing of meat products. Bringing in modern brand positioning elements from various industries, such as brand attributes, consumer expectations and perceptions, price and competitor attributes, the Group has successfully built widely-accepted brand of “Satsuma” and “L’Grow” in the meats trading sector, whilst “Beefar’s” and “Gyumai” in the catering sector through active marketing campaigns and digital media.

Food Business Investment

The Group continues to hold approximately 29.98% equity interest of Four Seas Mercantile Holdings Limited (“FSMHL”) as a strategic investment in the food business.

During the review period, FSMHL was able to expand its business, search for new profit growth points, strengthen its brand, and introduce a new experience for consumers from Mainland China and Hong Kong through diverse food and snack items from its subsidiary, Miyata Holdings Co., Ltd. (“Miyata”). Therefore, FSMHL has maintained stable growth. However, the fifth wave of coronavirus outbreak did impact its retailing and catering business and the lockdowns in various regions in Mainland China also affected the supply chain between Mainland China and Hong Kong. Despite all the obstacles, FSMHL continued to introduce a diverse range of Japanese foods and explored more opportunities in the food distribution segment. New products like Japanese ice cream, Japanese eggs, Japanese milk, Japanese tofu and Japanese rice became popular items in the market. FSMHL completed its full acquisition of Miyata during the year. Miyata has a long history in Japan and owns a strong network of retail and distribution with a vast customer base and is believed to bring synergy to FSMHL and the Group.

For the financial year ended 31 March 2022, the Group’s share of profit from FSMHL was HK\$3,789,000 (2021: HK\$9,035,000).

PROSPECTS

The fiscal year 2022-23 will be another challenging year of threats and opportunities for every corporation in the world. The global economic recovery is fragile, with uncertainty under the Covid-19, inflation due to supply-demand imbalances triggered by war, food protectionism risks where export bans of food from around 30 countries, and central banks' monetary policy uncertainties. In addition, attractiveness of Japanese assets and goods sees a corresponding rise with the depreciation of Japanese Yen, which hit a 20-year low against the US dollar in June 2022. In response to the potential impacts, the Group will closely monitor the rapidly changing situation and take measures including strengthening the relationship with overseas suppliers, expanding the range of trading products, deepening the sources of procurement in Japan and increasing the proportion of procurement from other meat producing countries.

On the other hand, food and restaurant industry in Hong Kong is expecting a steady rebound by the gradual easing of social-distancing rules and the lifting of travel restrictions. The Group is cautiously optimistic about the prospects for catering business in a post-pandemic era and will adapt its expansion plan of opening new restaurants to capture the future economic development in Hong Kong. Leveraging on the long term and excellent business relationship with local customers and overseas suppliers, the Group will continue to provide tasty, nutritious and high-quality food to the public.

FSMHL, the strategic investment partner of the Group, with 50 years of successful experience in operating diversified businesses, is confident in its future development. In the coming year, it will continue to adhere to its development strategy of “Based in Hong Kong, Yearning for the Mainland, and Looking around the World”. Based in Hong Kong, while maintaining its leading position in the local market, it will continue to strive to preserve its competitive advantage in Mainland China and also develop new opportunities in Japan and other regions. Looking ahead, FSMHL expects three main positive factors for its business. Firstly, the depreciation of Japanese Yen leads to a decrease in import costs and raw material prices; secondly, the popularity of Japanese food brings high demand for FSMHL's products, which will become a catalyst for its business growth; last but not least, high vaccination rate addresses the supply chain disruptions and will reduce the overall costs of its business. We have no doubt that FSMHL will bring good revenue to the Group continuously.

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 2022, the Group had banking facilities of HK\$200,753,000 of which 18% had been utilised. The Group had a gearing ratio of 6% as at 31 March 2022. 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 2022, the Group held cash and cash equivalents of HK\$92,452,000. 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 2022 was 65. 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 2022.

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 of the Company. 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.

During the year under review, Mr. Tai Tak Fung, Stephen, a non-executive director of the Company, is appointed for a specific term commencing from 23 February 2021 to 31 March 2022 and is subject to termination by either party by giving not less than three months' written notice. He is also subject to retirement by rotation and re-election at the Company's annual general meetings pursuant to Article 105(A) of the Articles of Association. 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 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.

The CG Code and code provisions specified above refer to the CG Code and code provisions prior to their amendments effective on 1 January 2022.

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 2022.

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 2022.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises all the three independent non-executive directors, namely Mr. Cheung Wing Choi (Chairman of the Audit Committee), Mr. Lan Yee Fong, Steve John and Mr. Wong, Louis Chung Yin. 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 2022.

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 2022 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 2022, containing information required by the Listing Rules, will be despatched to shareholders of the Company and published on the above websites in due course.

APPRECIATION

On behalf of the board of directors, I would like to express my sincere gratitude to our shareholders and our business partners for their support and trust to the management team. My gratitude also extends to our staff for their loyalty and diligence in the developments of the Group.

On behalf of the Board
Hong Kong Food Investment Holdings Limited
TAI Chun Kit
Chairman

Hong Kong, 29 June 2022

As at the date of this announcement, the executive directors of the Company are Mr. TAI Chun Kit and Mr. TSE Siu Wan; the non-executive director of the Company is Mr. TAI Tak Fung, Stephen and the independent non-executive directors of the Company are Mr. LAN Yee Fong, Steve John, Mr. CHEUNG Wing Choi and Mr. WONG, Louis Chung Yin.