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HIFOOD GROUP HOLDINGS CO., LIMITED

海福德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 442)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$135.5 million for the year ended 31 March 2022, representing a decrease of approximately 16.7% as compared with the year ended 31 March 2021.
- Gross profit was approximately HK\$2.4 million for the year ended 31 March 2022, representing a decrease of approximately 65.7% as compared with the year ended 31 March 2021.
- Gross profit margin decreased to approximately 1.8% for the year ended 31 March 2022 from approximately 4.3% for the year ended 31 March 2021.
- Loss attributable to owners of the Company was approximately HK\$78.2 million for the year ended 31 March 2022, compared to the loss attributable to owners of the Company of approximately HK\$75.0 million for the year ended 31 March 2021.
- Basic loss per share amounted to approximately HK\$0.45 for the year ended 31 March 2022, compared to the basic loss per share of approximately HK\$0.43 for the year ended 31 March 2021.
- The Board does not recommend the payment of final dividend for the year ended 31 March 2022.

The board (the “Board”) of directors (the “Directors”) of Hifood Group Holdings Co., Limited (the “Company”) presents the consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2022 (the “Reporting Period”) together with the corresponding figures for the prior year.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	3	135,513	162,644
Cost of sales		<u>(133,102)</u>	<u>(155,625)</u>
Gross profit		2,411	7,019
Other income	4	1,678	713
Selling expenses		(1,977)	(4,380)
Administrative expenses		(20,187)	(22,033)
Reversal of impairment losses on financial assets, net		925	1,341
Other gains, net	5	2,243	815
Other losses, net	5	(63,366)	(57,778)
Finance costs	6	(78)	(356)
Share of loss of a joint venture		(3)	(13)
Impairment loss on a joint venture		<u>(88)</u>	<u>–</u>
LOSS BEFORE TAX	7	(78,442)	(74,672)
Income tax expense	8	<u>(1)</u>	<u>(326)</u>
LOSS FOR THE YEAR		<u>(78,443)</u>	<u>(74,998)</u>
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods — Exchange differences on translation of foreign operations</i>		<u>1,084</u>	<u>2,025</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>1,084</u>	<u>2,025</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(77,359)</u>	<u>(72,973)</u>

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Loss for the year attributable to:			
Owners of the Company		(78,168)	(74,998)
Non-controlling interests		(275)	—
		<u>(78,443)</u>	<u>(74,998)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(77,084)	(72,973)
Non-controlling interests		(275)	—
		<u>(77,359)</u>	<u>(72,973)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted	<i>10</i>	<u>HK\$(0.45)</u>	<u>HK\$(0.43)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,017	1,273
Intangible assets		1,158	1,324
Right-of-use assets		3,241	781
Investment in a joint venture		–	91
Financial assets at fair value through profit or loss		34,399	112,596
Prepayments, deposits and other receivables		265	–
		<hr/>	<hr/>
Total non-current assets		41,080	116,065
CURRENT ASSETS			
Inventories		2,053	21,437
Trade receivables	<i>11</i>	–	51,137
Prepayments, deposits and other receivables		679	2,654
Cash and bank balances		92,833	37,213
		<hr/>	<hr/>
Total current assets		95,565	112,441
CURRENT LIABILITIES			
Trade and other payables and accruals	<i>12</i>	4,870	21,601
Lease liabilities		861	180
Tax payables		590	588
		<hr/>	<hr/>
Total current liabilities		6,321	22,369
		<hr/>	<hr/>
NET CURRENT ASSETS		89,244	90,072
NON-CURRENT LIABILITIES			
Lease liabilities		2,244	698
Deferred tax liabilities		106	106
		<hr/>	<hr/>
Total non-current liabilities		2,350	804
		<hr/>	<hr/>
Net assets		127,974	205,333
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>13</i>	863	863
Reserves		127,111	204,470
		<hr/>	<hr/>
Total equity		127,974	205,333
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. CORPORATE AND GROUP INFORMATION

Hifood Group Holdings Co., Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 6 June 2014. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and its principal place of business is Unit 1122, 11/F., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11 March 2015 (the “Listing”).

During the year ended 31 March 2022, the Company and its subsidiaries (collectively the “Group”) were principally involved in the manufacture and sale of jewellery products, and the trading of precious metals, raw jewellery materials and luxury watches to customers in Hong Kong, Asia (including Mainland China), the Americas and Europe.

In the opinion of the directors, the immediate holding company of the Company is Perfect Gain Group Limited, which was incorporated in the British Virgin Islands, and the ultimate controlling shareholder is Dr. So Shu Fai.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This financial information has 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 (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It has 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. This financial information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent 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 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 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 earnings/accumulated losses, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 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, *Interest Rate Benchmark Reform — Phase 2*

HKFRS 7, HKFRS 4 and HKFRS 16

Amendment to HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021

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.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

- (b) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the HKICPA issued another amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the “2021 Amendment”). The 2021 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. Earlier application is permitted.

The Group has adopted the amendment on 1 April 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{2, 5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2, 4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ¹
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ The HKICPA amends HKFRS 17 in February 2022 to permit a classification overlay for financial assets presents in comparative periods on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group expects to adopt the amendments prospectively from 1 April 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's revenue and disaggregated revenue information are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised at a point in time		
— Sales of jewellery products	34,495	146,981
— Sales of luxury watches	16,283	9,727
— Sales of precious metals and raw jewellery materials	84,735	5,936
	<u>135,513</u>	<u>162,644</u>

(i) Operating segment

The Group is primarily engaged in the manufacture and sale of jewellery products, trading of precious metals, raw jewellery materials and luxury watches. Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, who have been identified as the executive directors of the Company. Information reported to the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one reportable operating segment and no further analysis thereof is presented.

(ii) Geographical segment

(a) Revenue from external customers

Information about the Group's revenue by geographical location is presented based on the jurisdiction or country in which the external customer is located.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	101,018	15,914
Americas	31,967	79,629
Europe	1,925	48,622
Asia (including Mainland China)	–	18,158
Others	603	321
	<u>135,513</u>	<u>162,644</u>

(b) Non-current assets excluding financial assets at fair value through profit or loss and financial assets included in prepayments, deposits and other receivables

Information about the Group's non-current assets, excluding financial assets at fair value through profit or loss and financial assets included in prepayments, deposits and other receivables, is presented based on the locations of the assets.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	6,392	2,410
Mainland China	24	1,059
	<u>6,416</u>	<u>3,469</u>

The Company is domiciled in the Cayman Islands while the Group operates its business in Hong Kong and Mainland China. During the years ended 31 March 2022 and 2021, no revenue was generated from any customer in the Cayman Islands and no assets were located in the Cayman Islands.

(iii) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year, including sales to a group of entities which are known to be under common control with that customer, is set out below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	76,638	N/A*
Customer B	31,967	61,785
Customer C	16,283	N/A*
	<u>124,888</u>	<u>123,570</u>

* Less than 10% of revenue

(iv) Liabilities related to contracts with customers

Revenue recognised in relation to contract liabilities

There was no revenue recognised in the current reporting period relating to carried-forward contract liabilities (2021: Nil).

(v) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of jewellery products

The Group's performance obligation is satisfied upon delivery of the products and payment is generally due within 120 days (2021: 120 days) from delivery for major customers.

Sales of luxury watches

The performance obligation is satisfied upon delivery of the luxury watches and payment is generally due within 60 to 120 days (2021: 120 days) from delivery.

Sales of precious metals and raw jewellery materials

The performance obligation is satisfied upon delivery of the precious metals and raw jewellery materials and payment is generally due within 20 to 120 days (2021: 120 days) from delivery.

No transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are disclosed as at 31 March 2022 and 2021 because all the remaining performance obligations are a part of contracts that have an original expected duration of one year or less.

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants*	199	144
Interest income from bank deposits	94	44
Dividend income	508	434
Others	877	91
	<u>1,678</u>	<u>713</u>

* Government grants were received by certain subsidiaries of the Company in Mainland China as government subsidies. There are no unfulfilled conditions or contingencies in relation to the grants.

5. OTHER GAINS, NET AND OTHER LOSSES, NET

Other gains, net

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gains on disposal of property, plant and equipment, net	2,133	–
Gain from lease termination	110	–
Gains on disposal of subsidiaries	–	815
	<u>2,243</u>	<u>815</u>

Other losses, net

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value losses on financial assets at fair value through profit or loss, net*	62,760	56,221
Losses on disposal of property, plant and equipment, net	–	63
Foreign exchange differences, net	606	1,494
	<u>63,366</u>	<u>57,778</u>

* During the year ended 31 March 2022, the amount recognised included a fair value gain of HK\$1,737,000 on disposal of a Hong Kong listed equity security due to privatisation, of which the net proceeds from the disposal was HK\$15,437,000.

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	78	80
Interest on borrowings	–	276
	<u>78</u>	<u>356</u>

7. 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	122,321	122,502
Employee benefits (including directors' remuneration)	9,427	7,879
Salaries and other benefits	9,103	7,523
Pension scheme contributions	324	356
Management consultancy fees (i)	1,250	9,000
Depreciation of property, plant and equipment	689	964
Depreciation of right-of-use assets	479	293
Fair value losses on financial assets at fair value through profit or loss	62,760	56,221
Auditors' remuneration	1,394	1,449
Auditor of the Company	1,350	1,150
Other auditors	44	299
Lease payments not included in the measurement of lease liabilities	507	422
Write-down of inventories to net realisable value (ii)	789	256
Impairment loss on a joint venture	88	–
	<u> </u>	<u> </u>

(i) The management consultancy fees paid and payable to the directors of the Company's subsidiaries amounted to HK\$1,250,000 (2021: HK\$9,000,000) for the year ended 31 March 2022.

(ii) The write-down of inventories to net realisable value of HK\$789,000 (2021: HK\$256,000) for the year ended 31 March 2022 is included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX EXPENSE

The income tax of the Group has been provided at the applicable tax rates on estimated assessable profits arising in Hong Kong and Mainland China during the year.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current — Mainland China		
Charge for the year	1	380
Deferred	–	(54)
	<u> </u>	<u> </u>
Total tax charge for the year	<u> 1</u>	<u> 326</u>

(i) Cayman Islands and British Virgin Islands corporate income tax

The Company is not subject to any taxation in the Cayman Islands.

The Company's subsidiaries incorporated in the British Virgin Islands ("BVI") are not subject to any taxation in the BVI.

(ii) Hong Kong profits tax

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2021: 16.5%). The operation in Hong Kong has incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded for the year ended 31 March 2022 (2021: Nil).

(iii) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group established in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate was 25% for the years ended 31 March 2022 and 2021.

(iv) PRC withholding income tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in Mainland China to foreign shareholders in respect of earnings generated. As of 31 March 2022 and 2021, the directors of the Company estimated that the retained earnings of the PRC subsidiaries would be retained in Mainland China for use in future operations and investments. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future to their foreign shareholders.

9. DIVIDEND

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

10. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK\$78,168,000 (2021: HK\$74,998,000), and the weighted average number of ordinary shares of 172,600,000 (2021: 172,600,000) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

11. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	–	53,239
Less: Allowance for doubtful accounts	–	(2,102)
	<u>–</u>	<u>(2,102)</u>
	<u>–</u>	<u>51,137</u>

The Group's trading terms with its customers are mainly on credit, except for new customers. Before accepting any new customer, the Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limits for each customer. The credit period is generally for a period of 120 days for major customers. Overdue balances are reviewed regularly by senior management. Trade receivables as of 31 March 2021 were non-interest-bearing.

An ageing analysis of the gross trade receivables 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	–	8,762
1 to 2 months	–	15,054
2 to 3 months	–	13,572
3 to 4 months	–	10,445
Over 4 months	–	5,406
	<u>–</u>	<u>53,239</u>

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

The movements in the loss allowance for impairment are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	2,102	3,359
Reversal of impairment losses, net	(925)	(1,341)
Amount written off as uncollectible	(1,203)	–
Exchange realignment	26	84
	<u>–</u>	<u>84</u>
At the end of the year	<u>–</u>	<u>2,102</u>

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	22	11,200
Other payables and accruals:		
Salaries and bonus payables	53	5,548
Other taxes payable	2,519	2,399
Auditors' remuneration	1,599	1,450
Others	677	1,004
	<u>4,870</u>	<u>21,601</u>

An ageing analysis of the trade 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	–	3,214
1 to 2 months	–	723
2 to 3 months	–	2,171
Over 3 months	22	5,092
	<u>22</u>	<u>11,200</u>

The trade payables are non-interest-bearing and the credit period of purchases ranges from 30 to 180 days. Other payables are non-interest-bearing and have an average credit term of 1 to 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

13. SHARE CAPITAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares at par value of HK\$0.005 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
172,600,000 ordinary shares at par value of HK\$0.005 each	<u>863</u>	<u>863</u>

14. COMMITMENTS

At 31 March 2022 and 2021, the Group had no capital commitments as at the end of the reporting periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Being an integrated fine jewellery provider and an original design manufacturer with a well-established operating history in Hong Kong, the Group is primarily engaged in designing, manufacturing and exporting fine jewellery to jewellery wholesalers and retailers mainly in Hong Kong, Asia (including Mainland China), the Americas and Europe. The Group has been offering a wide range of fine jewellery products in karat gold encompassing rings, earrings, pendants, necklaces, bracelets, bangles, cufflinks, brooches and anklets that are generally targeted at the mass to middle segment, the lowest among the three tiers of the fine jewellery market segments in terms of retail prices. At the same time, in order to enrich the product range, the Group also provides gold products and material and watches. The Group's customers are mainly wholesalers and retailers of jewellery products.

During the year ended 31 March 2022, global economic situation remained difficult, the tightening of U.S. monetary policy as well as the escalated trade conflict between Mainland China and U.S. posed considerable risks and challenges to the business environment. During the Reporting Period, the inflation of U.S. hit the highest level in four decades. The federal reserve board announced that the U.S. government will suppress the inflation by all means, including rapidly increase the federal reserve interest rate in calendar year 2022 and 2023. The adjustment of U.S. monetary policy calmed down the market sentiment, therefore, slowed down the demand for luxury consumption. On the other hand, Sino-US trade war is not favorable to the export business in Hong Kong. For the year ended 31 March 2022, revenue generated from sales in the Americas market significantly decreased by approximately 59.9% to approximately HK\$32.0 million as compared with the same period last year.

In Europe, the widespread of Delta and Omicron variants of COVID-19 had slowed down the economic recovery. The social distancing policy and travel restrictions in Hong Kong also reduced the number of foreign jewellery traders participating in the international jewellery shows and exhibitions which were traditionally organised in Hong Kong. Therefore, the business opportunity to meet new partners in the industry was adversely affected. Moreover, Russia-Ukraine war (geopolitical risk) further worsened the economy in continental Europe. Uncertainty and risk associated with the sanction multiplied. The suspension of business relationship between the western corporations and Russia, and reduction of Russian export of materials for energy production to Europe increased the stagflation risk of the European market. In addition, termination of Russia participation in the SWIFT system directly distorted the international trade ability of Russian enterprises. As a result, the Group ceased the business in Russia for the second half of the year ended 31 March 2022. For the year ended 31 March 2022, revenue generated from sales to European markets recorded a significant decrease of approximately 96.0% to approximately HK\$1.9 million.

To cope with the evolving business environment, the Group reacted promptly and allocated the resource on business development of gold products and material and luxury watches in Hong Kong market, which stimulating the Group's sales of gold products and material and watches to rise substantially. For the year ended 31 March 2022, the Group's revenue generated from sales in the Hong Kong market significantly increased by approximately 534.8% as compared with the same period last year to approximately HK\$101.0 million.

The Group has relentlessly applied stringent controls over expenditures. For the year ended 31 March 2022, the Group's administrative expenses were approximately HK\$20.2 million, which were approximately 8.4% lower than that of the corresponding period of last year, while selling expenses decreased by approximately 54.9% to approximately HK\$2.0 million, which was mainly due to the reduction of expenses related to overseas sales.

PROSPECTS

Looking forward, the global economy recovery is suffering in the prolonged COVID-19 pandemic, conflict on international trade sanction and geopolitical tension. The distortion in value chain of the market is no doubt an uncertainty for the world economic growth prospect.

Although the economy of U.S. has recovered rapidly following the large-scale stimulation policies launched in prior years, the commencement of federal reserve interest rate hike cycle and federal policy on tapering are slowing down the consumption and investment sentiment. Moreover, the business opportunity in U.S. is filled with uncertainty as the Sino-U.S. trade war continues. In Europe, the globe is looking for an end of Russia-Ukraine war and believing that Europe will establish a new economic relationship for the countries in continental Europe. The management is cautiously evaluating the future business plan in the overseas market and the risks and opportunities associated with the latest development.

In order to cope with the market environment in future, the management of the Group continues to strengthen the position in Hong Kong market, especially on risk-averse products such as gold products and material and luxury watches. We are actively optimising the resource allocation, streamlining the operation model and seeking business opportunity. The management is confident and having extensive experience in jewellery industry, which enables the Group to acquire high-quality gemstones, with creative designs and exquisite craftsmanship to create fine artistic jewellery products. In producing fine artistic jewellery products, we are eager to design featured products with high quality gemstones and jadeites. The management believes that providing fine artistic jewellery products is a positive element in promoting its brand. The Group will continue to input sales and marketing resources and craft our fine artistic jewellery brand, and utilise online marketing to promote sales.

Since e-commerce has been involved in jewellery sales business, online jewellery sellers have developed very fast. Seizing the development opportunity of e-commerce is one of the focuses for jewellery brands to improve their competitiveness. The Group continues the assessment on utilising livestream e-commerce as a new channel for the sale to other overseas countries. Fashionable trendy jewellery and innovative products are promoted to the public and young consumer platforms. At the same time, the Group has capabilities in strengthening innovation and designing high end jewellery area with cultural and collectible value product, in conjunction with the rising of digital assets leading to new development direction and business model.

EVENT AFTER THE REPORTING PERIOD

A new letter of appointment was entered into between the Company and each of the independent non-executive Directors, namely, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui, pursuant to which, inter alia, with effect from 1 July 2022, (a) each of the independent non-executive Directors' monthly salary has been increased to HK\$11,000, and (b) the term of office has been increased to two years. The rest of the terms of the new letter of appointment remains unchanged as compared to the previous letter of appointment.

FINANCIAL REVIEW

	For the year ended 31 March	
	2022	2021
Revenue (<i>HK\$'000</i>)	135,513	162,644
Gross profit (<i>HK\$'000</i>)	2,411	7,019
Gross profit margin (%)	1.8	4.3
Loss attributable to owners of the Company (<i>HK\$'000</i>)	(78,168)	(74,998)

Revenue

The Group's revenue for the year ended 31 March 2022 was approximately HK\$135.5 million, representing a decrease of approximately HK\$27.1 million or 16.7% compared with the year ended 31 March 2021. The decrease in the Group's revenue was primarily due to (i) the complex and challenging situation for the year ended 31 March 2022, which contributed to the significant decrease of revenue from the sales in European market of approximately HK\$46.7 million or 96.0%; (ii) a decrease in revenue from the Americas market of approximately HK\$47.7 million or 59.9%, due to the tightened U.S. monetary policy and ongoing Sino-U.S. trade conflicts; and (iii) a decrease in revenue from the sales in the Asia (including Mainland China) and other countries of approximately HK\$17.9 million or 96.7% compared with the year ended 31 March 2021. On the other hand, the Group timely adjusted its strategy and reallocated the resource of the business on dealing with gold products and material and luxury watches in Hong Kong market. A significant increase in revenue from the sales in Hong Kong of approximately HK\$85.1 million or 534.8% compared with the year ended 31 March 2021.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2022 was approximately HK\$2.4 million, representing a decrease of approximately HK\$4.6 million or 65.7% compared with the year ended 31 March 2021. Gross profit margin decreased to approximately 1.8% for the year ended 31 March 2022 from approximately 4.3% for the year ended 31 March 2021, which was mainly due to larger proportion of sales of gold products and material and trading of watches with lower margin to the Hong Kong market.

Selling expenses

The Group's selling expenses decreased by approximately HK\$2.4 million or 54.9% to approximately HK\$2.0 million for the year ended 31 March 2022 from approximately HK\$4.4 million for the year ended 31 March 2021. The decrease was primarily attributable to (i) freight charge and export insurance expenses co-related to the reduction of overseas sales decreased by approximately HK\$0.3 million; (ii) exhibition costs decreased by approximately HK\$0.2 million; and (iii) a decrease in staff costs of approximately HK\$1.9 million due to the result of the business operation and resources re-allocation process.

Administrative expenses

The Group's administrative expenses decreased by approximately HK\$1.8 million or 8.4%, to approximately HK\$20.2 million for the year ended 31 March 2022 from approximately HK\$22.0 million for the year ended 31 March 2021. The decrease was primarily due to the optimising of resource allocation, the decline in business entertainment, insurance expenses and motor vehicle fees by approximately HK\$1.8 million attributable to strengthening cost controls in business operation.

Finance costs

The Group's finance costs decreased by approximately HK\$0.2 million or 78.1%, to approximately HK\$0.1 million for the year ended 31 March 2022 from approximately HK\$0.3 million for the year ended 31 March 2021. The decrease was primarily a result of the decrease in average borrowing balance for the year ended 31 March 2022 compared with the year ended 31 March 2021.

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company of approximately HK\$78.2 million for the year ended 31 March 2022, compared to a loss of approximately HK\$75.0 million for the year ended 31 March 2021. The loss was mainly attributable to the loss on changes in fair value on the listed equity securities held by the Group for the year ended 31 March 2022.

Property, plant and equipment

The net carrying amount as at 31 March 2022 was approximately HK\$2.0 million, representing an increase of approximately HK\$0.7 million from that as at 31 March 2021. This was mainly due to the reason that the Group increased leasehold improvement to approximately HK\$1.3 million and net off depreciation amounted to approximately HK\$0.6 million.

Financial assets at fair value through profit or loss (“FVPL”)

Financial assets at FVPL amounted to approximately HK\$34.4 million including a portfolio of Hong Kong listed companies equity securities in various industries held for long term growth and a life insurance policy. During the year ended 31 March 2022, the loss on changes in fair value on financial assets at FVPL of approximately HK\$62.8 million has been recognised in profit or loss. The executive directors did not alter the Group’s investment strategy due to short-term market volatilities.

Trade receivables

There was a decrease in trade receivables as at 31 March 2022 of approximately HK\$51.1 million as compared with 31 March 2021, which was mainly due to the effective collection policy.

Liquidity and financial resources

As at 31 March 2022, the Group had current assets of approximately HK\$95.6 million (2021: approximately HK\$112.4 million) which comprised cash and bank balances of approximately HK\$92.8 million (2021: approximately HK\$37.2 million). As at 31 March 2022, the Group had non-current liabilities of approximately HK\$2.4 million (2021: approximately HK\$0.8 million), and the current liabilities amounted to approximately HK\$6.3 million (2021: approximately HK\$22.4 million), consisting mainly of payables arising in the normal course of operation. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 15.1 as at 31 March 2022 (2021: approximately 5.0).

Gearing ratio

The gearing ratio of the Group as at 31 March 2022 was not applicable as cash and bank balances exceeded interest-bearing borrowings.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year under review. The Group strives to reduce exposure to credit risk by buying credit insurance on certain customers' receivables, performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

BUSINESS STRATEGIES

With continued political, economic and market uncertainties, the production and sale of jewellery products reported a decrease in gross profit. In light of the operations and financial position of the Group, the Group intends to explore other possible business opportunities both locally and abroad while staying on with its jewellery business. The Group aims to develop as a fine artistic jewellery provider in Hong Kong by improving the brand awareness and quality of products, strengthening the sales and marketing force and solidifying its presence in market.

The Group continues to explore opportunities where it believes would benefit the integrated services it is offering, i.e. providing a wider range of styles and designs tailored for individual markets and adjusting its production resources and capacity to better cater for delivery period of varied products, consumer preferences and festive shopping practices. The Group will also strengthen its established corporate brand name and proven design capabilities, increase resources in procuring precious gems in order to attract high-net-worth customer group. The Group will spend its sales and marketing resources on promoting its brand and products, participating in selected trade exhibitions, utilising online marketing, and allocate sufficient design and product development resources to offer a wider range of products that are favourable to consumers in different markets.

The Group believes its abilities to create new product designs and develop innovative production techniques in response to market trends and consumer preferences contribute to the success of its products. The Group has been offering customers with a diverse range of products with appealing designs, made with assorted kinds of precious metals, diamonds and gem stones with various premium specifications in a bid to cater for a broad bandwidth of market demand, including collectible grade product. Backed by the "One Belt, One Road" initiative and increasing number of wealthy in China, the Group is devoted to expanding into the new market that will provide the Group with strong momentum for future growth.

Foreign exchange exposure

For the year ended 31 March 2022, the Group had monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables, other receivables, financial assets at FVPL, cash and bank balances and trade and other payables. Consequently the Group had foreign exchange risk exposure from translation of amount denominated in foreign currencies as at 31 March 2022. Since HK\$ is pegged to US\$, the Group does not expect any significant movements in HK\$/US\$ exchange rate. The Group is exposed to foreign exchange risk primarily with respect to RMB. If HK\$ as at 31 March 2022 had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year attributable to owners of the Company would have been decreased/increased by less than HK\$1,000 for the year ended 31 March 2022 (2021: loss for the year attributable to owners of the Company would have decreased/increased by approximately HK\$6,000).

The Group does not engage in any derivatives activities and does not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

There has been no change in the capital structure of the Company during the year ended 31 March 2022. As at 31 March 2022, the capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 31 March 2022 and 31 March 2021, the Group had no capital commitments.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2022.

No dividend has been paid or declared by the Company during the year ended 31 March 2022.

Information on employees

As at 31 March 2022, the Group had 6 employees (2021: 22). Total staff costs (including the Directors' emoluments) were approximately HK\$9.4 million, as compared with approximately HK\$7.9 million for the year ended 31 March 2021. Remuneration is determined with reference to market conditions and individual employees' performance, qualification and experience.

Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options may be also awarded to employees according to the Group's performance as well as assessment of individual performance. Since the adoption of the share option scheme on 10 February 2015 and up to 31 March 2022, no options have been granted by the Company.

The Directors believe that the salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Share option scheme

The Company has adopted the share option scheme on 10 February 2015 (the "Scheme") under which certain selected classes of participants (including, among others, Directors and full-time employees) may be granted options to subscribe for the shares. Unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. No share option had ever been granted under the Scheme since its adoption, up to 31 March 2022.

Significant Investments Held

As at 31 March 2022, the Group held financial assets at fair value through profit or loss in the amounts of approximately HK\$34,399,000 as non-current assets, representing approximately 25.2% of its total assets.

The financial assets at fair value through profit or loss consist of a life insurance policy in the amounts of approximately HK\$17,575,000, representing approximately 12.9% of its total assets, and Hong Kong listed equity securities in the amounts of approximately HK\$16,824,000, representing approximately 12.3% of its total assets.

Pursuant to paragraph 32(4A) of Appendix 16 to the Listing Rules, the particulars of Hong Kong listed equity securities measured at fair value through profit or loss with a value of 5% or more of the Group's total assets as at 31 March 2022 and other material investments of listed equity securities held as at 31 March 2022 are set out below:

	Place of incorporation	HK stock code	Date of acquisitions	Number of acquired shares as at 31 March 2022	Proportion of acquired shares in the total issued share capital of investee as at 31 March 2022	Cost (exclusive of transaction costs) HK\$'000	Principal activities	Fair value		For the year ended 31 March 2022		
								As at 31 March 2022 HK\$'000	Percentage to the Group's total assets %	Unrealised gain/(loss) on change in fair value HK\$'000	Dividend income HK\$'000	
1)	China Automobile New Retail (Holdings) Limited (the former name is "Lisi Group (Holdings) Limited") ("China Auto NR")	Bermuda	0526	11 and 16 July 2019	86,672,000	Approximately 1.08%	Approximately 68,789	Provision of car trading platform related services, trading of imported cars, manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances and investments holding	Approximately 3,640	Approximately 2.66	Approximately (4,074)	-
2)	China U-Ton Future Space Industrial Group Holdings Limited (the former name is "China U-Ton Holdings Limited") (Note 1)	Cayman Islands	6168	11 July and 14 August 2019	200,540,000	Approximately 7.01%	Approximately 69,658	Provision of design, deployment and maintenance of optical fibers services, the provision of other communication networks services, the provision of environmentally intelligent technical products and services and the money lending services	-	-	Approximately (35,897)	-
3)	Redsun Properties Group Limited	Cayman Islands	1996	14 August 2019	3,500,000	Approximately 0.10%	Approximately 8,470	Property development, commercial property investment and operations, and hotel operations	Approximately 9,135	Approximately 6.69	Approximately (1,050)	Approximately 508
4)	China Fordoo Holding Limited	Cayman Islands	2399	11 July 2019	6,980,000	Approximately 0.33%	Approximately 14,746	Design, sourcing, manufacturing and sales of its branded menswear products	Approximately 4,049	Approximately 2.96	Approximately (23,940)	-
	Total					Approximately 161,663		Approximately 16,824	Approximately 12.31	Approximately (64,961)	Approximately 508	

The Group will continue to be on the search for new opportunities both locally and abroad, which is expected to provide an additional boost to our future growth. Hong Kong listed equity securities are still attractive investment and can enhance the returns on investment for the Group in long term. The Board did not alter the Group's investment strategy due to short-term market volatilities.

Note 1

Based on the announcements of China U-Ton Future Space Industrial Group Holdings Limited (the former name is "China U-Ton Holdings Limited") ("U-Ton Future") dated 5 May 2021, 13 May 2021, 27 May 2021 and 29 June 2021, a petition in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) was filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") against U-Ton Future on 4 February 2021, upon which U-Ton Future was ordered to be wound up by the High Court on 5 May 2021 in HCCW 57/2021 and the Official Receiver was appointed as the Provisional Liquidator of U-Ton Future. Trading in the shares of U-Ton Future has been suspended since 5 May 2021 with share price of HK\$0.161 per share. On 7 May 2021, the Official Receiver made an application to the High Court seeking, inter alia, an order to appoint joint and several liquidators of U-Ton Future. U-Ton Future announces that, with effect date of 25 June 2021, Mr. Ho Man Kit and Ms. Kong Sze Man Simone of Maninvest Asia Limited, have been appointed as joint and several liquidators of the Company pursuant to an order dated 25 June 2021 made by the High Court. Please refer to the announcements of U-Ton Future for further details. At the date of approval of these financial statements, the Group held approximately 7.01% of the total issued share capital of U-Ton Future.

As U-Ton Future is under receivership and there is significant uncertainty about the prospect of resumption, the fair values of the shares of U-Ton Future held by the Group as at 31 March 2022 was assessed to be zero (31 March 2021: approximately HK\$35,897,000).

For further information, please refer to (i) the announcement dated 17 July 2019 in relation to acquisitions of the shares of China Auto NR; (ii) the announcements dated 16 August and 19 August 2019 in relation to acquisitions of the shares of U-Ton Future; and (iii) the circular dated 19 September 2019 in relation to acquisitions of the shares of U-Ton Future.

Note 2

As disclosed in the announcement of the Company dated 15 September 2021, as at 31 March 2021, the Group held the following significant investment:

Name	Place of incorporation	HK stock code	Date of acquisitions	Number of acquired shares as at 31 March 2021	Proportion of acquired shares in the total issued share capital of investee as at 31 March 2021	Cost (exclusive of transaction costs) HK\$'000	Principal activities	Fair value		For the year ended 31 March 2021	
								As at 31 March 2021 HK\$'000	Percentage to the Group's total assets %	Unrealised gain/(loss) on change in fair value HK\$'000	Dividend income HK\$'000
Xiezhong International Holdings Limited ("Xiezhong International")	Cayman Islands	3663	11 July and 14 August 2019	19,296,000	Approximately 2.41%	Approximately 36,390	(i) Design, production and sale of automotive heating, ventilation and cooling systems and a range of automotive HVAC components and rendering of services; and (ii) 4S dealership business	Approximately 13,700	Approximately 5.99	Approximately (9,455)	-

Based on the announcements of Xiezhong International and the scheme document jointly issued by Brilliance International Holding Limited, Golden Fair Chemical (Holding) Limited and Xiezhong International on 24 May 2021, a proposal (the "Proposal") for the privatisation of Xiezhong International by way of a scheme of arrangement under Section 86 of the Companies Act (the "Scheme") was made on 26 February 2021. Pursuant to the announcement of Xiezhong International dated 5 July 2021, the Proposal becomes unconditional and the Scheme becomes effective, the withdrawal of the listing of the Shares on the Stock Exchange becomes effective from 7 July 2021. Please refer to the announcements of Xiezhong International for further details. Cheques of approximately HK\$15,437,000 for cash payment under the Scheme was received on 15 July 2021 which was intended to be used as general working capital purposes of the Group.

Future Plans for Material Investments and Capital Assets

There was no definite future plan for material investments or acquisition of material capital assets as at 31 March 2022.

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in the paragraph headed "Significant Investments Held" in this announcement, the Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 31 March 2022.

Charges of assets

As at 31 March 2022, the Group had no short-term secured borrowings (2021: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2022 (2021: Nil).

SIGNIFICANT EVENTS

Mandatory unconditional cash offer

As disclosed in the joint announcements dated 8 October 2021 and 29 October 2021, and the composite offer and response document dated 5 November 2021 jointly issued by the Company and Perfect Gain Group Limited (the “Offeror”), the Offeror (as purchaser) and Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu (as receivers) (the “Joint Receivers”), who were appointed as the joint and several receivers pursuant to the deed of appointment of receivers dated 26 February 2020 over 129,372,494 shares of the Company (representing approximately 74.96% of the entire issued share capital of the Company) (the “Sale Shares”) held by HNA Aviation Investment Holding Company Ltd., the vendor, had entered into a sale and purchase agreement on 26 September 2021 (the “Sale and Purchase Agreement”), pursuant to which the Joint Receivers had agreed to sell and the Offeror had agreed to purchase the Sale Shares.

Consideration for the Sale Shares pursuant to the Sale and Purchase Agreement amounted to HK\$200,000,000, equivalently to approximately HK\$1.546 per Sale Share. Completion of the Sale and Purchase Agreement took place on 30 September 2021.

Upon completion of the Sale and Purchase Agreement, the Offeror, its ultimate beneficial owner and their respective parties acting in concert own 129,372,494 shares of the Company (the “Shares”), representing approximately 74.96% of the entire issued share capital of the Company. Pursuant to the Hong Kong Code on Takeovers and Mergers, Somerley Capital Limited, on behalf of the Offeror, made mandatory unconditional cash offer to acquire all the issued shares of the Company (other than those already owned by the Offeror) at HK\$1.546 for each Share (the “Offer”).

Pursuant to the announcement dated 26 November 2021 jointly issued by the Company and the Offeror, the Offer was closed on 26 November 2021 and the Offeror received valid acceptances in respect of a total of 160,000 Shares under the Offer, representing approximately 0.09% of the entire issued share capital of the Company.

Immediately after the close of the Offer, on 26 November 2021, the Offeror, its ultimate beneficial owner and parties acting in concert with it were beneficially interested in 129,532,494 Shares, representing approximately 75.05% of the entire issued share capital of the Company.

Restoration of public float of the Company

As disclosed in the announcement dated 26 November 2021 jointly issued by the Company and the Offeror, the number of Shares held by the public fell below the minimum public float requirement of 25% as set out under Rule 8.08(1)(a) of the Listing Rules.

On 14 December 2021, the Company was granted a temporary waiver (the “Waiver”) from strict compliance with Rule 8.08(1)(a) of the Listing Rules to allow time for the Offeror to dispose the necessary Shares to independent third party(ies) in order to restore the required minimum public float by the Stock Exchange for the period from 26 November 2021 to 31 December 2021, subject to the disclosure of the Waiver (including details and reasons) by way of publication of the announcement issued by the Company dated 14 December 2021.

On 22 December 2021, the Company has been informed by the Offeror that the Offeror has disposed of 83,000 Shares, representing approximately 0.05% of the total issued Shares of the Company (the “Disposal”) to independent third parties. Immediately after the Disposal, 43,150,506 Shares, representing approximately 25.00% of the entire issued Shares of the Company, were held by the public (within the meaning of the Listing Rules). As such, the minimum public float requirement of 25% as set out under Rule 8.08(1)(a) of the Listing Rules has been fulfilled.

Formation of Joint Venture

As disclosed in the announcement of the Company dated 17 December 2021, the Company entered into a Joint Venture Agreement (the “JV Agreement”) with San J Jewellery Limited (新寶珠寶製造有限公司) (“San J Jewellery”) on 16 December 2021, pursuant to which the parties agreed to form a joint venture, Perfect King International Limited (寶鈞國際有限公司), a company incorporated in Hong Kong with limited liability (the “Joint Venture”), to engage in the online sales of jewellery to Mainland China.

According to the JV Agreement, the registered capital of the Joint Venture is HK\$5,000,000, with the Company paying up contribution in cash of HK\$2,550,000, representing 51% of shareholding in the Joint Venture, and San J Jewellery paying up contribution in cash of HK\$2,450,000, representing 49% of shareholding in the Joint Venture. Moreover, the board of directors of the Joint Venture shall consist of five directors, three of whom shall be appointed by the Company whereas two of whom shall be appointed by San J Jewellery. The first chairman of the board of directors of the Joint Venture shall be appointed by the Company.

The reasons for and benefits of entering into the JV Agreement are that, the Group has been actively exploring possibilities to expand its sales directly to customers in Mainland China. Given that the establishment of the Joint Venture shall be based on the principle of “complementary advantages, mutual support, long-term co-operation and common development” of the parties with the ultimate goal of penetrating into the online jewellery market of Mainland China, the Directors (including the independent non-executive Directors) consider that the formation of the Joint Venture represents a strategic move for the Group. The Directors (including the independent non-executive Directors) consider that the formation of the Joint Venture is conducted in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders as a whole.

During the Reporting Period, the joint venture arrangement was not effective as the conditions in the JV Agreement were not satisfied. As a result, the Joint Venture was classified as a non-wholly owned subsidiary of the Company.

On 31 March 2022, the Company acquired the remaining 49% issued shares of the Joint Venture from the non-controlling shareholder (the “Acquisition”) to continue the development of online sales channel and the Joint Venture became a wholly owned subsidiary of the Company as of 31 March 2022 upon the completion of the Acquisition. The Acquisition does not constitute any change in control of the Joint Venture.

For more details of the Joint Venture and the JV Agreement, please refer to the announcement of the Company dated 17 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 March 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on 18 August 2022, the register of members will be closed from 15 August 2022 to 18 August 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrars, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 pm on 12 August 2022.

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Board has adopted the code provisions (the “Code Provisions”) of the old Corporate Governance Code set out in Appendix 14 to the Listing Rules and now has adopted the new Corporate Governance Code as the basis of the Company’s corporate governance practices enabling its shareholders to evaluate. The Code Provisions numbers referred to below are those of the old Corporate Governance Code. During the year ended 31 March 2022, save as disclosed below, the Company had complied with the Code Provisions.

Code Provisions A.6.7 and E.1.2

Pursuant to A.6.7 of the Code Provisions, independent non-executive Directors should attend the annual general meeting of the Company to develop a balanced understanding of the views of the shareholders. However, the then independent non-executive Director, Mr. Ting Tit Cheung and the then non-executive Director, Ms. Mary Ang Mei Lee, did not attend the annual general meeting of the Company held on 19 August 2021 (the “2021 AGM”) due to other business engagements.

Pursuant to E.1.2 of the Code Provisions, the chairman of the Board should attend the annual general meeting. Mr. Su Zhiyi, the then chairman of the Board, was not able to attend the 2021 AGM due to COVID-19. Mr. Chan Chi Kuen, the then independent non-executive Director of the Company, was appointed as the chairman of the 2021 AGM to answer and address questions raised by the shareholders at the 2021 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Director of the Company. Having made specific enquiries to all the Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code during the year ended 31 March 2022.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULES 13.51(2) AND 13.51B OF THE LISTING RULES

During the year ended 31 March 2022 there were certain changes of the Directors and board committees composition:

With effect from 11 May 2021:

- (i) Mr. Yau Pak Yue has been appointed as an independent non-executive Director;
- (ii) Mr. Chung Wai Man has been appointed as an independent non-executive Director;
and
- (iii) Mr. Ning Rui has been appointed as an independent non-executive Director.

With effect from 9 July 2021:

- (i) Ms. Mary Ang Mei Lee has been appointed as a non-executive Director; and
- (ii) Mr. Tom Xie has been appointed as a non-executive Director.

With effect from 8 November 2021:

- (i) Mr. Tom Xie has been redesignated from the position of non-executive Director to the position of executive Director; and
- (ii) Mr. Chan Wai Dune has been appointed as a non-executive Director.

With effect from 27 November 2021:

- (i) Mr. Su Zhiyi has resigned from the position of executive Director and the chairman of the Board, and ceased to be the chairman of the Nomination Committee and a member of the Remuneration Committee;
- (ii) Mr. Xiong Cong has resigned from the position of executive Director and the Chief Executive Officer, and ceased to be a member of the Nomination Committee and the Remuneration Committee and the Authorised Representative (the "Authorised Representative") under Rule 3.05 of the Listing Rules;
- (iii) Mr. Cai Si has resigned from the position of executive Director;
- (iv) Ms. Mary Ang Mei Lee has resigned from the position of non-executive Director;

- (v) Mr. Ting Tit Cheung has resigned from the position of independent non-executive Director, and ceased to be the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee;
- (vi) Mr. Chan Chi Kuen has resigned from the position of independent non-executive Director, and ceased to be the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee;
- (vii) Mr. Lo Chun Pong has resigned from the position of independent non-executive Director, and ceased to be a member of the Remuneration Committee, the Nomination Committee and the Audit Committee;
- (viii) Mr. Tom Xie, the executive Director, has been appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee, and as the Authorised Representative;
- (ix) Mr. Chan Wai Dune, the non-executive Director, has been appointed as the chairman of the Remuneration Committee and a member of the Nomination Committee;
- (x) Mr. Yau Pak Yue, the independent non-executive Director, has been appointed as the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee;
- (xi) Mr. Chung Wai Man, the independent non-executive Director, has been appointed as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee; and
- (xii) Mr. Ning Rui, the independent non-executive Director, has been appointed as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

With effect from 1 December 2021:

- (i) Dr. So Shu Fai has been appointed as the chairman of the Board cum executive Director, and the co-chairman of the Nomination Committee and the Remuneration Committee;
- (ii) Mr. Tom Xie has been appointed as the Chief Executive Officer of the Company and redesignated as co-chairman of the Nomination Committee; and
- (iii) Mr. Chan Wai Dune has been redesignated as co-chairman of the Remuneration Committee.

Details of the above changes of Directors and their biographies, and board committees composition, respectively have been disclosed in the announcements of the Company dated 11 May 2021, 12 July 2021, 8 November 2021 and 29 November 2021.

As at the date of this announcement, there were certain changes of the board committees composition:

With effect from 30 June 2022:

- (i) Dr. So Shu Fai, the co-chairman of the Nomination Committee and Remuneration Committee has been re-designated as chairman of the Nomination Committee and member of the Remuneration Committee;
- (ii) Mr. Tom Xie, the co-chairman of the Nomination Committee has been re-designated as member of the Nomination Committee;
- (iii) Mr. Chan Wai Dune has ceased to be the co-chairman and member of the Remuneration Committee and the member of the Nomination Committee; and
- (iv) Mr. Yau Pak Yue, the member of the Remuneration Committee has been appointed as chairman of the Remuneration Committee.

In accordance with the Company's articles of association, one-third of the existing Directors shall retire from office, at the forthcoming AGM. Pursuant to Article 112 of the Company's articles of association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Dr. So Shu Fai, Mr. Chan Wai Dune, Mr. Yau Pak Yue and Mr. Chung Wai Man, who being eligible, will retire from office at the AGM and offer themselves for re-election at the AGM.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Yau Pak Yue (Chairman of the Audit Committee), Mr. Chung Wai Man and Mr. Ning Rui. The Company's annual results for the year ended 31 March 2022 have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made.

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 and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by the Company's auditor on the preliminary announcement.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming annual general meeting, will be despatched to the shareholders of the Company in due course.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.ktl.com.hk. The annual report of the Company for the year ended 31 March 2022 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

By order of the Board
Hifood Group Holdings Co., Limited
Dr. So Shu Fai
Chairman and Executive Director

Hong Kong, 30 June 2022

As at the date of this announcement, the executive Directors are Dr. So Shu Fai and Mr. Tom Xie; the non-executive Director is Mr. Chan Wai Dune; and the independent non-executive Directors are Mr. Chung Wai Man, Mr. Yau Pak Yue and Mr. Ning Rui.