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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 2023**

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 2023, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Year ended 31 March 2023*

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	4	231,557	183,133
Cost of sales		<u>(180,909)</u>	<u>(157,693)</u>
Gross profit		50,648	25,440
Other income and gains, net	4	5,934	4,510
Selling and distribution expenses		(41,184)	(24,009)
Administrative expenses		(23,821)	(22,321)
Other expenses		–	(1,326)
Finance costs	5	(1,409)	(776)
Share of profits and losses of associates		<u>12,214</u>	<u>2,821</u>
PROFIT/(LOSS) BEFORE TAX	6	2,382	(15,661)
Income tax expense	7	<u>(41)</u>	<u>(99)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>2,341</u>	<u>(15,760)</u>
Attributable to:			
Equity holders of the Company		1,050	(17,337)
Non-controlling interests		<u>1,291</u>	<u>1,577</u>
		<u>2,341</u>	<u>(15,760)</u>
		<i>HK cent</i>	<i>HK cents</i>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY			
– Basic and diluted	9	<u>0.40</u>	<u>(6.68)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2023*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>2,341</u>	<u>(15,760)</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/(loss) of associates, net of tax	(21,533)	7,862
Exchange differences on translation of foreign operations	(1,790)	(2,099)
Reclassification adjustment for a foreign subsidiary deregistered during the year	<u>-</u>	<u>1,219</u>
<i>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</i>	<u>(23,323)</u>	<u>6,982</u>
<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	181	(1,745)
Gain on property revaluation	<u>-</u>	<u>87</u>
<i>Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods</i>	<u>181</u>	<u>(1,658)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(23,142)</u>	<u>5,324</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(20,801)</u>	<u>(10,436)</u>
Attributable to:		
Equity holders of the Company	(22,092)	(12,013)
Non-controlling interests	<u>1,291</u>	<u>1,577</u>
	<u>(20,801)</u>	<u>(10,436)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		46,930	34,163
Right-of-use assets		23,674	27,526
Investment property		10,461	10,939
Investments in associates		396,489	416,574
Deposits		5,597	3,851
Goodwill		2,103	2,103
Financial assets at fair value through profit or loss		16,054	12,821
Deferred tax assets		1,713	961
		<hr/>	<hr/>
Total non-current assets		503,021	508,938
CURRENT ASSETS			
Inventories		39,265	52,894
Trade receivables	10	18,760	14,109
Prepayments, deposits and other receivables		2,494	8,393
Due from associates		2,132	1,698
Financial assets at fair value through profit or loss		6,384	6,762
Cash and cash equivalents		81,505	92,452
		<hr/>	<hr/>
Total current assets		150,540	176,308
CURRENT LIABILITIES			
Trade and bills payables	11	11,018	4,241
Other payables and accruals		7,307	7,164
Due to associates		109	69
Due to a non-controlling shareholder		3,452	4,311
Tax payable		43	556
Interest-bearing bank borrowings		22,412	35,235
Lease liabilities		10,439	9,763
		<hr/>	<hr/>
Total current liabilities		54,780	61,339
NET CURRENT ASSETS		<hr/> 95,760	<hr/> 114,969
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 598,781	<hr/> 623,907
NON-CURRENT LIABILITIES			
Provision		400	400
Lease liabilities		14,063	18,538
Deferred tax liabilities		150	–
		<hr/>	<hr/>
Total non-current liabilities		14,613	18,938
Net assets		<hr/> 584,168	<hr/> 604,969

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 March 2023*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	117,095	117,095
Reserves	459,531	481,623
	576,626	598,718
Non-controlling interests	7,542	6,251
Total equity	584,168	604,969

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 an investment property 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 2023 and the financial information relating to the year ended 31 March 2022 included in this preliminary announcement of annual results for the year ended 31 March 2023 do not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2022, 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 2023 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 2022 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 2022. 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 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 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

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3
Amendments to HKAS 16

Reference to the Conceptual Framework
Property, Plant and Equipment:
Proceeds before Intended Use

Amendments to HKAS 37
Annual Improvements to
HKFRSs 2018-2020

Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative
Examples accompanying HKFRS 16,
and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations occurred on or after 1 April 2022. As there was no business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES (continued)

- (b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *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 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. The Group has applied the amendment prospectively from 1 April 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 2023 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.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that bank interest income, dividend income and unallocated gains/losses, 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, an investment property 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 2023

	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	167,635	60,028	3,894	231,557
Intersegment sales	6,297	–	4	6,301
	<u>173,932</u>	<u>60,028</u>	<u>3,898</u>	<u>237,858</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(6,301)</u>
				<u><u>231,557</u></u>
Segment results	(4,117)	(2,800)	1,630	(5,287)
<i>Reconciliation:</i>				
Bank interest income				678
Dividend income and unallocated gains				3,639
Finance costs (other than interest on lease liabilities)				(973)
Share of profits and losses of associates				12,214
Corporate and other unallocated expenses				<u>(7,889)</u>
Profit before tax				<u><u>2,382</u></u>

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>

3. OPERATING SEGMENT INFORMATION (continued)

As at 31 March 2023

	Trading <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	133,525	47,131	4,720	185,376
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(289)
Investments in associates				396,489
Corporate and other unallocated assets				<u>71,985</u>
Total assets				<u>653,561</u>
Segment liabilities	39,051	23,027	263	62,341
<i>Reconciliation:</i>				
Elimination of intersegment payables				(289)
Corporate and other unallocated liabilities				<u>7,341</u>
Total liabilities				<u>69,393</u>
Other segment information:				
Impairment of trade receivables	316	–	–	316
Reversal of write-down of inventories to net realisable value	(315)	–	–	(315)
Capital expenditure*	85	6,911	48	7,044
Depreciation	674	11,466	26	12,166
Unallocated depreciation				<u>2,420</u>
				<u>14,586</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:				
Reversal of impairment of trade receivables	(173)	–	–	(173)
Write-down of inventories to net realisable value	281	–	–	281
Capital expenditure*	2,176	6,249	22	8,447
Depreciation	1,014	6,377	649	8,040
Unallocated depreciation				<u>2,407</u>
				<u><u>10,447</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	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	231,557	183,133	445,816	467,440
Japan	–	–	33,841	23,865
	<u>231,557</u>	<u>183,133</u>	<u>479,657</u>	<u>491,305</u>

Information about major customers

Revenue from customers individually contributing over 10% to the total revenue of the Group during the year is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	<u>30,502</u>	<u>N/A*</u>

* Less than 10% of the Group's revenue.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Disaggregation of revenue		
Sales of goods	167,635	148,092
Restaurants operation	60,028	29,988
Others	<u>3,894</u>	<u>5,053</u>
	<u>231,557</u>	<u>183,133</u>
Timing of revenue recognition		
At a point in time	<u>231,557</u>	<u>183,133</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Bank interest income	678	441
Dividend income from financial assets at fair value through profit or loss	378	166
Gross rental income	2,368	1,987
Government subsidies*	300	1,050
Gain on lease termination	–	997
Sundry income	47	65
	<u>3,771</u>	<u>4,706</u>
Gains/(losses), net		
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	2,855	(1,803)
Fair value gain on an investment property	406	–
Foreign exchange difference, net	<u>(1,098)</u>	<u>1,607</u>
	<u>2,163</u>	<u>(196)</u>
	<u><u>5,934</u></u>	<u><u>4,510</u></u>

* Government subsidies during the years ended 31 March 2023 and 2022 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.

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash, credit card and electronic settlement. The credit period is generally less than one month.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank and trust receipt loans	973	495
Interest on lease liabilities	<u>436</u>	<u>281</u>
	<u><u>1,409</u></u>	<u><u>776</u></u>

6. PROFIT/(LOSS) BEFORE TAX

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

	2023	2022
	HK\$'000	HK\$'000
Cost of inventories sold	181,224	157,412
Depreciation of items of property, plant and equipment	4,840	3,974
Depreciation of right-of-use assets	9,746	6,473
Lease payments not included in the measurement of lease liabilities	9,359	11,048
Covid-19-related rent concessions from lessors	(170)	(241)
Auditors' remuneration	1,775	1,666
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind*	29,878	22,117
Staff quarter included in the above "Depreciation of right-of-use assets"	–	460
Pension scheme contributions	977	711
	30,855	23,288
Write-off of items of property, plant and equipment**	–	29
Gain on lease termination	–	(997)
Loss on disposal of items of property, plant and equipment**	6	845
Impairment of an amount due from an associate****	–	107
Loss on deregistration of a foreign subsidiary****	–	1,219
Foreign exchange differences, net	1,098	(1,607)
Net rental income	(2,042)	(1,629)
Impairment/(reversal of impairment) of trade receivables	316	(173)
Write-down/(reversal of write-down) of inventories to net realisable value***	(315)	281

* Included in the employee benefit expense is the government subsidies represented the grants from the Employment Support Scheme of the Hong Kong Government, totaling HK\$1,260,000 (2022: Nil), which aims to retain employment and combat Covid-19. There are no unfulfilled conditions or contingencies relating to these subsidies. During the year, government subsidies of HK\$636,000 (2022: Nil) and HK\$624,000 (2022: Nil) are included in the employee benefit expense in "selling and distribution expenses" and "administrative expenses", respectively, in the consolidated statement of profit or loss.

** During the year, the loss on disposal of items of property, plant and equipment is included in "administrative expenses" in the consolidated statement of profit or loss. In the prior year, the loss on disposal of items of property, plant and equipment and write-off of items of property, plant and equipment were included in "selling and distribution expenses", in the consolidated statement of profit or loss.

*** The write-down/(reversal of 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 foreign 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% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current charge for the year		
– Hong Kong	643	596
Deferred	<u>(602)</u>	<u>(497)</u>
Total tax charge for the year	<u><u>41</u></u>	<u><u>99</u></u>

The share of tax credit attributable to associates amounting to HK\$4,016,000 (2022: share of tax charge of HK\$7,622,000) is included in “Share of profits and losses of associates” in the consolidated statement of profit or loss.

8. DIVIDEND

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

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

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation	<u><u>1,050</u></u>	<u><u>(17,337)</u></u>
	Number of shares	
	2023	2022
Shares		
Number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	<u><u>259,586,000</u></u>	<u><u>259,586,000</u></u>

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2023 and 2022 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	9,428	7,453
1 to 2 months	5,605	3,162
Over 2 months	3,727	3,494
	18,760	14,109

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	11,018	4,237
1 to 2 months	–	4
	11,018	4,241

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

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 29 August 2023 (the "AGM"), the Register of Members of the Company will be closed from Wednesday, 23 August 2023 to Tuesday, 29 August 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 22 August 2023.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The global market experienced tremendous changes in the year under review. The Covid-19 pandemic influenced the world and progressively faded out by the year end. In the post-pandemic period, the world economic recovery remained slow with uncertainty. The outbreak of Russia-Ukraine war and the contentious US and China trade relationship impacted the global economy, influenced over both the exchange rates and inflation, and further decreased consumer confidence. Subsequently, the rising costs of raw materials, energy, labour and logistics had a significant impact on the performance of all industries, adding uncertainty to the overall market environment.

Hong Kong is gradually relieving from the Covid-19 pandemic restrictions and recovering from its impacts. In the post Covid-19 pandemic period, the market is unsettled on adapting to the new norms of life, the new consumer behavior is to be explored. There has been keen competition in the business environment due to the weakened domestic and foreign consumptions, deteriorating economic environment and tightened financial conditions. Facing all these challenges, we demonstrated resiliency to accommodate the changes and seized the new opportunities opened to us.

The Group strived to move forward with determination against all odds during the year under review. Based on our solid foundation, experience and market intelligence in the frozen food trading business, we are adopting a flexible and strategic business plan. Despite the ever-changing operating environment, we will continue to devote our best efforts to enhance the Group's competitiveness and breakthroughs in the challenging environment.

BUSINESS REVIEW AND PROSPECTS (continued)

Frozen Meats Trading

Frozen meats trading is the core business of the Group. Due to the impact of the Covid-19 pandemic, the uncertain global economy and the geopolitical tension on the global supply chain, causing inflation pressure on the operating costs, including raw material and labor costs continued to rise, the Group's frozen meats trading business was inevitably affected.

In the year under review, besides strengthening our current commodity meats trading network, deepening our source of suppliers, maintaining good relationship with the customers and implementing cost control measures, we also strategically expand our diversity of product supply and sales distribution channels to provide comprehensiveness and varieties of delicacies to our customers.

During the year, the Group adopt the strategic planning of diversify the product offer to premium and distinguished products. Besides focusing on the Group's solely distributed Japanese wagyu beef brand "Satsuma", and developing the Korean Lotte's Australian wagyu beef brand "L'Grow", we have started recently to provide plant-based meat products to suit the global market trend and customers preferences. The new products offerings contributed to extend our customer base and increase the profit margin.

Customers in food chain restaurants sector have recorded a remarkable sales growth in the year, accounted to our widened product varieties that fulfilled the customers' needs. To further enlarge our distribution channels, we also expand sales of our variety of frozen meats products in retail chains.

To manage the headwinds of the increasing operation cost, we tightened our direct costs including storage and distribution and in combination of developing high value-added new products and acquiring new customers to boost the profit margins. The Group will continue to explore and develop suitable market strategies to cope with the changing environment.

Catering Business

The catering business operates two restaurant brands – "Beefar's" and "Gyumai". We have one "Beefar's" restaurant offering high-quality "Satsuma" brand of Japanese wagyu beef in Japanese BBQ style and three "Gyumai" restaurants offering supreme beef from Japan, Australia and USA in all-you-can-eat Japanese Yakiniku and shabu-shabu style.

At the beginning of the year under review, the tight anti-pandemic control measures in the advent of the Covid-19 outbreak seriously affected the catering industry as well as our restaurants. In the post Covid period, the social distancing restrictions on the catering industry were relaxed progressively and in an orderly manner. By the start of 2023, Hong Kong had relieved the travel restrictions and fully resumed cross-border travel. The lifting of entry restrictions and easing of anti-pandemic policy provides new customer mix to the restaurants.

BUSINESS REVIEW AND PROSPECTS (continued)

Catering Business (continued)

Facing the adverse market condition during the time of pandemic, we promptly adopted cost control measures and new sales strategies to improve the operation efficiency. With the strategic marketing and positioning, our restaurants are building up the brand name, reputation and customer base. It was attributable to the good product quality and varieties of premium beef offered, including “Satsuma” Japanese wagyu beef from Japan, Lotte’s “L’Grow” brand Australian wagyu beef from Australia and Angus premium beef from the United States that our new menus provides novel experience to the customers. We will continue to identify suitable opportunities to open more catering restaurants in prime locations to strengthen our restaurant network and to capture the benefits driven by economies of scale.

Other Business

The segment of communication and advertising design business and marketing of meat products is on steady performance. Based on the well-known brands of “Satsuma” and “L’Grow” in the meats trading sector, and restaurant brands of “Beefar’s” and “Gyumai” we built for our Group, we were able to develop more new businesses from both catering and other sectors. The sector business is also benefited from increasing of revenue from customers of the banking and properties sectors.

Food Business Investment

The Group continues to hold approximately 29.99% (2022: 29.98%) equity interest of Four Seas Mercantile Holdings Limited (“FSMHL”) as a strategic investment in the food business.

After the full acquisition of Miyata Co., Ltd. (“Miyata”), FSMHL based on Miyata’s wide range of snack and food items to expand its business in Hong Kong and China. New products including Japanese eggs, Japanese milk, Japanese tofu, Japanese rice and Japanese ice-cream were well received by the market. However, the profit margin was eroded by the inflationary pressure and fluctuation in Japanese yen that increase the business costs as a result. The pandemic prevention measures also affected the catering business of FSMHL. Leveraging its strong capabilities and solid foundation, F FSMHL adopted appropriate measures to cope with the situation.

For the financial year ended 31 March 2023, the Group’s share of profit from associates, primarily by FSMHL was HK\$12,214,000 (2022: HK\$3,789,000).

PROSPECTS

Looking forward to the coming year, it will be a challenging year in the post-pandemic market. On the macro environment, factors such as inflation, monetary tightening and regional conflicts across different countries will continue to have a significant impact on both the global and local economy. It is expected that the operating costs on raw materials, energy and logistic will continue to affect the supply side, the cost is expected to maintain at an increasing trend.

In view of this, the Group will continue to closely monitor the changing situations 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, while the price competition among commodity meats trading business is getting intensified, we noticed the growing market demand for high quality and cost-effective products from consumers who seek for a balance between price and quality. To capture the market trend, we are exploring to extend our product portfolio by introducing unique, high quality and cost-effective products from overseas suppliers. The Group will source the frozen meats in a flexible and diversified manner to stabilize its cost, adjust and strengthen its sales strategies to speed up new product development with a view to achieving higher profit margin and net profits.

FSMHL, the strategic investment partner of the Group, with 50 years of successful experience in operating diversified businesses, maintains a positive attitude towards the future outlook. In the coming year, the business trend will move upwards as the pandemic subsides, borders reopen and consumer sentiment improves. It will continue to leverage the advantages of Miyata to strengthen the synergy effects across its brands and sales channels. Seizing the opportunity arising from the planned development of the Guangdong-Hong Kong-Macao Greater Bay Area, it will continue to expand its presence in the Mainland China market and make good use of its factories in the Mainland China to expand its own brands.

Despite the challenges and uncertainty of the operating environment, our Group has remained resilient and adaptable. We have responded to changes in the market with agility, continued to innovate, and strengthened our position in the catering and trading industries. Leveraging on the long term business relationship with local customers and overseas suppliers and the reputable branding we built up throughout the years, the Group will continue to provide tasty, nutritious and high-quality food to the public.

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 2023, the Group had banking facilities of HK\$200,753,000 of which 11% had been utilised. The Group had a gearing ratio of 4% as at 31 March 2023. 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 2023, the Group held cash and cash equivalents of HK\$81,505,000. 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 2023 was 75. 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 2023.

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. The Company has applied the principles of and complied with the code provisions of the Corporate Governance 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") during the year ended 31 March 2023.

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 2023.

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 2023.

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 2023.

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 2023 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 draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance and consequently no opinion or assurance conclusion 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 2023, 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 2023

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.