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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 2024**

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 2024, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Year ended 31 March 2024*

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
REVENUE	4	211,845	231,557
Cost of sales		<u>(166,529)</u>	<u>(180,909)</u>
Gross profit		45,316	50,648
Other income and gains/(losses), net	4	(1,313)	5,934
Selling and distribution expenses		(41,300)	(41,184)
Administrative expenses		(28,175)	(23,821)
Finance costs	5	(2,231)	(1,409)
Share of profits and losses of associates		<u>10,393</u>	<u>12,214</u>
PROFIT/(LOSS) BEFORE TAX	6	(17,310)	2,382
Income tax expense	7	<u>(1,774)</u>	<u>(41)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(19,084)</u>	<u>2,341</u>
Attributable to:			
Equity holders of the Company		(19,352)	1,050
Non-controlling interests		<u>268</u>	<u>1,291</u>
		<u>(19,084)</u>	<u>2,341</u>
		<i>HK cents</i>	<i>HK cent</i>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY			
– Basic and diluted	9	<u>(7.45)</u>	<u>0.40</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2024*

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>(19,084)</u>	<u>2,341</u>
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive loss of associates, net of tax	(16,301)	(21,533)
Exchange differences on translation of foreign operations	<u>(4,517)</u>	<u>(1,790)</u>
<i>Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods</i>	(20,818)	(23,323)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income of associates, net of tax and net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>1,381</u>	<u>181</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(19,437)</u>	<u>(23,142)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(38,521)</u></u>	<u><u>(20,801)</u></u>
Attributable to:		
Equity holders of the Company	(38,789)	(22,092)
Non-controlling interests	<u>268</u>	<u>1,291</u>
	<u><u>(38,521)</u></u>	<u><u>(20,801)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		37,984	46,930
Right-of-use assets		12,043	23,674
Investment property		12,615	10,461
Investments in associates		381,015	396,489
Deposits		4,358	5,597
Goodwill		2,103	2,103
Financial assets at fair value through profit or loss		9,315	16,054
Deferred tax assets		1,460	1,713
		<hr/>	<hr/>
Total non-current assets		460,893	503,021
CURRENT ASSETS			
Inventories		43,182	39,265
Trade receivables	10	18,671	18,760
Prepayments, deposits and other receivables		5,838	2,494
Due from associates		2,913	2,132
Financial assets at fair value through profit or loss		4,965	6,384
Tax recoverable		403	–
Cash and cash equivalents		74,575	81,505
		<hr/>	<hr/>
Total current assets		150,547	150,540
CURRENT LIABILITIES			
Trade and bills payables	11	10,626	11,018
Other payables and accruals		9,416	7,307
Due to associates		87	109
Due to a non-controlling shareholder		927	3,452
Tax payable		455	43
Interest-bearing bank borrowings		29,709	22,412
Lease liabilities		9,916	10,439
		<hr/>	<hr/>
Total current liabilities		61,136	54,780
NET CURRENT ASSETS			
		<hr/>	<hr/>
		89,411	95,760
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		550,304	598,781
NON-CURRENT LIABILITIES			
Provision		200	400
Lease liabilities		4,147	14,063
Deferred tax liabilities		1,390	150
		<hr/>	<hr/>
Total non-current liabilities		5,737	14,613
Net assets			
		<hr/>	<hr/>
		544,567	584,168
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 March 2024*

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	117,095	117,095
Reserves	<u>420,742</u>	<u>459,531</u>
	537,837	576,626
Non-controlling interests	<u>6,730</u>	<u>7,542</u>
Total equity	<u><u>544,567</u></u>	<u><u>584,168</u></u>

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”) 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 2024 and the financial information relating to the year ended 31 March 2023 included in this preliminary announcement of annual results for the year ended 31 March 2024 do not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2023, 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 2024 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 2023 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 2023. 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 2024. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2. CHANGES IN ACCOUNTING POLICIES (continued)

- (b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 April 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 April 2022.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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 2024 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 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, tax recoverable, 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 2024

	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	157,525	50,431	3,889	211,845
Intersegment sales	9,678	–	65	9,743
	<u>167,203</u>	<u>50,431</u>	<u>3,954</u>	<u>221,588</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(9,743)</u>
Total revenue				<u>211,845</u>
Segment results	(5,108)	(10,036)	1,821	(13,323)
<i>Reconciliation:</i>				
Bank interest income				1,575
Dividend income and unallocated losses				(4,527)
Finance costs (other than interest on lease liabilities)				(1,736)
Share of profits and losses of associates				10,393
Corporate and other unallocated expenses				<u>(9,692)</u>
Loss before tax				<u>(17,310)</u>

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>
Total revenue				<u>231,557</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>2,382</u>

3. OPERATING SEGMENT INFORMATION (continued)

As at 31 March 2024

	Trading <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	134,501	29,935	6,134	170,570
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(268)
Investments in associates				381,015
Corporate and other unallocated assets				<u>60,123</u>
Total assets				<u><u>611,440</u></u>
Segment liabilities	45,811	13,929	274	60,014
<i>Reconciliation:</i>				
Elimination of intersegment payables				(268)
Corporate and other unallocated liabilities				<u>7,127</u>
Total liabilities				<u><u>66,873</u></u>
Other segment information:				
Impairment of items of property, plant and equipment	–	1,829	–	1,829
Impairment of right-of-use assets	–	1,371	–	1,371
Reversal of impairment of trade receivables	(248)	–	–	(248)
Write-down of inventories to net realisable value	261	–	–	261
Capital expenditure*	9	56	–	65
Depreciation	602	11,585	27	12,214
Unallocated depreciation	–	–	–	<u>2,329</u>
				<u><u>14,543</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><u>653,561</u></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><u>69,393</u></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><u>14,586</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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	211,845	231,557	412,781	445,816
Japan	—	—	32,979	33,841
	<u>211,845</u>	<u>231,557</u>	<u>445,760</u>	<u>479,657</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	<u>49,199</u>	<u>30,502</u>

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES), 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Disaggregation of revenue		
Sales of goods	157,525	167,635
Restaurants operation	50,431	60,028
Others	<u>3,889</u>	<u>3,894</u>
	<u>211,845</u>	<u>231,557</u>
Timing of revenue recognition		
At a point in time	<u>211,845</u>	<u>231,557</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income		
Bank interest income	1,575	678
Dividend income from financial assets		
at fair value through profit or loss	–	378
Gross rental income	1,669	2,368
Government subsidies*	–	300
Sundry income	14	47
	<u>3,258</u>	<u>3,771</u>
Total other income		
Gains/(losses), net		
Fair value gains/(losses) on financial assets at		
fair value through profit or loss, net	(8,158)	2,855
Gain on disposal of items of property, plant and equipment	6	–
Fair value gain on an investment property	3,631	406
Foreign exchange difference, net	(50)	(1,098)
	<u>(4,571)</u>	<u>2,163</u>
Total gains/(losses), net		
Total other income and gains/(losses), net	<u><u>(1,313)</u></u>	<u><u>5,934</u></u>

* In the prior year, government subsidies were Covid-19 relief subsidies received. 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank and trust receipt loans	1,736	973
Interest on lease liabilities	<u>495</u>	<u>436</u>
Total	<u><u>2,231</u></u>	<u><u>1,409</u></u>

6. PROFIT/(LOSS) BEFORE TAX

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories sold	166,268	181,224
Depreciation of items of property, plant and equipment	4,283	4,840
Depreciation of right-of-use assets	10,260	9,746
Lease payments not included in the measurement of lease liabilities	8,278	9,359
Covid-19-related rent concessions from lessors	–	(170)
Impairment of items of property, plant and equipment	1,829	–
Impairment of right-of-use assets	1,371	–
Impairment/(reversal of impairment) of trade receivables	(248)	316
Write-down/(reversal of write-down) of inventories to net realisable value*	<u><u>261</u></u>	<u><u>(315)</u></u>

* 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.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current charge for the year		
– Hong Kong	281	643
Deferred	<u>1,493</u>	<u>(602)</u>
Total tax charge for the year	<u><u>1,774</u></u>	<u><u>41</u></u>

The share of tax attributable to associates amounting to HK\$4,089,000 (2023: share of tax credit of HK\$4,016,000) 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:

	2024 <i>HK\$'000</i>	2023 <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>(19,352)</u></u>	<u><u>1,050</u></u>
	Number of shares	
	2024	2023
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 2024 and 2023 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	10,494	9,428
1 to 2 months	1,899	5,605
Over 2 months	6,278	3,727
Total	18,671	18,760

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	7,521	11,018
1 to 2 months	3,105	–
Total	10,626	11,018

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 2024 (2023: 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 Thursday, 29 August 2024 (the "AGM"), the Register of Members of the Company will be closed from Friday, 23 August 2024 to Thursday, 29 August 2024, 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 Thursday, 22 August 2024.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The global market environment was filled with challenges in the year under review. Despite the Covid-19 pandemic was gradually faded away, as affected by the macroeconomic environment, the global economic recovery remained at a slow pace, all sectors of society are striving to move forward.

The global economic environment is impacted by uncertain factors of inflation, geopolitical tensions, tightening of financial conditions. The persistent decline in consumers' confidence is hindering the global recovery, further stimulated the turn to weakening trade. Follow by the rise in costs across various areas such as logistics, finance, trade and promotion coupled with labor shortages, business competitions are becoming more intensified, posting severe challenges to businesses across industries.

For the domestic market, affected by the macro-environment, the market did not experience strong rebound as looking forwarded, further new challenges were faced in the year under review. Upon the lifting of Hong Kong travel restrictions after the pandemic, citizens were indulged in revenge outbound travel and drive the popularity of cross-border spending, leading to the significant and unexpected decline in local consumption. On the other hand, the numbers of inbound visitors, their consumption patterns, and the proportion of overnight visitors were deviated from the past experience. All these changes have a great impact to the market, requiring considerable time to explore on the new directions.

The Group determinates to walk hand in hand with the community. By utilising our trade experience, networking, and market intelligence in the frozen food trade business, we adopt the flexible and strategic business plan for moving forward. Despite the ever-changing business environment, we are endeavored to enhance our market competitiveness, strengthen the foundation and cope with the challenges.

BUSINESS REVIEW AND PROSPECTS (continued)

Frozen Meats Trading

The catering and frozen meat trading industries in Hong Kong faced a challenging business environment during the year ended 31 March 2024. The Hong Kong economy experienced a period of slow growth, the overall consumption sentiment slowed down and the fashion of cross-border consumption developed. In the period of review, more and more Hong Kong residents changed to shop and spend in the Chinese Mainland, resulted in the local frozen meat market being severely affected especially the supply to retail and catering sector, the demand of the middle to high range restaurants significantly shrank. Therefore on sales strategy, besides consolidation the sales to our long term customers, we focus on the fast food chain sector. In the period of review, sales in fast food chain sector have recorded a remarkable growth of about 32% as compared to previous year and able to achieve higher gross profit for the Group. Therefore we will continue to strengthen the business in this sector in the coming years.

We are endeavor to maintain a robust and reliable supply chain, as well as provide a competitive range of product supply to our customers. To ride on our network and competitive edge, in coping with the market trend, our frozen meats trading segment expanded our product portfolio to include a wider range of high-quality frozen meat products, catering to diverse customer preferences. We successfully introduced the “Hokkaido Snow Dream Pork” brand to the local market and became an exclusive selling agent in Hong Kong and Macau. In view of the increasing market demand for pork from Hokkaido, Japan, this strategic expansion is hoped to contribute to increased sales and market penetration. We also explored hormone-free meat products in recent years and introduced hormone-free chicken products from suppliers that adopt international hygiene standards.

To navigate the uncertain market environment, we would focus on cost control, supply chain optimisation, developing new products that cater to evolving consumer preferences and opening up new overseas markets to increase the profit margins.

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.

In the year under review, it was a tough year for the catering industry in Hong Kong. Challenges posed to the catering industry included rising energy prices, fierce market competition, changes in consumption patterns and cross-border consumption to the mainland. During the year, the catering industry was also hit by a slower than-expected economic recovery in Hong Kong. With the lifting of Hong Kong travel restrictions, there was a notable increase in outbound travel, yet the inbound traveler arrivals simply could not fill the gap. In such an unfavourable business climate, our business as well as the whole catering industry in Hong Kong were severely affected.

Facing such difficult market condition, we actively face the challenge and do our best endeavor to cope the changing environment. On internal management, strict cost control measures were promptly adopted to minimise the food wastage cost and streamlined the kitchen operation. We also employed new sales strategies to improve the operation efficiency by introducing more value for money menu to attract both new and existing customers. Also, promotion was launched in social media to stimulate sales growth, including advertising in the mainland to expand our customer base and build up our brand reputation.

BUSINESS REVIEW AND PROSPECTS (continued)

Other Business

The segment of communication and advertising design business is growing steadily. We offer a diversity of services and specialise in providing comprehensive above the line and below the line advertising services. Riding 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 and the business network of our Group, we developed more new businesses from both catering and other sectors. Besides maintaining our existing clients, we will focus on the marketing and digital media business in the future.

Food Business Investment

The Group continues to hold approximately 29.99% (2023: 29.99%) equity interest of Four Seas Mercantile Holdings Limited (“FSMHL”) as a strategic investment in the food business.

Despite the challenging business environment and low market sentiment, FSMHL’s overall performance met expectations during the review period. FSMHL’s business is mainly concentrated in Hong Kong, Chinese Mainland and Japan. The depreciation of Renminbi and Japanese yen in the period under review also affected the revenue of FSMHL.

Food distribution is the core business of FSMHL, during the year, it continued to introduce a diverse range of Japanese foods and explored more opportunities in the food distribution segment. Products like Japanese ice cream, Japanese eggs, Japanese milk, Japanese tofu and Japanese rice achieved remarkable sales and became a stable income source.

Following the acquisition of Miyata Co., Ltd. (“Miyata”), FSMHL was able to introduce foods produced in Chinese Mainland into the Japanese market. The long history in Japan and strong network of retail and distribution with a vast customer base of Miyata brought synergy to FSMHL and strengthened the connection between Hong Kong, Chinese Mainland and Japan.

For the financial year ended 31 March 2024, the Group’s share of profit from associates, primarily by FSMHL was HK\$10,393,000 (2023: HK\$12,214,000).

PROSPECTS

Looking forward to the coming year, the full recovery of global economy is sluggish and uncertain. The slowdown of global economic growth, the high-interest rate environment and sustained geopolitical tensions will continue to impact the overall global economy that could be anticipated the various operating costs will continue to rise. For the domestic market, with dampened consumer sentiment and significant shifts in consumer behavior and preferences, timely business adjustments and period of acclimation is needed for both the market and enterprises.

The Group will continue actively monitor the changing market situation, and adopt the suitable policy and strategies. We will consolidate our foundation; strengthen our experience and network, deepening the long term relationship with the overseas suppliers. For the demand of the market is uncertain, we will explore for overseas opportunities to expand our sales network. By widening our range product offering and develop distribution of unique, high quality and cost effective products, and widen our target market to fit for the demand of larger scope of customers. On the other hand, in view of the persistent inflation, we will adopt strict cost control measures and adopt flexible policies to lower down the impact on the raising operating cost. The Group will continue to source in a flexible and diversified manner to stabilise its cost, adjust and strengthen its sales strategies, to speed up new product development with a view to achieving higher profit margin.

FSMHL, the strategic investment partner of the Group, with 50 years of successful experience in operating diversified businesses, maintained its leading position in the Hong Kong market. In the coming year, it will continue to adhere to its development strategy of “Rooted in Hong Kong, Expanding to Chinese Mainland, and Reaching Out to the World”. Based in Hong Kong, while maintaining its leading position in the local market, it will continue to strive to preserve its competitive advantage in Chinese Mainland and also develop new opportunities in Japan and other regions. We have no doubt that FSMHL will bring good revenue to the Group continuously.

Despite the operating environment is full of challenges and persistent external pressures, the Group will keep up the flexibility and adaptability, proactively respond to market changes with suitable strategies, further fully utilise the Group’s competitive advantages and experience to forge ahead in the uncertain market conditions. Leveraging our long-standing business relationships with local customers and overseas suppliers, with their support the Group will continue endeavor in providing delicious, nutritious, and high-quality food products 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 2024, the Group had banking facilities of HK\$200,753,000 of which 15% had been utilised. The Group had a gearing ratio of 6% as at 31 March 2024. 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 2024, the Group held cash and cash equivalents of HK\$74,575,000. 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 2024 was 67. 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 2024.

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 C1 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 2024.

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 C3 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 2024.

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 2024.

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 2024.

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 2024 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on the 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 2024, 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, 27 June 2024

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.