

皇璽餐飲

集團控股有限公司

ROYAL CATERING

Group Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8300



ANNUAL REPORT

2019/20



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Man Wai (*Chairman and Chief Executive Officer*)
Mr. Chan Chak To Raymond
Ms. Lam Wai Kwan

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Cai Chun Fai
Mr. Ng Sai Cheong

COMPLIANCE OFFICER

Mr. Wong Man Wai

AUTHORISED REPRESENTATIVES

Mr. Wong Man Wai
Mr. Ng Shing Kin

COMPANY SECRETARY

Mr. Ng Shing Kin (*HKICPA*)

AUDIT COMMITTEE MEMBERS

Mr. Ma Yiu Ho Peter (*Chairman*)
Mr. Cai Chun Fai
Mr. Ng Sai Cheong

REMUNERATION COMMITTEE MEMBERS

Mr. Cai Chun Fai (*Chairman*)
Mr. Wong Man Wai
Mr. Ng Sai Cheong

NOMINATION COMMITTEE MEMBERS

Mr. Wong Man Wai (*Chairman*)
Mr. Cai Chun Fai
Mr. Ng Sai Cheong

INVESTMENT COMMITTEE MEMBERS

Mr. Wong Man Wai (*Chairman*)
Ms. Lam Wai Kwan
Mr. Ng Shing Kin

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISER TO THE COMPANY

CFN Lawyers

PRINCIPAL BANKERS

Nanyang Commercial Bank, Ltd.
151 Des Voeux Road Central, Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower, 1 Garden Road
Hong Kong

Chong Hing Bank Limited
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24 Des Voeux Road Central, Hong Kong

HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
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COMPANY WEBSITE

www.hkrcg.com

GEM STOCK CODE

8300

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the **"Board"**) of directors of the Company, I am pleased to announce the annual report of the Group for the year ended 31 March 2020.

We are a large food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands both at the Hong Kong International Airport (the **"HKIA"**) and in the urban area of Hong Kong. Up until now, we are operating one restaurant under the brand, *"Chinese Kitchen (中國廚房)"* at the HKIA and five restaurants under the brands, including *"Du Hsiao Yueh Restaurant (度小月)"*, *"Hanlin Tea Room/Hut (翰林茶館/棧)"* and *"Da Shia Taiwan (大呷台灣)"* in the urban area of Hong Kong.

We have a long history of catering business in Hong Kong. We opened our first self-owned brand restaurant *"Taiwan Beef Noodle (台灣牛肉麵)"* in Kowloon City in 1993. Eyeing the potential of the catering business at the HKIA, we operated first restaurant under the brand *"Taiwan Beef Noodle (台灣牛肉麵)"* in 2005 and have expanding our self-owned brand restaurant network at the HKIA since then, including the self-owned brand restaurants *"Nosh Café & Bar"* and *"Macao Harbour (阿瑪港澳門餐廳)"* in 2007, *"Chinese Kitchen (中國廚房)"* in 2014 and *"Coffee Express"* in 2015, offering quality casual dining experience to customers who are looking for quality food in a quick and convenient manner at the HKIA. In 2019, we have launched a new self-owned restaurant *"Da Shia Taiwan (大呷台灣)"* in Central, serving mainly Taiwanese delicacies to the local community.

On the other hand, we have obtained the franchising rights in Hong Kong of three famous catering brands, including *"Du Hsiao Yueh Restaurant (度小月)"*, which is a household name of Taiwanese cuisine, *"Flamingo Bloom"*, which specializes in crafted floral tea and *"Hanlin Tea Room/Hut (翰林茶館/棧)"*, which is a famous Taiwanese-style tea restaurant.

The year ended 31 March 2020 has been a difficult year for us. Our Group was affected by unprecedented events, namely, the social unrest arising from the anti-extradition bill protests (the **"Protests"**) since June 2019 and the outbreak of COVID-19 (the **"Pandemic"**) since January 2020. In response to the unfavorable and uncertain economic situation in Hong Kong, in particular the catering industry, and to overcome the adverse situation, we will take conservative and prudent business strategies in order to support daily business operations and to cope with the economic uncertainty in the near future, as well as seeking opportunities to strengthen our position in operating restaurants in Hong Kong and continue to look for suitable opportunities to introduce popular restaurant brands and expand our business at both the HKIA and the urban area of Hong Kong, as well as tap into the catering markets in the Asia. We are of the view that strengthening the existing brand portfolio of restaurant operations and broadening our scope of food & beverage business operation are in the interest and benefit of the Company and its shareholders (the **"Shareholders"**) as a whole.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our valued customers, business partners, and Shareholders for their persistent support, and express my appreciation to the management team and employees for their valuable contribution to the development of the Group. Finally, I would like to express my sincere appreciation to the officers of the Stock Exchange for their guidance.

Wong Man Wai
Chairman

Hong Kong, 30 June 2020



FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

	For the year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Revenue	68,837	92,662
Loss before tax	(66,867)	(15,909)
Loss and total comprehensive loss for the year attributable to owners of the Company	(65,476)	(18,377)

ASSETS AND LIABILITIES

	As at 31 March	
	2020 HK\$'000	2019 HK\$'000
Assets		
Non-current assets	50,742	61,388
Current assets	48,853	104,330
Total assets	99,595	165,718
Equity and liabilities		
Total equity	58,100	133,762
Non-current liability	9,922	1,284
Current liabilities	31,573	30,672
Total liabilities	41,495	31,956
Total equity and liabilities	99,595	165,718
Net current assets	17,280	73,658
Total assets less current liabilities	68,022	135,046

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Economic growth in Hong Kong

During the year under review, uncertainty about the Hong Kong economy and the catering industry has significantly increased, arising from the Protests and the Pandemic. In the first quarter of 2020, Hong Kong suffered from deepened economic recession, the gross domestic product (“GDP”) contracted sharply by 8.9% in real terms, the steepest for a single quarter on record. As a result, the Group’s business and financial performance was significantly and adversely affected.

BUSINESS REVIEW

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands both at the HKIA and in the urban area of Hong Kong. As at 31 March 2020, we had six restaurants in operation including “Chinese Kitchen (中國廚房)” which was temporarily closed from 10 February 2020.

During the years ended 31 March 2019 and 2020, we were operated the following restaurants:

Brand name	Location	Self-owned/ franchised brand	Operations during the year ended 31 March		Proportion of ownership interest of the restaurants held by the Group as at 31 March	
			2020	2019	2020	2019
Nosh Café & Bar	HKIA	Self-owned	-	✓ (Note 1)	-	100%
Taiwan Beef Noodle (台灣牛肉麵)	HKIA	Self-owned	-	✓ (Note 2)	-	100%
Chinese Kitchen (中國廚房)	HKIA	Self-owned	✓ (Note 3)	✓	100%	100%
Macao Harbour (阿瑪港澳門餐廳)	HKIA	Self-owned	✓ (Note 4)	✓	-	100%
Coffee Express	HKIA	Self-owned	-	✓ (Note 5)	-	-
大呷台灣	Central	Self-owned	✓	-	100%	-
Du Hsiao Yueh Restaurant (度小月)	Harbour City, Tsim Sha Tsui	Franchised	✓	✓	90%	60%
Du Hsiao Yueh Restaurant (度小月)	Times Square, Causeway Bay	Franchised	✓	✓	90%	60%
Du Hsiao Yueh Restaurant (度小月)	V Walk, Nam Cheong	Franchised	✓	-	90%	-
Flamingo Bloom	IFC, Central	Franchised	✓ (Note 6)	✓	-	60%
Flamingo Bloom	Stanley Plaza, Stanley	Franchised	✓ (Note 7)	-	-	-
Hanlin Tea Room/Hut (翰林茶館/棧)	Harbour City, Tsim Sha Tsui	Franchised	✓	✓	100%	60%
Hanlin Tea Room/Hut (翰林茶館/棧)	Grand Plaza, Mong Kok	Franchised	✓ (Note 8)	✓	100%	60%



MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. “Nosh Café & Bar” at the HKIA was closed in May 2018.
2. “Taiwan Beef Noodle (台灣牛肉麵)” at the HKIA was closed in July 2018.
3. “Chinese Kitchen (中國廚房)” at the HKIA was temporarily closed from 10 February 2020 until further notice of reopening, further details of which are set out in the Company’s announcement dated 7 February 2020.
4. “Macao Harbour (阿瑪港澳門餐廳)” at the HKIA was closed in October 2019.
5. “Coffee Express” was a takeaway kiosk at the HKIA and was closed in July 2018.
6. “Flamingo Bloom” at IFC, Central was closed in November 2019.
7. “Flamingo Bloom” at Stanley Plaza, Stanley was commenced of business in April 2019 and was closed in February 2020.
8. “Hanlin Tea Room/Hut (翰林茶館/棧)” at Grand Plaza, Mong Kok was closed in January 2020.

During the year ended 31 March 2020, restaurants under the catering brands, “Macao Harbour (阿瑪港澳門餐廳)” and “Chinese Kitchen (中國廚房)” at the HKIA, “Flamingo Bloom” at IFC, Central and Stanley Plaza, Stanley and “Hanlin Tea Room/Hut (翰林茶館/棧)” at Grand Plaza, Mong Kok were closed (such restaurants together being referred to as the “**Expired Restaurants**”).

Although we have closed the Expired Restaurants, we have been opening two new restaurants under the catering brands until the date of this report, including “Du Hsiao Yueh Restaurant (度小月)”, which is a household name of Taiwanese cuisine, commenced operations in V Walk, Nam Cheong in August 2019 and “大呷台灣”, which serves mainly Taiwanese delicacies to the local community, commenced operations in Central in May 2019 (the two such restaurants together being referred to as the “**New Restaurants**”).

Apart from operating branded restaurants, we franchised our self-owned brands “Taiwan Beef Noodle (台灣牛肉麵)” and “Chinese Kitchen (中國廚房)” for the operation of a restaurant at Canton Road, Tsim Sha Tsui. During the year ended 31 March 2020, the Group disposed of the trademarks “Taiwan Beef Noodle (台灣牛肉麵)” and “Chinese Kitchen (中國廚房)” in Hong Kong (excluding the right to use of such trademarks at the HKIA), together with the receivables from franchise fee income of approximately HK\$0.6 million, at the aggregate consideration of HK\$1.8 million to an independent third party (the “**Disposal**”).

On 30 September 2019, we have further acquired 30%, 40%, 40% and 40% of issued share capital of Du Hsiao Yueh (Hong Kong) Company Limited (“**DHY(HK)**”), Sky Grand International Development Limited (“**Sky Grand**”), Forever Drinks Limited (“**Forever Drinks**”) and Bright Up (HK) Limited (“**Bright Up**”), respectively (the “**Acquisitions**”) as a result of which we owned 90% of the issued share capital of DHY(HK) and 100% of the issued share capital of Sky Grand, Forever Drinks and Bright Up. As at the date of this report, DHY(HK) was principally engaged in the operation of restaurants under the brand “Du Hsiao Yueh Restaurant (度小月)” in Hong Kong; Sky Grand was principally engaged in the operation of restaurants under the brand “Hanlin Tea Room/Hut (翰林茶館/棧)” in Hong Kong; Forever Drinks and Bright Up were principally engaged in the operation of restaurants under the brand “Flamingo Bloom” in Hong Kong. Further information of the said acquisitions is set out in the paragraphs headed “Material acquisition and disposal of subsidiaries” in this report and the announcement of the Company dated 2 October 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operations, financial performance and condition were affected by the Protests and the Pandemic during the year ended 31 March 2020. Since the Protests began in June 2019, consumers' sentiment became sluggish and the demand for dining and catering was affected as a result of the prolonged Protests across the territory. The financial performance of the Group was further worsened by the Pandemic. The Pandemic severely diminished the demand for dining and catering and in response to the Pandemic, the Hong Kong government imposed the social distancing and emergency health measures, the service capability of the restaurants operated by the Group was reduced and the number of customers visiting the Group's restaurants has decreased. Under the combined effect brought by the Protest and the Pandemic, the Group's revenue and operating cash flows worsened during the year ended 31 March 2020. As at the date of this annual report, the Pandemic is not yet under control. In response to the uncertainty in the Hong Kong economy and in particular the catering industry, the Group will take conservative and prudent business strategies in order to support daily business operations and to cope with the economic uncertainty in the near future, as well as seeking opportunities to strengthen our position in operating restaurants at the HKIA whilst continuing to look for suitable opportunities to expand our business in the urban area of Hong Kong.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately 25.8% from approximately HK\$92.7 million for the year ended 31 March 2019 to approximately HK\$68.8 million for the year ended 31 March 2020. The decrease in revenue was mainly attributable to the closure of the Expired Restaurants and the negative impacts of the Protests and the Pandemic to our existing restaurants.

Cost of inventories sold

Cost of inventories sold primarily consists of the cost of all the food and beverages used in restaurant operations. The cost of inventories sold of the Group decreased by approximately 17.8% from approximately HK\$16.9 million for the year ended 31 March 2019 to approximately HK\$13.9 million for the year ended 31 March 2020. The decrease in cost of inventories sold was mainly attributable to the decrease in revenue during the year.

Gross profit and gross profit margin

The Group's gross profit, which is equal to revenue minus cost of inventories sold, for the year ended 31 March 2020 was approximately HK\$55.0 million, representing a decrease of approximately 27.3% from approximately HK\$75.7 million for the year ended 31 March 2019. The decrease in gross profit was mainly attributable to the decrease in revenue during the year.

The gross profit margin for the Group's restaurants operating at the HKIA were 80.4% and 79.6% for the year ended 31 March 2019 and 2020, respectively. The gross profit margin for the Group's restaurants operating in the urban area of Hong Kong were 82.6% and 79.9% for the year ended 31 March 2019 and 2020, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

The relatively high and stable gross profit margin for the restaurants operating at the HKIA and in the urban area of Hong Kong for the year ended 31 March 2019 and 2020 were attributable to the centralisation of purchases in bulk orders and the discounts through the centralised warehouse services from a services provider to the Group. For our self-owned restaurants at the HKIA, we outsourced its procurement function to a service provider with a more sophisticated inventory management control. For our franchised restaurants in the urban area of Hong Kong, we outsourced its procurement function under an agreement with a third party, who was a connected person and the transactions contemplated thereunder constituted connected transactions or continuing connected transaction under Chapter 20 of the GEM Listing Rules (the “**CCT**”) on and before 30 September 2019. Details of the CCT are set out under the paragraph headed “Continuing Connected Transactions” in this report.

Other revenue and other income

	For the year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Interest income	325	814
Dividend income	405	2,645
Management fee income	–	43
Sundry income	1,128	153
Tips income	76	157
Net foreign exchange gain	62	275
Gain on disposal of trademark	1,215	–
Rental concession	2,300	–
Total	5,511	4,087

Other revenue and other income primarily consist of interest income, dividend income, management fee income, sundry income, tips income, net foreign exchange gain, gain on disposal of trademark and rental concession. The other revenue and other income of the Group increased by approximately 34.2% from approximately HK\$4.1 million for the year ended 31 March 2019 to approximately HK\$5.5 million for the year ended 31 March 2020. The increase in other revenue and other income was mainly attributable to the one-off gain on disposal of trademark and rental concession for the year ended 31 March 2020, and the effect was partially offset by the decrease in the dividend income.

Staff costs and employees

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. The staff costs of the Group were stable at approximately HK\$32.8 million and HK\$33.7 million for the years ended 31 March 2019 and 2020, respectively.

As at 31 March 2020, the Group had 98 employees (as at 31 March 2019: 131 employees). The decrease in number of staff was mainly attributable to the closure of the Expired Restaurants, and the effect was partially offset by the commencement of business of the New Restaurants.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation

Our depreciation expenses mainly included the depreciation of right-of-use assets (in respect of the year ended 31 March 2020 only, following the adoption of HKFRS 16 on 1 April 2019), building, leasehold improvements and catering and other equipment amounted to approximately HK\$24.0 million, representing an increase of approximately 361.5% from approximately HK\$5.2 million for the year ended 31 March 2019. The increase in depreciation was mainly attributable to the right-of-use assets recognised, following the adoption of HKFRS 16 on 1 April 2019.

Property rentals and related expenses

The property rentals and related expenses for the year ended 31 March 2020 amounted to approximately HK\$4.8 million, representing a decrease of approximately 80.9% from approximately HK\$25.1 million for the year ended 31 March 2019. The decrease in property rentals and related expenses was mainly due to adoption of HKFRS 16.

Fuel and utility expenses

Fuel and utility expenses primarily consist of fuel expenses, electricity expenses and water supplies of the Group. The fuel and utility expenses of the Group decreased by approximately 12.9% from approximately HK\$3.1 million for the year ended 31 March 2019 to approximately HK\$2.7 million for the year ended 31 March 2020. The decrease in fuel and utility expenses was mainly attributable to the decrease in revenue because of the outbreak of the Pandemic and the closure of the Expired Restaurants.

Administrative expenses

The administrative expenses mainly represent expenses incurred for our operations, including cleaning expenses, consumables stores, transportation and travelling, credit card commission, entertainment, repair and maintenance, insurance, legal and professional fees and marketing and promotion expenses.

Administrative expenses increased from approximately HK\$25.0 million for the year ended 31 March 2019 to approximately HK\$28.3 million for the year ended 31 March 2020, representing an increase of approximately 13.2%, which was mainly due to the increase of marketing and promotion expenses during the year.

Income tax expenses

The income tax expenses for the year ended 31 March 2020 amounted to approximately HK\$1.0 million, representing a decrease of approximately 33.3% as compared with that of approximately HK\$1.5 million for the year ended 31 March 2019. The decrease in income tax expenses was mainly due to deferred tax credit arising from franchise agreement incurred during the year.

Finance costs

The Group's finance costs increased from approximately HK\$1.1 million for the year ended 31 March 2019 to approximately HK\$1.9 million for the year ended 31 March 2020. The increase in finance costs was mainly due to the recognition of interest arising from lease liabilities, following the adoption of HKFRS 16 on 1 April 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

Loss

The Group recorded a loss of approximately HK\$67.9 million for the year ended 31 March 2020 as compared to a loss of approximately HK\$17.4 million for the corresponding period in 2019. The loss was mainly due to (i) a significant drop in revenue of the Group of approximately HK\$23.9 million, which is mainly due to the closure of the certain restaurants and negative impacts of the Protests and the Pandemic, (ii) one-off impairment loss recognised in respect of property, plant and equipment of approximately HK\$6.0 million, (iii) one-off impairment loss recognised in respect of intangible assets of approximately HK\$6.3 million, (iv) one-off impairment loss recognised in respect of right-of-use assets of approximately HK\$19.4 million and (v) increase in administrative expenses of approximately HK\$3.3 million during the year.

The Group is required to assess its non-financial assets for impairment if events indicate the carrying value of the assets may not be recovered. During the year ended 31 March 2020, we conducted impairment assessments to non-financial assets with impairment indicators and result in a non-cash impairment on non-financial assets of approximately HK\$32.0 million. The breakdown is as follows:

	HK\$'000
Impairment of property, furniture and equipment	5,983
Impairment of right-of-use assets	19,404
Impairment of intangible assets	6,321
Total impairment	31,708

If the above non-cash items were excluded, net loss of the Group would have been HK\$36.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of net proceeds from the Listing

The net proceeds from the Listing, after deducting the actual underwriting fees and expenses paid by the Company in connection thereto, were approximately HK\$37.3 million. The intended use of proceeds (the “**Intended Use of Proceeds**”) as set out in the prospectus of the Company dated 1 August 2016 (the “**Prospectus**”) and subsequently amended as summarised in the announcements of the Company dated 9 April 2018, 9 October 2018 and 24 June 2020 (the “**Announcements**”) and the actual use of proceeds from the Listing Date (as defined below) to 24 June 2020 are set forth below:

	Adjusted use of proceeds as stated in the announcement of the Company dated 24 June 2020	Actual amount of proceeds utilised from the Listing Date to 24 June 2020	Unutilised amount out of the proceeds
	HK\$'000	HK\$'000	HK\$'000
Opening new restaurants in Hong Kong	7,930	7,930	–
Opening new restaurants under the franchised brands “翰林茶館” and “翰林茶棧” in the urban area of Hong Kong	5,900	5,900	–
Opening new restaurants in Asia	2,110	2,110	–
Renovation of restaurants and office	3,300	3,300	–
Marketing activities (including recruitment, advertisement and promotion activities) to promote brand awareness	2,300	2,300	–
Upgrade existing restaurant facilities and system	900	900	–
Staff costs in respect of restaurants' staff	13,050	–	13,050
Property rentals and related expenses	1,810	–	1,810
Total	37,300	22,440	14,860

As disclosed in the announcement of the Company dated 24 June 2020, the Group's financial performance and condition were affected by the social unrest arising from anti-extradition bill (the “**Protests**”) and the outbreak of the COVID-19 pandemic (the “**Pandemic**”) during FY2020. In view of the adverse impact of the Protests and Pandemic on the Group's business, the Board resolved to take conservative and prudent business strategies in order to support daily business operations and to cope with the economic uncertainty in the future by reallocating the unutilised net proceeds from the Listing. For further details in relation to the reallocation, please refer to the Company's announcement dated 24 June 2020. The Group plans to utilise the unutilised portion of the net proceeds from the Listing during the coming year ending 31 March 2021.

All the unutilised balances have been placed in licensed banks in Hong Kong.



MANAGEMENT DISCUSSION AND ANALYSIS

Use of net proceeds from issue of Shares

Apart from the net proceeds from the Listing, the Company raised funds from the following issue of shares of the Company (“**Shares**”):

- On 13 March 2017, the Company placed an aggregate of 202,800,000 new ordinary Shares to not less than six places, who were independent third parties at the placing price of HK\$0.15 per share (the “**First Placing**”). The net proceeds from the First Placing, after deducting the placing agent commission and other expenses incurred for the First Placing, amounted to approximately HK\$29.84 million. The net price per First Placing Share was approximately HK\$0.147 and the closing price on the date of the First Placing agreement was HK\$0.121 per Share.
- On 5 January 2018, the Company placed 440,560,000 new ordinary Shares to not less than six places, who were independent third parties at the placing price of HK\$0.105 per share (the “**Second Placing**”). The net proceeds from the Second Placing, after deducting the placing agent commission and other expenses incurred for the Second Placing, amounted to approximately HK\$45.2 million. The net price per Second Placing Share was approximately HK\$0.103 and the closing price on the date of the Second Placing agreement was HK\$0.101 per Share.

During the year ended 31 March 2020, approximately HK\$0.4 million and HK\$5.75 million were used for opening “*Du Hsiao Yueh (度小月)*” restaurants in Hong Kong and for the Acquisition, respectively. The net proceeds were used according to the intentions previously disclosed in the announcements dated 13 March 2017 and 5 January 2018. As at 31 March 2020, unutilised proceeds from the First Placing and the Second Placing were approximately HK\$64.79 million.

As disclosed in the Company’s announcement dated 24 June 2020, the proposed use of unutilised net proceeds from the First Placing and the Second Placing was adjusted as follows:

	Revised intended use of proceeds HK\$ million	Utilised amount of net proceeds as at the date of this report HK\$ million	Unutilised amount as at the date of this report HK\$ million
Net Proceeds from the First Placing			
Pursuing potential acquisition opportunities	5.75	5.75	–
General working capital	2.98	2.98	–
Property rentals and related expenses	5.71	–	5.71
Other operating expenses of restaurants	15.40	–	15.40
Subtotal:	29.84	8.73	21.11

MANAGEMENT DISCUSSION AND ANALYSIS

	Revised intended use of proceeds HK\$ million	Utilised amount of net proceeds as at the date of this report HK\$ million	Unutilised amount as at the date of this report HK\$ million
Net Proceeds from the Second Placing			
Acquiring a property in the urban area of Hong Kong to operate a new restaurant by the Group	37.50	—	37.50
Opening “Du Hsiao Yueh (度小月)” restaurants in Hong Kong	1.52	1.52	—
Other operating expenses of restaurants	6.18	—	6.18
Subtotal:	45.20	1.52	43.68

The change in use of proceeds from the First Placing and the Second Placing was due to the same reasons as disclosed above in the paragraph headed “Use of net proceeds from the Listing” in this report. The Company intends to utilise the unutilised portion net proceeds from the First Placing and the Second Placing as soon as practicable by 31 March 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Group, which may materially and adversely affect its business, financial condition or results of operations:

1. The Group’s revenue derived from restaurants in Hong Kong may experience fluctuations from period to period due to seasonality and other factors.
2. Approximately 25% of the Group’s revenue was derived from the restaurants in urban area in Hong Kong, therefore the Group’s operation may be affected by any future development in urban area of Hong Kong.
3. During the year ended 31 March 2020, the Group generated all of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected. Recently, the Group’s revenue decreased due to (i) the outbreak of the Pandemic; and (ii) the recent social unrest in Hong Kong arising from the Protests.



MANAGEMENT DISCUSSION AND ANALYSIS

Cost of inventories sold, staff costs and property rentals and related expenses contributed the majority of the Group's operating cost. The following factors are uncertain and may affect the cost control measures of our Group:

1. The Group's business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. The price of food ingredients may continue to rise or fluctuate.
2. Minimum wage requirements in Hong Kong was raised from HK\$34.5 per hour to HK\$37.5 per hour with effect from 1 May 2019, and may further increase and affect our staff costs in the future.
3. As at 31 March 2020, the Group licensed or leased all the properties for its restaurants operating at the HKIA and in the urban area of Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in this report, the Group did not have other plans for material investments and capital assets at 31 March 2020.

Comparison of business strategies and actual business progress

An analysis comparing the business objectives as set out in the Prospectus and subsequently amended as summarised in the Announcements with the Group's actual business progress for the period from the Listing Date to 31 March 2020 report is set out below:

Business strategies as stated in the Prospectus and the Announcements

Leveraging our leading position to expand our operations at the HKIA

Strategically opening new restaurants in the urban area of Hong Kong

Actual business progress up to 31 March 2020

The Group has renovated one existing restaurant in the HKIA under the brand "*Chinese Kitchen (中國廚房)*".

In addition, the Group is in the process of identifying popular restaurant brands to expand its operations at the HKIA through franchising or other cooperation arrangement.

We launched a new restaurant brand, namely "*Da Shia Taiwan (大呷台灣)*", offering a range of Taiwanese delicacies, and in May 2019, we opened our first restaurant under the brand "*Da Shia Taiwan (大呷台灣)*" in Central, Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS



Business strategies as stated in the Prospectus and the Announcements

Streamlining our operation for potential business opportunities

Actual business progress up to 31 March 2020

From 31 May 2017 to 31 March 2020, the Group has successfully obtained the franchising rights of three famous catering brands and developed one new self-owned brand name in Hong Kong. The restaurants under franchised brands included “*Du Hsiao Yueh Restaurant (度小月)*”, which is a household name of Taiwanese cuisine, “*Flamingo Bloom*”, which specializes in crafted floral tea, and “*Hanlin Tea Room/Hut (翰林茶館/棧)*”, which is a famous Taiwanese-style tea restaurant. The first three restaurants under the brand “*Du Hsiao Yueh Restaurant (度小月)*” commenced operations in Harbour City, Tsim Sha Tsui, Times Square, Causeway Bay and V Walk, Nam Cheong in June 2017, June 2018 and August 2019 respectively, our first two restaurants under the brand “*Flamingo Bloom*” commenced operations in IFC, Central and Stanley Plaza in July 2018 and April 2019, respectively (ceased of business of the two Flamingo’s shops in November 2019 and February 2020, respectively), and our first two restaurants under the brand “*Hanlin Tea Room/Hut (翰林茶館/棧)*” commenced operations in Harbour City, Tsim Sha Tsui and Grand Plaza, Mong Kok in September 2018 and November 2018, respectively (ceased of business of Mong Kok’s shop in January 2020). The restaurant under self-owned brand included “*Da Shia Taiwan (大呷台灣)*”, which serves mainly Taiwanese delicacies to the local community. The first restaurant under the brand “*Da Shia Taiwan (大呷台灣)*” commenced operation in Central in May 2019.

Apart from this success, the Group will continue to identify other suitable opportunities for franchising, joint venture or other cooperation arrangements with popular restaurant brands.

Tapping into the casual dining market in the Asia

The Group continues to monitor and explore Asia market opportunities for the preparation of our expansion plans in the Asia.

Continue to enhance comparable restaurant sales growth and profitability

The Group will continue to adhere to this objective by (i) increasing sales volume; (ii) optimising restaurant-level staffing; and (iii) maximising the utilization of food ingredients.



MANAGEMENT DISCUSSION AND ANALYSIS

Principal risks and uncertainties in achieving our business strategies

During the year ended 31 March 2020 and up to the date of this report, the Group faces certain risks and uncertainties in achieving our business strategies in accordance with the use of proceeds plan as set out in the Prospectus and the announcements of the Company dated 9 April 2018, 9 October 2018 and 24 June 2020, and are summarised as follows:

- (1) The Group may fail to find commercially attractive locations for new restaurants to achieve our expansion plans;
- (2) When achieving our business plans, timing is everything. The Group may fail to grasp the business trend to determine the optimal time to hit the market or opening our new restaurants;
- (3) In an increasingly volatile and complex trading environment, the Group may face change of consumer behavior and high competition when we launch our business plan; and
- (4) As considered by the Board, the Protests and the Pandemic is likely to continue in long run and remain uncertain and thus, strictly adhering to the previous implementation plan would not be in the Group's interest. On 24 June 2020, the Board resolved to re-allocate an aggregate of HK\$42.15 million for (i) procurement and property rentals and related expenses and (ii) general working capital to support the daily business operation of the Group.

In order to alleviate above risks and uncertainties in achieving our business strategies, we will ensure that our business plans are as resilient as possible to meet these challenges. In the near future, we will take conservative and prudent business strategies in order to support daily business operations and to cope with the economic uncertainty, and also will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on. The Board will continue to assess the impact of the Protests and the Pandemic to the operations of the Group and the plan for the proposed use of any unutilised proceeds from the Listing, the First Placing and the Second Placing and make revision when necessary.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There has been no material change in the capital structure of the Company since 31 March 2020.

Cash position

As at 31 March 2020, the cash and cash equivalents of the Group amounted to approximately HK\$39.5 million (as at 31 March 2019: approximately HK\$55.6 million), which were mainly denominated in Hong Kong dollar, representing a decrease of approximately 29.0% as compared to that as at 31 March 2019. The decrease was mainly resulted from (i) repayment of bank borrowings of approximately HK\$7.5 million, (ii) the payment for the renovation of approximately HK\$2.5 million for our new self-owned brand restaurant "Da Shia Taiwan (大呷台灣)" and (iii) consideration payment of approximately HK\$5.75 million for the Acquisition during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As at 31 March 2020, the total borrowings of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK\$26.2 million (as at 31 March 2019: approximately HK\$10.1 million) and outstanding committed banking facilities amounted to approximately HK\$1.9 million (as at 31 March 2019: approximately HK\$9.5 million). Among the borrowings,

1. approximately HK\$1.9 million (as at 31 March 2019: approximately HK\$9.5 million) was derived from the bank borrowings which bears interest rate at 4.13% as at 31 March 2020 (as at 31 March 2019: from 4.13% per annum); and
2. approximately HK\$24.3 million was derived from lease liabilities of the Group's properties and motor vehicles (as at 31 March 2019: HK\$0.6 million was derived from lease liabilities of the Group's motor vehicles) ranging from 1.99% to 5.19% per annum (as at 31 March 2019: 1.99% per annum). The increase in lease liabilities was mainly attributable to the recognition lease liabilities derived from the minimum lease payment of the Group's properties, discounted by the interest rate implicit to the lease, following the application of HKFRS 16 on 1 April 2019.

Pledge of assets

As at 31 March 2020, the carrying amounts of motor vehicles of approximately HK\$0.2 million was pledged (as at 31 March 2019: HK\$0.4 million).

Gearing ratio

As at 31 March 2020, the gearing ratio of the Group was approximately 45.3% (as at 31 March 2019: approximately 8.0%). The increase was mainly attributable to the recognition of the lease liabilities in respect of leases of restaurants of approximately HK\$23.6 million, following the adoption of HKFRS 16 on 1 April 2019 and the decrease of equity attributable to owners of the Company during the year. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, unlisted corporate bonds, obligation under a finance lease and lease liabilities divided by the equity attributable to owners of the Company at the end of the respective period.

COMMITMENTS

The Group has no committed future minimum lease payments in respect of certain restaurants and warehouse under non-cancellable operating leases, following the application of HKFRS 16 on 1 April 2019 (as at 31 March 2019: approximately HK\$48.2 million). As at 31 March 2020, the Group has outstanding capital commitments of approximately HK\$76,000 (as at 31 March 2019: approximately HK\$2.7 million).

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 March 2020, the Group did not hold any significant investments.



MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 30 September 2019, the Group has entered into share purchase agreements to acquire 30% of issued share capital of DHY from Tao Heung Seafood and 40%, 40% and 40% of issued share capital of Sky Grand, Forever Drinks and Bright Up from Charm Sky respectively, at the aggregate consideration of HK\$5.75 million. Immediately before the completion of the Acquisitions, since each of Tao Heung and Charm Sky was a substantial shareholder of the subsidiaries of the Company and hence a connected person of the Company, the Acquisitions constituted connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Completion of each of the Acquisitions was taken place on the date of the respective agreements. Upon the completion of the Acquisitions, we owned 90% of the issued share capital of DHY (HK) and 100% of the issued share capital of Sky Grand, Forever Drinks and Bright Up.

For details, please refer to the announcement of the Company dated 2 October 2019.

Save for the Acquisitions and disclosed elsewhere in this report, there was no material acquisition or disposal of subsidiaries, associates or joint ventures for the year ended 31 March 2020.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no significant contingent liabilities (as at 31 March 2019: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in HK\$, United States dollar (“**USD**”) and Renminbi (“**RMB**”). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to foreign exchange risk in respect of HK\$ against the USD as long as this currency is pegged.

Since the transactions and monetary assets denominated in RMB are minimal for the years ended 31 March 2019 and 2020, the Group considers that there was no significant foreign exchange risk in respect of RMB for both periods.

The Group did not have any foreign exchange contracts, interest or currency swaps, other financial derivatives or any financial instruments for hedging purposes for the years ended 31 March 2019 and 2020.

TREASURY POLICIES AND RISK MANAGEMENT

The main objective of the Group’s treasury policies is to seek capital appreciation with the surplus fund in short term and non-speculative in nature. The surplus fund is the fund after reserving the working capital requirement for the next 12-month period of the Group and excluding any unused proceeds from the listing and other fund raising activities by the Company including the Placing (as defined below). The investment activities of the Group shall be undertaken by the Investment Committee. Details of the Investment Committee is set out in the section “Corporate Governance Report” of this annual report.

As at 31 March 2020, the Group’s credit risk is primarily attributable to trade receivables, deposits, other receivables and cash and cash equivalents.

At at 31 March 2019 and 2020, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determining credit limits and credit approvals. The Group's monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2019: incurred loss model) on credit card trade receivables individually and the remaining trade receivables are grouped using a provision matrix with past due status grouping. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Deposits and other receivables

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of deposits paid and other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9 (2019: incurred loss model). The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits paid and other receivables.

Cash and cash equivalents

The Group deposited its cash with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. The Directors monitor the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk were minimal.

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

LITIGATIONS

As at 31 March 2020, the Group is not engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance is pending or threatened by or against any member of the Group.

PROSPECTS

Our strategic objective is to continue to strengthen our position in operating restaurants at the HKIA and diversify our business in the urban area of Hong Kong, and strategically looking for opportunities to introduce popular restaurant brands to both the HKIA and the urban area of Hong Kong through franchising or other cooperative arrangements.

However, due to the adverse impact of the internal and external environment such as the Protests and the Pandemic, we decided to take conservative and prudent business strategies in order to support daily business operations and to cope with the economic uncertainty in the near future. In view of these uncertainties and the existing market conditions, we will focus on maintaining sufficient general working capital to support the daily business operation of the Group, and also will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on. We shall thus remain conservative and prudent towards its profitability in the coming months and will continue to manage the Group's expenditure and keep monitoring and searching for market opportunities for our expansion plan in order to improve financial performance.

Looking ahead, we will endeavour to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Shareholders.

 **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT****EXECUTIVE DIRECTORS**

Mr. Wong Man Wai (王文威先生) (“Mr. Wong”), aged 41, is the Chairman of the Board, the Chief Executive Officer of the Company, an executive Director, the chairman of the Nomination Committee and Investment Committee and a member of Remuneration Committee. He is also a director of all subsidiaries of the Group. Mr. Wong is responsible for formulating the overall business strategy and planning; overseeing the Group’s performance generally; leading and representing the Group in negotiation with potential business partners.

Shortly after Mr. Wong’s graduation from The University of New South Wales in May 2003 where he obtained his Bachelor of Commerce in Accounting and Finance, he joined the Group and started taking part in the operation of the restaurants of the Group since April 2004. Up until now, he has over 16 years of experience in the restaurant and catering business.

Mr. Chan Chak To Raymond (陳澤濤先生) (“Mr. Chan”), aged 53, is an executive Director and is responsible for overseeing the day-to-day operation of the restaurants operated by the Group; assessing the performance of frontline staff and formulating training standard and guidance to frontline staff.

Mr. Chan has been with the Group for over 7 years since he joined the Group in October 2009 as the Operation director. Prior to joining the Group, Mr. Chan had accumulated over 15 years of experience in catering related businesses, of which he had worked as a chef for approximately three years and subsequently held managerial positions with various companies engaging in food production, trading or restaurant operation.

Mr. Chan has completed a certificate programme on business administration at Research Institute of Tsinghua University in 2017.

Ms. Lam Wai Kwan (林慧君女士) (“Ms. Lam”), aged 46, is an executive Director and a member of Investment Committee and is responsible for the finance and accounting matters, procurement and cost control measures of the Group. She is also a director of certain subsidiaries of the Group.

Ms. Lam has been with the Group for over 16 years since she joined the Group in November 2003 as an Assistant Manager. She was subsequently promoted to her current position of Accounting Manager in May 2005. After obtaining her Diploma in Commercial Studies from The Chinese Young Men’s Christian Association Hong Kong in May 1992, Ms. Lam has worked in various companies performing secretarial and accounting duties.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Yiu Ho Peter (馬遙豪先生) (“Mr. Ma”), aged 55, is an independent non-executive Director and the chairman of the Audit Committee. He joined the Group since July 2016.

He is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a master degree of business administration from the Hong Kong University of Science and Technology in November 1995. He is also a member of the Hong Kong Institute of Directors since December 2015. He has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of The Hong Kong Parkview Group Limited (now named as Joy City Property Limited) (stock code: 207); the financial controller, qualified accountant and authorised representative of V1 Group Limited (formerly known as VODone Limited) (stock code: 82), both are listed companies on the Main Board of the Stock Exchange; chief financial officer of Superior Fastening Technology Limited (stock code: 5DW), a listed company on the Singapore Exchange.

Mr. Ma has also worked for Standard Chartered Equitor Trustee HK Limited and Hong Kong Government’s Audit Department. Mr. Ma has been a director of the following listed companies on the Stock Exchange during the periods indicated below:

Name of listed company (stock code)	Position held	Period during which he held directorship
Indigo Star Holdings Limited (stock code: 8373)	Independent non-executive director	October 2017 — CURRENT
TEM Holdings Limited (stock code: 8346)	Independent non-executive director	April 2016 — CURRENT
Mobile Internet (China) Holdings Limited (stock code: 1439)	Independent non-executive director	December 2013 — CURRENT
Convoy Global Holdings Limited (stock code: 1019)	Independent non-executive director	March 2010 — July 2018
Huisheng International Holdings Limited (stock code: 1340)	Independent non-executive director	February 2014 to July 2017
China Ocean Fishing Holdings Limited (formerly known as Sky Forever Supply Chain Management Group Limited) (stock code: 8047)	Independent non-executive director	July 2014 to May 2015

 **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Mr. Cai Chun Fai (蔡振輝先生) (“Mr. Cai”), aged 38, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He joined the Group since July 2016.

Mr. Cai holds the degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cai has over ten years’ experience in auditing, accounting and financial management. He has been an independent non-executive director of My Heart Bodibra Group Limited (stock code: 8297), a company listed on the GEM of the Stock Exchange, since February 2018. He is an executive director and the company secretary of Zhaobangji Properties Holdings Limited (stock code: 1660), a company listed on the Main Board of the Stock Exchange, since March 2019. He was an independent non-executive director of Inno-Tech Holdings Limited (stock code: 8202), a company listed on the GEM of the Stock Exchange, from 2 to 14 February 2018.

Mr. Ng Sai Cheong (伍世昌先生) (“Mr. Ng”), aged 43, is an independent-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee. He joined the Group since August 2018.

Mr. Ng has more than 20 years of experience in auditing and accounting. Mr. Ng worked at Lee Sik Wai & Co., an accounting firm, between June 1998 and April 2000 with his last position held as semi-senior. He then worked at Charles Chan, Ip & Fung CPA Limited (currently known as CCIF CPA Limited) from April 2000 to February 2001 with his last position held as auditor. Between February 2001 and September 2002 and between October 2002 and September 2003, he served as a staff accountant and senior accountant, respectively, at Ernst & Young. He later joined Beauty China Holdings Limited (a company formerly listed on the Singapore Stock Exchange (stock code: B15.SG)) as an accounting manager in October 2003 and was promoted to assistant financial controller in October 2007, a position which he had held until August 2009. He then worked at Top Express Holdings Limited between September 2009 and April 2012 with his last position held as chief financial officer.

Mr. Ng was the financial controller of Kwan On Holdings Limited, a company listed on the Main Board (stock code: 1559), since August 2012 and its company secretary since January 2013 and has been retitled to chief financial officer and company secretary since February 2018 and resigned as the chief financial officer and company secretary in December 2018. Mr. Ng has been the executive director of Indigo Star Holdings Limited, a company listed on GEM (stock code: 8373), since April 2017 and its company secretary from April 2017 to September 2017.

Mr. Ng graduated from The Hong Kong University of Science and Technology in November 1998 with a bachelor of business administration degree in accounting and obtained a master of corporate governance degree from The Open University of Hong Kong in June 2007. Mr. Ng has become an associate of Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) since March 2003. He is an associate of the Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Ng Shing Kin (吳成堅), aged 39, is the Group's financial controller and company secretary of the Company. He joined the Group since November 2015. He is mainly responsible for the handling and overseeing the financial reporting, financial planning and reviewing internal control of the Group.

Mr. Ng Shing Kin obtained an honours diploma in business administration from the Hong Kong Shue Yan College in July 2005 and a master's degree of business administration from The University of Louisiana at Monroe in Hong Kong in May 2007. Mr. Ng Shing Kin further obtained a postgraduate diploma in professional accounting from the Hong Kong Baptist University in November 2007. Mr. Ng Shing Kin was granted the designation of financial risk manager by the Global Association of Risk Professionals in July 2008, and was admitted as a member of the HKICPA in January 2012. Mr. Ng Shing Kin is currently a practising certified public accountant in Hong Kong.

Prior to joining the Group in November 2018, Mr. Ng Shing Kin worked at HLB Hodgson Impey Cheng Limited from August 2008 to December 2013 with the last position as senior accountant. From December 2013 to October 2015, he worked in PricewaterhouseCoopers Limited as a senior associate. Since February 2019, he has been working as the company secretary of Ying Hai Group Holdings Company Limited (stock code: 8668), a company listed on GEM of the Stock Exchange. Since December 2019, he has been an independent non-executive director of WMCH Global Investment Limited (stock code: 8208), a company listed on GEM of the Stock Exchange.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The shares of the Company (the “**Shares**”) have been successfully listed on the GEM of the Stock Exchange on 8 August 2016 (the “**Listing Date**”). The Board recognized that the transparency and accountability are important to a listed company. Therefore, the Company is committed to maintaining high standards of corporate government in order to uphold the transparency of the Group and safeguard interests of the Shareholders.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code for the year ended 31 March 2020, except for the deviations of Code Provisions A.2.1.

CHAIRMAN AND CHIEF EXECUTIVE

Paragraph A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wong Man Wai is the Chairman and the Chief Executive Officer of the Company. Considering that Mr. Wong Man Wai has been operating and managing the Group since 2004, the Board believes that it is in the best interest of the Group to have Mr. Wong Man Wai taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the Code is appropriate in such circumstance.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiry of the Directors, all Directors have complied with the required standard of dealings and the Company’s code of conduct regarding securities transactions by the directors throughout the period under review. The Company was not aware of any non-compliance in this respect throughout the year ended 31 March 2020.

BOARD OF DIRECTORS

From 1 April 2019 to 24 June 2020 (being the latest practicable date prior to the issue of this report) (both dates included), the Board comprised three executive Directors, namely Mr. Wong Man Wai, Mr. Chan Chak To Raymond and Ms. Lam Wai Kwan and three independent non-executive Directors, namely, Mr. Ma Yiu Ho Peter, Mr. Cai Chun Fai and Mr. Ng Sai Cheong.

Throughout the year ended 31 March 2020, Mr. Wong Man Wai has been the Chairman of the Board and the Chief Executive Officer of the Company.

The overall management of the Company’s business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. During the year under review, the Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the codes of conduct and compliance manual (if any) applicable to Directors and employees and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Executive Directors and independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee (as defined under the paragraph headed "Board Committees").

The Board has three independent non-executive Directors which complies with Rule 5.05(1) of the GEM Listing Rules. All the three independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

The independent non-executive Directors represent at least one-third of the Board in compliance with Rule 5.05A of the GEM Listing Rules. The Company has received from each independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

The biographical details of the Directors and senior management are set out in the section headed with "Biographical Details of Directors and Senior Management" from pages 20 to 23 of this annual report. Save as disclosed under the paragraph headed "Chairman and Chief Executive" and in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

ATTENDANCE RECORDS OF MEETINGS

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of such meetings in compliance with paragraph A.1.1 of the CG Code. The company secretary assists the Chairman to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director at least 3 days before each Board meeting or committee meeting to enable the directors to make informed decisions on the matters to be discussed, except where a Board meeting or committee meeting is convened on a very urgent basis to consider any urgent ad hoc matter.



CORPORATE GOVERNANCE REPORT

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes will normally be circulated to Directors for comment within a reasonable time after each meeting and all records of Board meeting and committee meetings are open for Directors' inspection.

Additional Board meetings will be convened, as and when required, to deal with ad hoc issues. Any Director who is not able to present physically may participate at any Board meeting through means of a telephone or tele-conferencing or any other telecommunications facility, in accordance with the articles of association of the Company (the "**Articles**").

During the year ended 31 March 2020, the Board convened a total of 18 Board meetings in person or by means of electronic communication and one general meeting. Attendance of each Director at the Board meetings is set out below:

Name of Directors	Board Meeting Attended/Held	General Meeting Attended/Held
<i>Executive Directors</i>		
Mr. Wong Man Wai (<i>Chairman</i>)	18/18	1/1
Mr. Chan Chak To, Raymond	18/18	1/1
Ms. Lam Wai Kwan	18/18	1/1
<i>Independent non-executive Directors</i>		
Mr. Ma Yiu Ho, Peter	18/18	1/1
Mr. Cai Chun Fai	18/18	1/1
Mr. Ng Sai Cheong	18/18	1/1

BOARD COMMITTEES

The Board has established four Board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the investment committee (the "**Investment Committee**"). The written terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are available on the websites of the Stock Exchange and the Company.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring training and continuous professional development of Directors and Senior Management, reviewing the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this corporate governance report.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to a resolution of the directors passed on 21 July 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditors; review and monitor the independence of the external auditor of the Group; review financial statements of our Company and judgments in respect of financial reporting; and review and oversee the effectiveness of the procedures of the financial control, risk management and internal control procedures of our Group. The Audit Committee consists of three independent non-executive directors, namely Mr. Ma Yiu Ho Peter, Mr. Cai Chun Fai and Mr. Ng Sai Cheong. Mr. Ma Yiu Ho Peter is the chairman of the Audit Committee.

Pursuant to the terms of reference of the Audit Committee, meetings shall be held not less than twice a year and the external auditor may request a meeting if they consider that one is necessary. During the year ended 31 March 2020, the Audit Committee convened five committee meetings. The Audit Committee had reviewed the Group's annual results and annual report for the year ended 31 March 2019, first quarterly results for the three months ended 30 June 2019, interim results for the six months ended 30 September 2019 and third quarterly results for the nine months ended 31 December 2019 and discussed internal controls, risk management and financial reporting matters. Attendance of each Audit Committee member is set out below:

Name of Directors	Audit Committee Meeting Attended/Held
<i>Independent non-executive Directors</i>	
Mr. Ma Yiu Ho, Peter	5/5
Mr. Cai Chun Fai	5/5
Mr. Ng Sai Cheong	5/5

There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the Company's auditors. The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), and recommended to the Board to re-appoint HLB as the Company's auditors for the year 2019, which is subject to the approval of shareholders at the forthcoming annual general meeting.

The Company's annual results and annual report for the year ended 31 March 2020 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.



CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 21 July 2016 pursuant to a resolution in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the CG Code.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of our Group and ensure that none of the Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Cai Chun Fai, Mr. Wong and Mr. Ng Sai Cheong. Mr. Cai Chun Fai is the chairman of the Remuneration Committee.

During the year ended 31 March 2020, the Remuneration Committee convened one committee meeting. Attendance of each Remuneration Committee member is set out below:

Name of Directors	Remuneration Committee Meeting Attended/Held
<i>Executive Directors</i>	
Mr. Wong Man Wai	1/1
<i>Independent non-executive Directors</i>	
Mr. Cai Chun Fai (<i>Chairman</i>)	1/1
Mr. Ng Sai Cheong	1/1

During the year ended 31 March 2020, Remuneration Committee has approved the renewal of the service contracts of the executive Directors and the letters of appointment of two independent non-executive Directors, assessed the performance of executive Directors and reviewed the remuneration and compensation package of the executive Directors and the senior management with reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the executive Directors and the senior management and the performance of the Group, and made recommendations to the Board on the same, and the proposal to pay performance bonus to certain executive Directors based on his/her good performance and contribution to the Group, including successfully launched news restaurants and managed existing restaurants in 2019 amid the economic downturn in Hong Kong.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF SENIOR MANAGEMENT BY BAND

The remuneration of the members of the senior management by band for the year ended 31 March 2020 is set out below:

Annual remuneration by band	Number of Members of senior management
HK\$500,001 to HK\$1,000,000	1

NOMINATION COMMITTEE

Our Company established the Nomination Committee on 21 July 2016 with written terms of reference in compliance with paragraph A.5.2 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of directors. The Nomination Committee consists of three members, namely Mr. Wong Man Wai, Mr. Ng Sai Cheong and Mr. Cai Chun Fai. Mr. Wong is the chairman of the Nomination Committee.

During the year ended 31 March 2020, the Nomination Committee convened one committee meeting. Attendance of each Nomination Committee member is set out below:

Name of Directors	Nomination Committee Meeting Attended/Held
<i>Executive Director</i>	
Mr. Wong Man Wai (<i>Chairman</i>)	1/1
<i>Independent non-executive Directors</i>	
Mr. Cai Chun Fai	1/1
Mr. Ng Sai Cheong	1/1

During the year ended 31 March 2020, the Nomination Committee has made recommendation on the re-election by the Shareholders of two Directors at the annual general meeting held on 20 September 2019, reviewed the structure and composition of the Board and assessed the independence of the independent non-executive Directors.



CORPORATE GOVERNANCE REPORT

Nomination policy

On 31 December 2018, the Nomination Committee recommended to the Board and the Board approved and adopted the nomination policy, a summary of which is set out below:

1. the Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. In addition, the Nomination Committee will consider director candidates properly submitted by the shareholders of the Company;
2. the evaluation of director candidates may include, without limitation, review of resume and job history, personal interviews, verification of professional and personal references and performance of background checks;
3. in considering candidates for director nominee, the Nomination Committee will take into account whether a candidate has the qualifications, skills and experience, gender diversity, etc. that can add to and complement the range of skills, experience and background of existing Directors;
4. the Nomination Committee considers that (i) the highest personal and professional ethics and integrity ; (ii) proven achievement and competence in the nominee's field and the ability to exercise sound business judgment; (iii) skills that are complementary to those of the existing Board; (iv) the ability to assist and support management and make significant contributions to the Company's success; and (v) an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities are at a minimum to be required of a director candidate in recommending to the Board potential new Director, or the continued service of existing Director; and
5. the independent non-executive director candidates should meet the "independence" criteria as required under GEM Listing Rules and the composition of the Board is in conformity with the provisions of the GEM Listing Rules.

To ensure that the nomination policy continues to be implemented smoothly in practice, during the year under review, the Nomination Committee has reviewed the policy having regard to the regulatory requirements, good corporate governance practice and the expectations of the Shareholders and other stakeholders of the Company.

Board diversity policy

On 31 December 2018, the Nomination Committee recommended to the Board and the Board approved and adopted an updated board diversity policy, a summary of which is set out below:

1. the Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor;
2. the Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including skills, regional and industry experience, professional experience, background, education, race, gender, age, culture and other qualities etc;

CORPORATE GOVERNANCE REPORT

INVESTMENT COMMITTEE

Our Company established the Investment Committee on 23 May 2017. The primary duties of the Investment Committee are to establish the Group's investment policies and strategies; controlling the day-to-day investment activities and associated financing activities; executing investment transactions in accordance with the treasury policies of the Group; managing the investment portfolio within approved policies, parameters and limits; preparing regular investment portfolio reports; maintaining business relationships with external investment managers, banks and broker firms; maintaining business relationships with external investment managers, banks and broker firms; monitoring the investment regularly to ensure the investment does not exceed the investment cap in accordance with the treasury policies of the Group and reporting the same in a monthly report to the Board; and monitoring the investment activities to ensure compliance with the treasury policies of the Group and any other statutory and regulatory requirements, including the GEM Listing Rules. The Investment Committee consists of three members, namely Mr. Wong Man Wai, Ms. Lam Wai Kwan and Mr. Ng Shing Kin. Mr. Wong Man Wai is the chairman of the Investment Committee.

During the year ended 31 March 2020, the Investment Committee convened 12 meetings. Attendance of each Investment Committee member is set out below:

Name of Directors	Investment Committee Meeting Attended/Held
<i>Executive Directors</i>	
Mr. Wong Man Wai (<i>Chairman</i>)	12/12
Ms. Lam Wai Kwan	12/12
<i>Senior Management</i>	
Mr. Ng Shing Kin	12/12

During the year ended 31 March 2020, the Investment Committee has reviewed financial performance of the investment portfolio of the Group.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company and each of our independent non-executive Directors has entered into a letter of appointment with our Company for a fixed term of three years. All service contracts and letters of appointment are terminable by giving at least three months' notice and subject to termination provisions therein and provisions on retirement by rotation and reelection in accordance with the Articles and the GEM Listing Rules.

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.



CORPORATE GOVERNANCE REPORT

After the year under review, the Nomination Committee, having reviewed the Board's composition, nominated Mr. Wong Man Wai and Ms. Lam Wai Kwan to the Board for it to recommend to Shareholders for re-election at the ensuing annual general meeting of the Company. The nominations were made in accordance with the terms of reference of the Nomination Committee and the objective criteria (including without limitation skills, experience, knowledge, expertise, culture, independence, age and gender), with due regard for the benefits of diversity, as set out under the board diversity policy of the Company. The Nomination Committee had also taken into account the respective contributions of Mr. Wong Man Wai and Ms. Lam Wai Kwan to the Board and their firm commitment to their roles. As a good corporate governance practice, each of Mr. Wong Man Wai and Ms. Lam Wai Kwan had abstained from voting at the Board meeting on their nominations for re-election by Shareholders. Mr. Wong Man Wai and Ms. Lam Wai Kwan do not have any service contracts with any member of the Group that are not determinable by the Group within one year without compensation (other than statutory compensation). Their particulars will be set out in the circular to Shareholders to be sent together with this report and posted on the websites of the Stock Exchange and the Company.

DIVIDEND POLICY

On 31 December 2018, the Board has adopted a dividend policy, details of which are as follows:

1. The Company considers stable and sustainable returns to shareholders of the Company to be its goal and endeavours to maintain a dividend policy to achieve such goal. In deciding whether to propose a dividend and in determining the dividend amount, the Board would take into account the Group's results of operations, earnings performance, cashflows, financial condition, future prospects, as well as statutory and regulatory restrictions on the payment of dividends, and other factors that the Board may consider relevant.
2. Whilst the Board will review from time to time for determination on proposed dividend with the above factors taken into account, there can be no assurance that dividends will be declared or paid in any particular amount for any given period.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

The Directors are aware of the requirement under the code provision A.6.5 of the CG Code regarding continuous professional development. During the year, the Directors had reviewed the reading materials related to corporate governance and regulations that provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments.

DEED OF NON-COMPETITION

Each of the controlling Shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 25 July 2016. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the controlling Shareholders and duly enforced during the year under review and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2020, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditors, HLB, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report included in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for reviewing the effectiveness of the Group's risk management and internal control systems. The risk management process includes risk identification, risk evaluation, risk management and risk control and review.

The management is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority.

During the reporting period, the Board has conducted an annual review of the adequacy and effectiveness of the implemented risk management and internal control system and procedures, including areas covering financial, operational, compliance and risk management functions. The systems are implemented to minimize the risk to which the Group is exposed and is used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses. The Board was satisfied with the adequacy and effectiveness of the risk management and internal control system.

The Group does not have an internal audit function as the Board has reviewed the effectiveness of the internal control system of the Company and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. The situation will be reviewed from time to time.

The Group has engaged CityLinkers Corporate Advisory Services Limited, external professional consultant, to conduct independent internal control review for the year ended 31 March 2020 and the review is completed as at the date of this annual report.

For the year ended 31 March 2020, the Board considered the Group's internal control system as adequate and effective and that the Company has complied with the code provisions on internal control of the CG Code.



CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year under review, HLB (including its affiliates) provided with the Group audit and non-audit services. The remuneration for the audit service and non-audit services provided by HLB (including its affiliates) to the Group during the year ended 31 March 2020 was approximately as follows:

Type of Services	Amount HK\$'000
Audit services	600
Non-audit services	92
Non-audit services	692

COMPANY SECRETARY

Mr. Ng Shing Kin is the company secretary of the Company, whose biographical details are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the year ended 31 March 2020, Mr. Ng Shing Kin has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

INVESTOR RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to the shareholders and the investing public.

The Company's corporate website is <http://www.hkrcg.com/tc/index.php>. All corporate communication materials published on the GEM website (<http://www.hkgem.com>) and the Stock Exchange's website (<http://www.hkexnews.hk>) are posted on the Company's corporate website as soon as practicable after their release. The Company's constitutional documents are also available on our website. No significant changes were made to the constitutional documents and other corporate communication materials of the Company during the year ended 31 March 2020. Information on the website will be updated on a regular basis.

Share registration matters shall be handled for the Shareholders by the Company's branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each issue at Shareholder meetings, including the election of individual Directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting.

Pursuant to the Articles, any two or more Shareholders holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company has statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by Shareholders by sending to the Board or the company secretary of the Company at the principal place of business of the Company in Hong Kong a written request for such general meeting duly signed by the Shareholders concerned together with the proposed agenda items and such meeting shall be held within three months of the deposit of such requisition. Shareholders also have the right to propose a person for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

Enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available to the company secretary of the Company at the following contact details who is responsible for forwarding communications relating to matters within the Board and communication relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the chief executive officer.

The contact details of the company secretary of the Company is set out below:

Address: Unit 1201, 12th Floor, Great Smart Tower, 230 Wan Chai Road, Wan Chai, Hong Kong

Telephone: 2388 9423

Fax: 3188 0501

Email: info@hkrcg.com

Putting forward proposals at a general meeting

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at Shareholders' meetings. The proposals shall be sent to the company secretary of the Company at the contact details as set out in the paragraph headed "Enquiries to the Board" by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening an extraordinary general meeting" above.

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the CG Code.



REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements. The principal activities of the Group are the provision of casual dining food catering services in Hong Kong. There was no significant change in the Group's principal activities during the reporting period.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

BUSINESS REVIEW

A fair review and an analysis of the business of the Group using financial key performance indicators, a discussion of the principal business risks and uncertainties facing the Group and the future development of the Group's business are provided in the section headed "Chairman's Statement" and paragraphs headed "Business Review", "Financial Review", "Principal Risks and Uncertainties" and "Prospects" in the "Management Discussion and Analysis" section, respectively on page 3, pages 5 to 7, pages 7 to 12, page 13 and page 19 of this annual report. Additionally, the financial risk management objectives and policies of the Company can be found in note 4 to the consolidated financial statements. These discussions form part of this Report of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has always encouraged environmental protection, strictly complied with environmental regulations and promoted environmental protection awareness among employees. The Group implements strict monitoring through the establishment of an ever-improving environmental management system. During the year ended 31 March 2020, the Group was in compliance, in all material respects, with the relevant environmental laws and regulations.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions undertaken in the normal course of business of the Group are set out in note 37 to the consolidated financial statements. None of these transactions with the related parties of the Group carried out during the year under review constituted connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules.



CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 31 December 2018 regarding an agreement dated 31 December 2018 entered into between Simple Future Investment Ltd. (“**Simple Future**”) and Tensel Investment Limited (“**Tensel**”) (the “**Master Agreement**”), further details of which are set out in the company’s announcement dated 31 December 2018 (“**CCT Announcement**”). On 30 September 2019, Simple Future and Tensel entered into a supplemental agreement, pursuant to which the Master Agreement dated 31 December 2018 was amended with the effect from 1 October 2019 (the “**Supplemental Agreement**”). For detail, please refer to the announcement of the Company dated 2 October 2019.

Master Agreement

The term of the Master Agreement commenced from 31 December 2018 and ending on 31 March 2021 (or such other date as the parties thereto may agree in writing) unless terminated earlier in accordance with the Master Agreement or by agreement in writing between the parties thereto.

Under the Master Agreement, Tensel shall (i) provide management services regarding the day-to-day running and operation of the two restaurants under the brand “*Du Hsiao Yueh Restaurant (度小月)*” in Harbour City, Tsim Sha Tsui and Times Square, Causeway Bay, respectively; a restaurant under the brand “Flamingo Bloom” in International Finance Centre, Central; and two restaurants under the brand “*Hanlin Tea Room/House (翰林茶館/棧)*” in Harbour City, Tsim Sha Tsui and Grand Plaza, Mong Kok, respectively; and such other restaurants, food outlets and beverage shops as Simple Future and Tensel may agree from time to time (the “**Restaurants**”) and (ii) supply, or procure its associates to supply, the food ingredients, food products, beverages, utensils and other ancillary equipment regarding the day-to-day running and operation of the Restaurants (the “**Products**”).

Tensel shall carry out the works as above mentioned and the Group shall pay the management fees (the “**Management Fees**”) and purchase price (the “**Purchase Price**”) to Tensel in accordance with the Master Agreement. The Management Fees equal to the sum up to three percent (3%) of the aggregate gross amount received from all trades and business of a Restaurant in a calendar month and deducting therefrom the gross amount of (i) cash or credit refunds to customers for goods returned or not sold; (ii) any cash refund for goods claimed to be unsatisfactory or defective and the sale price of any goods returned by the customers for exchange; and (iii) purchase tax and any similar sales or excise tax (if any) imposed directly on the Restaurant in respect of the supply of goods or services but only to the extent that such tax is actually paid or accounted for by the Restaurant to the tax authorities (the “**Monthly Consolidated Gross Sales Turnover**”) of the Restaurants. The Purchase Price shall be no less favourable than the purchase price for the supply of the Products by Tensel and its subsidiaries (the “**Manager Group**”) to any member of Manager Group and any third party.



REPORT OF DIRECTORS

As disclosed in the CCT Announcement, the Board estimated that the annual caps under the Master Agreement as set forth below:

	Aggregate Management Fees to be paid by the Group	Aggregate Purchase Price to be paid by the Group
For the year ending 31 March 2019	HK\$1.5 million	HK\$4.3 million
For the year ending 31 March 2020	HK\$1.0 million	HK\$6.3 million

Supplemental Agreement

On 30 September 2019, Simple Future and the Manager entered into the Supplemental Agreement, pursuant to which, with effect from 1 October 2019:

1. The management services to be provided by Tensel were amended to cover accounting and procurement and logistic only.
2. The expiry date of the term of the Master Agreement was amended from 31 March 2021 to 31 March 2020, and Simple Future may terminate the Master Agreement by giving the Manager at least one month's written notice of termination.
3. Management Fees payable to Tensel were amended from three percent (3%) to one percent (1%) of the Monthly Consolidated Gross Sales Turnover of a restaurant.

The other terms of the Master Agreement remained unchanged and binding on Simple Future and Tensel.

Connected relationship between Tensel and the Group

Immediately before the completion of the Acquisitions, Tensel indirectly owned 30% of shares in DHY(HK), 40% of shares in Forever Drinks, 40% shares in Bright Up and 40% of shares in Sky Grand. Therefore, DHY(HK), Forever Drinks, Bright Up and Sky Grand were non-wholly owned subsidiaries of the Company and Tensel was a connected person of the Company and the transactions under the Master Agreement constituted continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Upon the completion of the Acquisitions, Tao Heung Seafood and Charm Sky, being wholly-owned subsidiaries of Tensel, were no longer substantial shareholders of the subsidiaries of the Company and hence Tensel was no longer a connected person of the Company. The transactions between the Group and Tensel under the Master Agreement and the Supplemental Agreement no longer constitute connected transactions for the Group from 1 October 2019.

Management Fees and Purchase Price paid by the Group

During the period from 1 April 2019 to 30 September 2019, the Management Fees and Purchase Price amounted to approximately HK\$0.4 million (year ended 31 March 2019: HK\$1.3 million) and approximately HK\$2.5 million (year ended 31 March 2019: HK\$3.9 million), respectively, which were within the annual cap for the year.



Annual Review of Continuing Connected Transactions

Pursuant to Rule 20.53 of the GEM Listing Rules, the non-exempt continuing connected transactions under the Master Agreement mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has been engaged by the Company to report on the Group's continuing connected transactions under the Master Agreement. The auditor has issued a letter to the Board containing their findings and conclusions in respect of the non-exempt continuing connected transactions under the Master Agreement mentioned above in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditors' letter has been provided to the Stock Exchange in accordance with Rule 20.55 of the GEM Listing Rules.

DONATIONS

Donations of amount approximately HK\$264,000 had been made by the Group for the year ended 31 March 2020 (2019: HK\$295,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 58 and note 36 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

There is no distributable reserves of the Company as at 31 March 2020, calculated under Part 6 of the Companies Ordinance (Cap.622) (as at 31 March 2019: Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

REMUNERATION POLICIES

Remuneration of employees (excluding the Directors) is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. As incentives or rewards for their contribution to our Group, the Group has adopted the Share Option Scheme (as defined below) and may grant options under the Share Option Scheme (as defined below) to reward its employees, the Directors and other selected participants for their contributions to the Group.



REPORT OF DIRECTORS

The Directors are of view that employees are one of the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relations with its employees.

Employees are regarded as the most important and valuable assets of the Group. We provide various types of trainings to our employees, including (i) conducting in-house continuous professional development seminars; and (ii) provision of safety training programme to staff to enhance their safety awareness.

FINANCIAL SUMMARY

A summary of the Group's results and financial position is set out on page 130 of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year under review.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report had been published.

SHARE OPTIONS SCHEME

The share option scheme (the "**Share Option Scheme**") was conditionally adopted by a written resolution of the sole shareholders passed on 21 July 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to enable our Group to grant options to selected eligible participants, including employee, Directors, suppliers, customers, person or entity that provides research, development or other technological support, shareholders, adviser (professional or otherwise) or consultant to any area of business or business development and other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group (the "**Eligible Participants**"), as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected Eligible Participants for their contributions to our Group. Our Directors may, at its absolute discretion, invite any Eligible Participants to take up options to subscribe for Shares on the terms set out in the Share Option Scheme. The eligibility of any of the classes of Eligible Participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option with a consideration of HK\$1.0 payable on acceptance of the grant of an option. Further details of the Share Option Scheme were provided in the Prospectus.

REPORT OF DIRECTORS



Unless otherwise terminated by resolution in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which no further options shall be offered, but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the Shares of our Company in issue from time to time (i.e. 793,008,000 Shares as at the date of this report). The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares on the Listing Date (i.e. not exceeding 200,000,000 Shares). The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant (who is not a substantial Shareholder or an independent non-executive Director or their respective associates) in any 12-month period shall not exceed 1.0% of the issued share capital of our Company for the time being. Unless with the approval by the Shareholders in general meeting in accordance with the terms of the Share Option Scheme, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to a substantial Shareholder or an independent non-executive Director or their respective associates in any 12-month period shall not exceed 0.1% of the Shares in issue and having an aggregate value in excess of HK\$5 million. Any grant of options under the Share Option Scheme to a Director, a chief executive of our Company or a substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent nonexecutive Director who or whose associate is the proposed grantee of the options).

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The exercise price of the option granted under the Share Option Scheme will be a price determined by our Directors at their discretion, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.



REPORT OF DIRECTORS

On 5 October 2016, the Company granted share options exercisable within 10 years to two executive Directors and one Eligible Participant for a total of 60,000,000 ordinary Shares of HK\$0.01 each at the exercise price of HK\$0.163 per Share under the Share Option Scheme. A nominal consideration of HK\$1.00 was received by the Company from each of the three grantees. As at the date of this report, 60,000,000 options had been granted under the Share Option Scheme and no option has been exercised.

The summary of the options granted under the Share Option Scheme that were still outstanding as at 31 March 2020 is as follows:

Name of the grantee	No. of share options outstandings as at 1 April 2019	No. of share options granted during the year ended 31 March 2020	No. of share options exercised during the year ended 31 March 2020	No. of share options adjusted during the year ended 31 March 2020	No. of share options cancelled during the year ended 31 March 2020	No. of share options lapsed during the year ended 31 March 2020	No. of share options outstanding as at 31 March 2020
Mr. Chan Chak To Raymond	20,000,000	—	—	—	—	—	20,000,000
Ms. Lam Wai Kwan	20,000,000	—	—	—	—	—	20,000,000
Employee (in aggregated)	20,000,000	—	—	—	—	—	20,000,000
	60,000,000	—	—	—	—	—	60,000,000

DIRECTORS

The Directors during the year under review and up to the date of this report were:

Executive Directors

Mr. Wong Man Wai (*Chairman*)

Mr. Chan Chak To Raymond

Ms. Lam Wai Kwan

Independent non-executive Directors

Mr. Ma Yiu Ho Peter

Mr. Cai Chun Fai

Mr. Ng Sai Cheong

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except for the transactions disclosed in note 11 to the consolidated financial statements, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or parent company was a party and in which a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year under review or 31 March 2020.

REPORT OF DIRECTORS

CONTRACTS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

No contract of significance, whether for provision of service or otherwise, between the Company or any of its subsidiaries and the controlling Shareholders or any of the controlling Shareholders' subsidiaries subsisted at any time during the year under review.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 20 to 23 of this annual report.

THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Wong Man Wai	Interest of controlled corporation	1,500,000,000	56.7%

These 1,500,000,000 Shares are held by Fortune Round Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Wong Man Wai. Therefore, Mr. Wong Man Wai is deemed to be interested in all the Shares held by Fortune Round Limited for the purpose of the SFO. Mr. Wong Man Wai is the sole director of Fortune Round Limited.

Long positions in the underlying shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Ms. Lam Wai Kwan	Beneficial owner	20,000,000	0.76%
Mr. Chan Chak To Raymond	Beneficial owner	20,000,000	0.76%



REPORT OF DIRECTORS

On 5 October 2016, each of Ms. Lam Wai Kwan and Mr. Chan Chak To Raymond was granted 20,000,000 options exercisable within 10 years from 5 October 2016 to subscribe for Shares at the exercise price of HK\$0.163 per Share pursuant to the Share Option Scheme.

Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Wong Man Wai	Fortune Round Limited	Beneficial owner	one	100%

Save as disclosed above and so far as is known to the Directors, as at 31 March 2020, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

THE INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2020 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of shareholders	Capacity	Number of ordinary shares interested	Percentage of shareholding
Fortune Round Limited	Beneficial owner (<i>note 1</i>)	1,500,000,000	56.7%
Ms. Li Wing Yin	Interest of spouse (<i>note 2</i>)	1,500,000,000	56.7%
Keenfull Investments Limited	Beneficial owner (<i>note 3</i>)	317,280,000	12.0%
Mr. Li Chi Keung	Interest of controlled corporation (<i>note 3</i>)	317,280,000	12.0%
Ms. Wong Hoi Ping	Interest of spouse (<i>note 4</i>)	317,280,000	12.0%



Notes:

1. Fortune Round Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Wong Man Wai. Therefore, Mr. Wong Man Wai is deemed to be interested in all the Shares held by Fortune Round Limited for the purposes of the SFO. Mr. Wong Man Wai is the sole director of Fortune Round Limited.
2. Ms. Li Wing Yin is the spouse of Mr. Wong Man Wai. She is deemed to be interested in all the Shares in which Mr. Wong Man Wai is interested under the SFO.
3. Keenfull Investments Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mr. Li Chi Keung. Therefore, Mr. Li Chi Keung is deemed to be interested in the 317,280,000 Shares held by Keenfull Investments Limited for the purpose of the SFO. Mr. Li Chi Keung is the father of Ms. Li Wing Yin and accordingly, the father-in-law of Mr. Wong Man Wai, our controlling shareholder.
4. Ms. Wong Hoi Ping is the spouse of Mr. Li Chi Keung. She is deemed to be interested in all the Shares in which Mr. Li Chi Keung is interested under the SFO.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any interests or short positions of any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company to be kept under Section 336 of the SFO.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors (including any Director resigned during the year under review) and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements, respectively.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed in the section headed “Biographical Details of Directors and Senior Management” in this annual report, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the year under review.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force since 8 August 2016. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors in the execution and discharge of his or her duties or in relation thereto.



REPORT OF DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers were mainly retail customers and the Group was not dependent on any single customer. As such, the Directors consider that it is not practicable to identify our five largest customers of our Group for the year ended 31 March 2020.

The Group five largest suppliers together accounted for approximately 55.8% (2019: 59.3%) of the Group's total purchase for the year under review. The largest supplier accounted for approximately 26.5% (2019: 23.9%) of the total purchase of the Group for the year under review.

None of the Directors, their respective close associates, or any Shareholder (which, to the best knowledge of the Directors, own more than 5% of the Company's issued Shares) had any interest in the major suppliers of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares throughout the year under review and up to 24 June 2020 (being the latest practicable date prior to the issue of this report).

COMPETING BUSINESS

Save as disclosed in the Prospectus and this report, the Directors are not aware of any business or interest of the Directors or the controlling Shareholders or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 March 2020.

RELATIONSHIP WITH MAJOR STAKEHOLDERS

The Directors are of view that customers and business partners are one of the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relations with its business partners and it endeavours to improving the quality of services to the customers.

The Group stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions. The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its short-term and long-term goals.



Key Relationships with stakeholders

Employees

The Group respects its employees and endeavours to provide better working conditions for its employees. In accordance with the requirements of the Employment Ordinance (Cap. 57), the Company provides and maintains statutory benefits for its staff, including but not limited to mandatory provident fund and statutory holidays.

The Group has also established the policies for remuneration of employees so as to provide fair remuneration packages for the employees under the systemic remuneration management. The Group provides equal opportunity for employees in respect of promotion, appraisal, training, development and other aspects and to build up a sound career platform for employees.

Customers

The Group focuses on improving the quality of its catering services to enhance customer satisfaction, details of which will be elaborated in Environmental, Social and Governance Report of the Company which will be released later.

Suppliers

The Group used to work with the suppliers with the same objectives and develops mutually-successful working relationships with the key suppliers. The Group strictly follows its policy, which is constructed under the Group's corporate culture and professional standard in the selection of suppliers and purchasing process. Although the cost of purchase is a major consideration in selecting suppliers, the Group would also consider the suppliers' corporate social responsibility performances, which include the suppliers' performances on the aspects of legal and regulatory compliance and business ethics etc.

During the year, there was no material or significant dispute between the Group and its suppliers, customers and/or other stakeholders.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 23 September 2020 to 28 September 2020, both days inclusive, during which period no transfer of the Shares will be registered. Shareholders are reminded to ensure that all completed Share transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 22 September 2020.



REPORT OF DIRECTORS

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and in note 43 to the consolidated financial statements, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to 24 June 2020.

AUDITORS

The consolidated financial statements have been audited by HLB who retire and, being eligible, offer themselves for re-appointment. In the last three years preceding 31 March 2020, there has been no change in auditors of the Company.

AUDIT COMMITTEE

The Audit Committee, together with the management and external auditor of the Company, have reviewed the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited consolidated financial statements for the year ended 31 March 2020.

On behalf of the Board

Wong Man Wai

Chairman

Hong Kong, 30 June 2020

INDEPENDENT AUDITORS' REPORT



31/F Gloucester
Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**TO THE SHAREHOLDERS OF
ROYAL CATERING GROUP HOLDINGS COMPANY LIMITED**

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Royal Catering Group Holdings Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 55 to 130, which comprise the consolidated statement of financial position as at 31 March 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Revenue recognition from restaurants operations

Refer to note 7 to the consolidated financial statements

We identified revenue recognition from restaurants operations as a key audit matter as revenue recognition is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and material revenue transactions may occur close to the end of the reporting period.

Our procedures in relation to revenue recognition from restaurant operations included:

- Obtaining an understanding of the Group's revenue recognition policy for restaurant operations;
- Obtaining an understanding of the revenue business process and key control, and testing key manual and information technology control for validity of revenue recognition from restaurant operations; and
- Performing test of details, on a sample basis, by comparing the details and amounts of the transactions selected with the details and amounts shown on the underlying documentation, including the journal vouchers and sales invoices.

We found that the amount and timing of the revenue recognised were supported by the available evidence.

INDEPENDENT AUDITORS' REPORT



KEY AUDIT MATTERS *(Continued)*

Key audit matter

Impairment of property, plant and equipment, intangible assets and right-of-use assets

Refer to note notes 16, 17 and 18 respectively to the consolidated financial statements

We identified the impairment of property, plant and equipment, intangible assets and right-of-use assets as a key audit matter due to the significance of the balance of these operational assets on the consolidated statement of financial position at 31 March 2020 and the significant management estimation involved in determining the recoverable amounts of cash generating units to which property, plant and equipment, intangible assets and right-of-use assets were allocated.

The Group recorded property, plant and equipment, intangible assets and right-of-use assets of approximately HK\$33,336,000, HK\$1,525,000 and HK\$4,435,000 at 31 March 2020 respectively and impairment loss of amount of approximately HK\$5,983,000, HK\$6,321,000 and HK\$19,404,000 were recognised respectively for the year ended 31 March 2020.

As disclosed in note 5 to the consolidated financial statements, that management determined whether property, plant and equipment, intangible assets and right-of-use assets are impaired requires an estimation of the recoverable amount of individual assets or the cash generating units to which the assets belongs using a value in use calculation. Management's estimation is primarily based on the cash flow projections and the discount rate.

How our audit addressed the key audit matter

Our procedures in relation to impairment of property, plant and equipment, intangible assets and right-of-use assets included:

- Inquiring the management on their identification of impairment indication and their method used for the impairment assessment of property, plant and equipment, intangible assets and right-of-use assets of cash generating unit;
- Evaluating the appropriateness of the valuation methodology and assumption of pre-tax discount rate used in determining the recoverable amount; and
- Evaluation the appropriateness of other key assumptions and inputs, including the growth rate, revenue and other operating expenses by comparing to historical performance and relevant operation plans.

Based on the result of our work, we found that the significant judgments and assumptions used by management in the impairment assessment were supportable with available evidence.



INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Yu Chi Fat.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Yu Chi Fat

Practicing Certificate Number: P05467

Hong Kong, 30 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Revenue	7	68,837	92,662
Cost of inventories sold		(13,854)	(16,941)
Gross profit		54,983	75,721
Other revenue and other income	8	5,511	4,087
Staff costs		(33,715)	(32,777)
Depreciation expenses		(24,031)	(5,228)
Property rentals and related expenses		(4,847)	(25,127)
Fuel and utility expenses		(2,731)	(3,137)
Impairment loss recognised in respect of property, plant and equipment		(5,983)	–
Impairment loss recognised in respect of intangible assets		(6,321)	–
Impairment loss recognised in respect of right-of-use assets		(19,404)	–
Unrealised loss arising on change in fair value of financial assets at fair value through profit or loss		(53)	(2,144)
Administrative expenses		(28,256)	(25,036)
Loss from operations		(64,847)	(13,641)
Share of results of associates		(77)	(625)
Impairment loss recognised in respect of amount due from a joint venture		–	(500)
Finance costs	9	(1,943)	(1,143)
Loss before tax	10	(66,867)	(15,909)
Income tax expenses	13	(1,045)	(1,504)
Loss and total comprehensive loss for the year		(67,912)	(17,413)
Loss and total comprehensive loss for the year attributable to:			
Owners of the Company		(65,476)	(18,377)
Non-controlling interests		(2,436)	964
		(67,912)	(17,413)
Loss per share			
Basic and diluted loss per share (HK cents)	15	(2.48)	(0.70)

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	16	33,336	39,322
Right-of-use assets	18	4,435	–
Intangible assets	17	1,525	9,042
Interests in an associate	19	734	2,491
Interest in a joint venture	20	–	–
Non-current rental deposits and prepayments	23	10,163	9,984
Deferred tax asset	32	549	549
		50,742	61,388
Current assets			
Inventories	21	303	585
Trade receivables	22	166	1,167
Deposits, prepayments and other receivables	23	8,642	10,338
Prepaid tax		286	96
Financial assets at fair value through profit or loss	24	–	35,332
Amount due from non-controlling interests	25	–	1,200
Cash and cash equivalents	26	39,456	55,612
		48,853	104,330
Current liabilities			
Trade payables	27	804	1,876
Accruals and other payables	28	12,138	12,352
Tax payables		2,056	2,466
Amounts due to non-controlling interests	25	97	4,222
Bank borrowings	29	1,934	9,473
Lease liabilities	30	14,544	–
Obligation under a finance lease	31	–	283
		31,573	30,672
Net current assets		17,280	73,658
Total assets less current liabilities		68,022	135,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Obligation under a finance lease	31	–	373
Deferred tax liability	32	245	911
Lease liabilities	30	9,677	–
		9,922	1,284
Net assets			
		58,100	133,762
Capital and reserve			
Share capital	33	26,434	26,434
Reserves		31,299	95,473
Equity attributable to owners of the Company			
		57,733	121,907
Non-controlling interests		367	11,855
Total equity			
		58,100	133,762

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2020 and signed on its behalf by:

Wong Man Wai
Director

Lam Wai Kwan
Director

The accompanying notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$000
At 1 April 2018	26,434	113,760	2,750	(2,660)	140,284	7,291	147,575
(Loss)/profit and total comprehensive (loss)/income for the year	–	–	–	(18,377)	(18,377)	964	(17,413)
Capital injection into subsidiaries by non-controlling interests	–	–	–	–	–	3,600	3,600
At 31 March 2019 and at 1 April 2019	26,434	113,760	2,750	(21,037)	121,907	11,855	133,762
Loss profit and total comprehensive loss for the year	–	–	–	(65,476)	(65,476)	(2,436)	(67,912)
Dividend paid to non-controlling interests	–	–	–	–	–	(2,000)	(2,000)
Acquisition of addition interests in subsidiaries (note 35)	–	–	–	1,302	1,302	(7,052)	(5,750)
At 31 March 2020	26,434	113,760	2,750	(85,211)	57,733	367	58,100

Note: Share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share option reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Loss before tax		(66,867)	(15,909)
Adjustments for:			
Finance costs	9	1,943	1,143
Interest income	8	(325)	(814)
Dividend income	8	(405)	(2,645)
Impairment loss recognised in respect of property, plant and equipment	16	5,983	–
Impairment loss recognised in respect of intangible assets	17	6,321	–
Impairment loss recognised in respect of right-of-use assets	18	19,404	–
Unrealised loss arising on change in fair value of financial assets at fair value through profit or loss		53	2,144
Amortisation of intangible assets	17	1,196	1,193
Depreciation of property, plant and equipment	16	7,435	5,228
Depreciation for right-of-use assets		16,596	–
Share of results of associates		77	625
Impairment loss recognised in respect of amount due from a joint venture		–	500
Loss on written-off of property, plant and equipment	16	1,134	51
Rental concession		(2,300)	–
Loss on derecognition of leases		1,384	–
Operating cash flows before movements in working capital		(8,371)	(8,484)
Decrease/(increase) in inventories		282	(393)
Decrease in trade receivables		1,001	38
Increase in deposits, prepayments, and other receivables		(693)	(6,016)
Decrease in amount due from an associate		–	34
Decrease in amount due from non-controlling interests		1,200	–
Decrease in trade payables		(1,072)	(577)
Decrease in accruals and other payables		(199)	(1,611)
(Decrease)/increase in amounts due to non-controlling interests		(4,125)	6,364
Cash used in operations		(11,977)	(10,645)
Tax (paid)/refund		(2,311)	77
Net cash used in operating activities		(14,288)	(10,568)



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Cash flows from investing activities			
Interest received		325	822
Purchase of property, plant and equipment		(6,934)	(39,229)
Prepayment of property, plant and equipment		(1,170)	(6,916)
Purchase of intangible assets		–	(300)
Net cash outflow from acquisition of a subsidiary	35	(5,750)	–
Dividend received		2,085	2,645
Proceeds from disposal of unlisted investment funds		35,279	–
Withdrawal of fixed deposits		–	7,500
Net cash generating from/(used in) investing activities		23,835	(35,478)
Cash flows from financing activities			
Dividend paid to non-controlling interests		(2,000)	–
Interest paid		(254)	(2,119)
Proceeds from bank borrowings		–	7,560
Repayment of bank borrowings		(7,539)	(5,598)
Redemption of unlisted corporate bonds		–	(21,000)
Repayment of obligation under a finance lease		–	(270)
Payment for lease liabilities		(15,910)	–
Net cash used in financing activities		(25,703)	(21,427)
Net decrease in cash and cash equivalents		(16,156)	(67,473)
Cash and cash equivalents at the beginning of the reporting period		55,612	123,085
Cash and cash equivalents at the end of the reporting period	26	39,456	55,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

Royal Catering Group Holdings Company Limited the (“Company”) was incorporated in the Cayman Islands on 19 August 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing (the “Listing”) with effect from 8 August 2016. The address of the Company’s registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Unit 1201, 12th Floor, Great Smart Tower, 230 Wan Chai Road, Wan Chai, Hong Kong. Its ultimate holding company is Fortune Round Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability and wholly-owned by Mr. Wong Man Wai (“Mr. Wong”), a director of the Company.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in provision of casual dining food catering services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000), unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Early adoption of amendments to HKFRSs

The following amendments to HKFRSs, which is applicable to the Group but are not yet effective for the current year, have been early adopted in current year:

Amendments to HKFRS 16	COVID-19-Related Rent Concession
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Except as described below, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 *Leases* for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

At 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$41,491,000 and right-of-use assets HK\$41,491,000 at 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment;
- (iv) applied hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liabilities for lease previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.0%.

	At 1 April 2019 HK\$'000
Operating lease commitment at 31 March 2019	48,196
Less: total future interest expenses	(4,787)
Lease liabilities discounted at relevant incremental borrowing rates	43,409
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	(1,918)
Lease liabilities relating to operating lease recognised upon application of HKFRS 16	41,491
Add: Obligations under finance leases recognised at 31 March 2019	656
Lease liabilities at 1 April 2019	42,147
Analysed as	
Current	15,279
Non-current	26,868
	42,147

The carrying amount of right-of-use assets at 1 April 2019 comprises the following:

	Notes	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		41,491
Amounts included in property, plant and equipment under HKAS 17		
— Assets previously under finance leases	(a)	431
		41,922
By class:		
Restaurants		41,491
Motor vehicles		431
		41,922



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

Note:

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease at 1 April 2019 with carrying amount of approximately HK\$431,000 as right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Property, plant and equipment	39,322	(431)	38,891
Right-of-use assets	–	41,922	41,922
Current liabilities			
Lease liabilities	–	15,279	15,279
Obligation under a finance lease	283	(283)	–
Non-current liabilities			
Lease liabilities	–	26,868	26,868
Obligation under a finance lease	373	(373)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

Amendments to HKFRS 16 COVID-19-Related Rent Concession

The Group has elected the practical expedient to apply amendments to HKFRS 16 to account for any change in lease payments resulting from the rent concession occurring as a direct consequence of the covid-19 pandemic.

The Group has applied the practical expedient to rent concession that meet all of the following conditions:

- a) 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;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) there is no substantive change to other terms and conditions of the lease.

Rental concession of approximately HK\$2,300,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after a date to be 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Report was issued in 2018 its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual period beginning on or after 1 January 2020.

The directors do not anticipate that the application of new and amendments to HKFRSs issued but not yet effective will have a material impact on the Group’s financial performance and financial positions in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this consolidated financial statement is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS), and measurements that have some similarities to fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expense of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interest in subsidiaries are presented separately from the Group's equity herein, which represent present ownership interest entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- Lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as gain on bargain purchase.

Non-controlling interests that are presenting ownership interests and entitling their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates and a joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net interest in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interests in an associate or a joint venture. When necessary, the entire carrying amount of the interest (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the interest. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the interest subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Asset held under a finance lease is depreciated over its expected useful lives on the same basis as owned asset. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, asset is depreciated over the shorter of the lease term and their useful lives.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Building	50 years
Leasehold improvements	Over the shorter of lease terms or 5 years
Furniture and fixtures	1–5 years
Catering and other equipment	1–5 years
Motor vehicles	3 ^{1/3} years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are recognised at cost less any accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated selling price for inventories less all costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other revenue and other income” line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, deposits paid and other receivables, amount due from a related party, amount due from non-controlling interests and bank balances). The amount of ECL is updated at end of the each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for credit card trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of reporting period. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer of the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probably that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice when appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as financial liabilities or equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, accruals and other payables, amounts due to non-controlling interests, bank borrowings, lease liabilities, unlisted corporate bonds and obligation under a finance lease) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from restaurants operations

The Group recognises revenue from restaurants operations which provides catering services. Revenue from restaurants operations is recognised at a point in time when the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Revenue from sales of food

Revenue from sales of food is recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Franchise fee income and management fee income

Under the terms of the contract, franchise fee income and management fee income is recognised as a performance obligation satisfied over time. The franchise fee and management income are recognised throughout the respective contract period.

Leases *(upon application of HKFRS 16 on 1 April 2019)*

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Asset held under a finance lease is initially recognised as asset of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position under the heading of "obligation under a finance lease".

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Franchise fee income and management fee income *(Continued)*

Leases *(upon application of HKFRS 16 on 1 April 2019)* *(Continued)*

Right-of-use assets (Continued)

- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Franchise fee income and management fee income *(Continued)*

Leases (upon application of HKFRS 16 on 1 April 2019) *(Continued)*

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

COVID-19-Related Rent Concession

The Group has elected the practical expedient to apply amendments to HKFRS 16 to account for any change in lease payments resulting from the rent concession occurring as a direct consequence of the covid-19 pandemic.

The Group has applied the practical expedient to rent concession that meet all of the following conditions:

- a) 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Franchise fee income and management fee income *(Continued)*

Leases (upon application of HKFRS 16 on 1 April 2019) *(Continued)*

COVID-19-Related Rent Concession *(Continued)*

- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply the practical expedient and applied it consistently to all lease contracts with similar characteristics and in similar circumstances.

The Group as lessor

Leases for which the Group is a lessor are classified as operating leases.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Lease income which are derived from the Group's ordinary course of business are presented in "Revenue" line item.

Leases (prior to 1 April 2019)

All leases are classified as operating leases.

The Group as lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Asset held under a finance lease is initially recognised as asset of the Group at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position under the heading of "obligation under a finance lease".

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by shareholders of the entity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Retirement benefit obligations

Payment to Mandatory Provident Fund Scheme (the "MPF Scheme") is recognised as an expense when employees have rendered service entitling them to the contributions. The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The retirement benefits scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from '(loss)/profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary and interests in associates or a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amounts of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

A related party transaction is a transfer of resources, services or obligation between the Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidation financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risk (foreign currency risk, equity price risk and interest rate risk), credit risks and impairment assessment and liquidity risk. Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors. The Group does not have written risk management policies. However, the directors and senior management meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

Categories of financial assets and financial liabilities

The carrying amounts of the Group's financial assets and financial liabilities recognised in the consolidated statement of financial position at the end of the reporting period categorised as follows:

	2020 HK\$'000	2019 HK\$'000
Finance assets		
Financial assets at FVTPL	–	35,332
At amortised cost	48,120	65,679
Financial liabilities		
At amortised cost	39,062	26,898



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

Market risk

Foreign currency risk

The Group operates in Hong Kong and majority of transactions are denominated in HK\$, United States dollar ("USD") and Renminbi ("RMB"). Foreign currency risk arises from future commercial transactions, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to foreign currency risk in respect of HK\$ against USD as long as these currencies are pegged.

The transactions and monetary assets denominated in RMB are minimal, the Group considers there have no significant foreign exchange risk in respect of RMB.

The Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Equity price risk

The Group is exposed to equity price risk arising from unlisted investment funds classified as financial assets at FVTPL which are measured at fair value at the end of each reporting period. The directors manage the exposure by maintaining a portfolio of securities with different risk class and monitor the performance regularly. In addition, the directors will monitor the price risk and consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to other price risk at the end of the reporting period.

If the price of the investment funds had been 50 basis points higher/lower, the pre-tax loss for the year ended 31 March 2019 would increase/decrease by approximately HK\$177,000 as a result of the changes in fair value of financial assets at FVTPL.

Interest rate risk

The Group is exposed to interest rate risk relates primarily to variable rate borrowings (note 29 to the consolidated financial statements for the details of bank borrowings). The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

Market risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended 31 March 2020 would decrease/increase by approximately HK\$9,000 (2019: profit of HK\$47,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate of bank borrowings.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, deposits paid, other receivables, amount due from a joint venture, amounts due from non-controlling interests and bank balances.

At 31 March 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. The Group's monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model on credit card trade receivables individually and the remaining trade receivables are grouped using a provision matrix with past due status grouping. In this regard, the directors consider that the Group's credit risk is significantly reduced.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

Credit risk and impairment assessment *(Continued)*

Deposits paid and other receivables

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of deposits paid and other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits paid and other receivables.

Amount due from a joint venture and amounts due from non-controlling interests

The Group has concentration risk on amounts due from an associate/a joint venture/non-controlling interests at 31 March 2020 and 2019. The directors continuously monitor the credit quality and financial positions of the counterparties and the level of exposure to ensure that the follow-up action is taken to recover the debts. In addition, the Group performs impairment assessment under ECL model on balances individually. In this regard, the directors consider that the Group's credit risk is significantly reduced expect for amount due from a joint venture. The directors considered the financial background and recoverability of a joint venture and considered that amount of approximately HK\$500,000 was impaired during the year ended 31 March 2019.

Bank balances

The Group deposited its cash with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk were minimal.

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group since prior years and considered by the management to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its financial liabilities at 31 March 2020 and 2019. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

Liquidity risk (Continued)

Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

	At 31 March 2020					
	Effective interest rate	Within one year or on demand HK\$'000	Within 2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted amount HK\$'000	Carrying amount HK\$'000
Non-derivative financial liabilities						
Trade payables	–	804	–	–	804	804
Accruals and other payables	–	12,006	–	–	12,006	12,006
Amount due to non-controlling interests	–	97	–	–	97	97
Bank borrowings	12.36%	1,934	–	–	1,934	1,934
Lease liabilities	4.60%	15,383	9,928	–	25,311	24,221
		30,224	9,928	–	40,152	39,062

	At 31 March 2019					
	Effective interest rate	Within one year or on demand HK\$'000	Within 2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted amount HK\$'000	Carrying amount HK\$'000
<i>Non-derivative financial liabilities</i>						
Trade payables	–	1,876	–	–	1,876	1,876
Accruals and other payables	–	10,671	–	–	10,671	10,671
Amounts due to non-controlling interests	–	4,222	–	–	4,222	4,222
Bank borrowings	4.20%	9,473	–	–	9,473	9,473
Obligation under a finance lease	2.01%	307	385	–	692	656
		26,549	385	–	26,934	26,898



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

Liquidity risk *(Continued)*

Bank borrowings with a repayable on demand clause are included in the “within one year or on demand” time band in the above maturity analysis. The Group’s bank borrowings contain repayable on demand clause. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details the Group’s aggregate principal and interest cash outflows for bank borrowings with a repayable on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of each reporting period.

Maturity analysis – bank borrowings subject to a repayment on demand clause based on scheduled repayments

	Effective interest rate	Within one year HK\$'000	Within 2-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted amounts HK\$'000	Carrying amount HK\$'000
At 31 March 2020	12.36%	1,947	-	-	1,947	1,934
At 31 March 2019	4.20%	7,789	1,947	-	9,736	9,473

Fair value of financial instruments

In estimating the fair value, the Group uses market-observable data to the extent it is available. The management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the asset.

The following table presents the fair value of the Group’s financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

Fair value of financial instruments *(Continued)*

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 March 2019				
<i>Fair value on a recurring basis:</i>				
Financial assets at FVTPL	35,332	–	–	35,332

The fair value of the Group's financial assets at FVTPL is determined based on quoted closing price in active market.

The Group's policy is to recognise transfer into and out of fair value hierarchy levels as of the date of the events or change in circumstances that caused the transfer.

During the years ended 31 March 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost were not materially different from their fair values at 31 March 2020 and 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and to provide an adequate return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the current and prior years.

The Group is not subject to any external imposed capital requirements.

Gearing ratio

The directors review the capital structure on annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares and repurchase of existing shares as well as issue of new debts or the redemption of existing debts.

The gearing ratio at the end of the reporting period was as follows:

	2020 HK\$'000	2019 HK\$'000
Total debts <i>(Note)</i>	26,155	10,129
Less: Cash and cash equivalent	(39,456)	(55,612)
Net cash	(13,301)	(45,483)
Equity attributable to owners of the Company	57,733	121,907
Total debt to equity ratio	45%	8%

Note: Total debts include bank borrowings, lease liabilities and obligation under a finance lease in notes 29, 30 and 31 to the consolidated financial statements respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of Starz Kitchen Management Limited ("Starz Kitchen") as a joint venture

Starz Kitchen is limited liability company whose legal form confers separation between the parties to the joint arrangements and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, Starz Kitchen is classified as a joint venture of the Group. See note 20 to the consolidated financial statements for details.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Assessment of economic useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with finite useful lives are depreciated or amortised over their economic useful lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying amounts.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The management reassesses these estimates at the end of each reporting period.

Impairment of intangible assets

Intangible assets are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the greater of the fair value less costs of disposal and value in use. An estimation of the value in use of cash generating unit to which intangible asset is allocated involves estimating the future cash flows expected to arise from its continuing use and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

6. SEGMENT INFORMATION

The Group is principally engaged in the provision of catering services through a chain of casual dining food catering services restaurants. Information reported to the Group's management for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no additional reportable segment and geographical information have been presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020



7. REVENUE

	2020 HK\$'000	2019 HK\$'000
Type of products and services:		
Restaurants operations	68,553	91,923
Sales of food	69	42
Franchise fee income	215	697
	68,837	92,662

All of the Group's revenue is derived in Hong Kong.

	2020 HK\$'000	2019 HK\$'000
Timing of revenue recognition:		
At a point in time	68,837	92,662

Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts as all contract works have an original expected duration of one year or less.

8. OTHER REVENUE AND OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income	325	814
Dividend income	405	2,645
Management fee income	–	43
Sundry income	1,128	153
Tips income	76	157
Net foreign exchange gain	62	275
Gain on disposal of trademark	1,215	–
Rental concession	2,300	–
	5,511	4,087



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	239	401
Interest on unlisted corporate bonds	–	705
Interest on lease liabilities	1,704	–
Interest on finance lease	–	37
	1,943	1,143

10. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Auditors' remuneration:		
– Audit service	600	800
– Non-audit services	92	81
	692	881
Cost of inventories sold	13,854	16,941
Amortisation of intangible assets	1,196	1,193
Depreciation of property, plant and equipment	7,435	5,228
Depreciation of right-of-use assets	16,596	–
Loss on written-off of property, plant and equipment	1,134	51
Loss on derecognition of leases	1,384	–
Lease payments under operating leases in respect of land and buildings:		
– Minimum lease payments	–	19,904
– Contingent rents	–	1,427
	–	21,331
Employee benefit expenses (excluding directors' remuneration (<i>note 11</i>)):		
– Salaries, allowance and benefits in kind	25,231	26,299
– Retirement benefit scheme contributions	1,099	1,120
	26,330	27,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. DIRECTORS' REMUNERATION

Directors' and chief executive remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinances, is as follows:

	Year ended 31 March 2020				
	Directors' Fees HK\$'000	Discretionary bonus HK\$'000	Salaries, allowance, and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. Wong	-	2,000	3,000	18	5,018
Chan Chak To Raymond	-	240	960	18	1,218
Lam Wai Kwan	-	19	638	18	675
Independent non-executive directors:					
Ma Yiu Ho Peter	150	-	-	-	150
Cai Chun Fai	150	-	-	-	150
Ng Sai Cheong	150	-	-	-	150
	450	2,259	4,598	54	7,361



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. DIRECTORS' REMUNERATION (Continued)

	Year ended 31 March 2019				
	Directors' Fees HK\$'000	Discretionary bonus HK\$'000	Salaries, allowance, and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. Wong	–	1,300	1,800	18	3,118
Chan Chak To Raymond	–	80	960	18	1,058
Lam Wai Kwan	–	38	633	18	689
Independent non-executive directors:					
Ma Yiu Ho Peter	150	–	–	–	150
Cai Chun Fai	150	–	–	–	150
Cheng Wing Hong (“Mr. Cheng”) (resigned on 9 August 2018)	59	–	37	–	96
Ng Sai Cheong (“Mr. Ng”) (appointed on 9 August 2018)	97	–	–	–	97
	456	1,418	3,430	54	5,358

Mr. Wong is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

No directors have waived or agreed to waive any remuneration during the years ended 31 March 2020 and 2019.

During the years ended 31 March 2020 and 2019, except for the amount of approximately HK\$37,000 included in the salaries, allowance and benefits in kind paid to Mr. Cheng as compensation for loss of office during the year ended 31 March 2019, there was no amount paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Directors' interest in transactions, arrangements or contracts of significant

Pursuant to the engagement letter dated 21 March 2017 made between Newpage Financial Press Limited (“Newpage”) and the Company, Newpage has agreed to provide financial printing service to the Company, of which the service fee shall not exceed HK\$1,000,000 per annum. Mr. Cheng, an independent non-executive director, is interested in this arrangement to the extent that Mr. Cheng, is a director of Newpage and has material equity interest in Newpage. During the period from 1 April 2018 to 9 August 2018, being the date Mr. Cheng resigned as an independent non-executive director, the total amount of service fee paid and payable by the Group was approximately HK\$179,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. DIRECTORS' REMUNERATION *(Continued)*

Directors' interest in transactions, arrangements or contracts of significant *(Continued)*

Except as disclosed above and in note 37 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company, its ultimate holding company, or any subsidiaries of its ultimate holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals include three (2019: three) directors, whose emoluments are disclosed in note 11 to the consolidated financial statements, for the year ended 31 March 2020. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowance and benefits in kind	900	951
Discretionary bonus	24	150
Retirement benefit scheme contributions	34	35
	958	1,136

The aggregated emoluments of the above individuals fell within the following bands:

	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	2	2

The above individuals include one (2019: one) senior management as disclosed in the section headed "Biographical Details of Directors and Senior Management".

During the years ended 31 March 2020 and 2019, there was no amount paid or payable by the Group to the above individuals as an inducement to join or upon joining the Group.

During the year ended 31 March 2020, there was no amount (2019: Nil) paid or payable by the Group to the above individuals as compensation for loss of office.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

13. INCOME TAX EXPENSES

	2020 HK\$'000	2019 HK\$'000
Current tax		
— Hong Kong Profits Tax	1,711	1,289
Deferred tax		
— charge/(credit) for the year (note 32)	(666)	215
	1,045	1,504

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for both years.

The income tax expenses for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
Loss before tax	(66,867)	(15,909)
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	(11,033)	(2,625)
Tax effect of:		
Tax relief on 8.25% on first HK\$2 million of assessable profit	(165)	(165)
Share of results of associates	13	103
Income not taxable for tax purpose	(1,108)	(571)
Expenses not deductible for tax purpose	9,488	525
Estimated tax losses not recognised	6,072	5,603
Accelerated accounting depreciation over tax depreciation under provided	(2,182)	(1,303)
One-off reduction of Hong Kong Profits Tax by Inland Revenue Department	(40)	(63)
Income tax expenses for the year	1,045	1,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. DIVIDENDS

No final dividend has been paid or proposed by the Company since its incorporation. The board of directors does not recommend the payment of a final dividend for the years ended 31 March 2020 and 2019.

15. LOSS PER SHARE

The computations of basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2020 HK\$'000	2019 HK\$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	(65,476)	(18,377)
	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,643,360	2,643,360

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic loss per share calculation for the years ended 31 March 2020 and 2019, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Catering and other equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 April 2018	–	13,680	817	8,112	2,360	24,969
Additions	32,673	4,692	239	2,201	–	39,805
Written-off	–	(5,678)	(556)	(302)	–	(6,536)
At 31 March 2019 (originally stated)	32,673	12,694	500	10,011	2,360	58,238
Effect on HKFRS 16	–	–	–	–	(2,360)	(2,360)
At 1 April 2019 (restated)	32,673	12,694	500	10,011	–	55,878
Additions	–	6,614	241	2,142	–	8,997
Written-off	–	(1,917)	(38)	(758)	–	(2,713)
At 31 March 2020	32,673	17,391	703	11,395	–	62,162
Accumulated depreciation						
At 1 April 2018	–	10,284	731	7,647	1,511	20,173
Charge for the year	270	3,240	151	1,149	418	5,228
Written-off	–	(5,669)	(520)	(296)	–	(6,485)
At 31 March 2019 (originally stated)	270	7,855	362	8,500	1,929	18,916
Effect on HKFRS 16	–	–	–	–	(1,929)	(1,929)
At 1 April 2019 (restated)	270	7,855	362	8,500	–	16,987
Charge for the year	656	4,780	206	1,793	–	7,435
Impairment	–	4,757	129	1,097	–	5,983
Written-off	–	(1,133)	(21)	(425)	–	(1,579)
At 31 March 2020	926	16,259	676	10,965	–	28,826
Carrying amounts						
At 31 March 2020	31,747	1,132	27	430	–	33,336
At 31 March 2019	32,403	4,839	138	1,511	431	39,322

At 31 March 2019, the carrying amounts of motor vehicles include an amount of approximately HK\$431,000 in respect of asset held under a finance lease (note 31 to the consolidated financial statements).

Building with the carrying amount of approximately HK\$31,747,000 (2019: HK\$32,403,000) is located in Hong Kong under long-term lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment assessment

At 31 March 2020, in view of the unfavourable future prospects arising from the anti-extradition bill protests and the outbreak of the COVID-19 pandemic, the management of the Group concluded there was impairment indicator for the restaurants and the related property, plant and equipment, intangible assets and right-of-use assets and conducted impairment assessment the recoverable amounts of the restaurants. The Group estimates the recoverable amount of the restaurants to which the property, plant and equipment, intangible assets and right-of-use assets allocated to and regards each restaurant as a separate identifiable CGU.

In determining the recoverable amounts of the restaurants, the Group engaged an independent third party qualified valuers to perform the valuation. The management worked closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The recoverable amounts of each restaurant has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following remaining term with a pre-tax discount rate is approximately 7% at 31 March 2020. Other key assumptions for the value-in-use calculation includes revenue and other operating expenses, which are determined based on the restaurants' past performance and management expectations for the market development.

Based on the value-in-use calculation, an impairment loss of approximately HK\$5,983,000, HK\$6,321,000 and HK\$19,404,000 respectively have been recognised for property, plant and equipment, intangible assets and right-of-use assets respectively.

17. INTANGIBLE ASSETS

	Franchise agreements HK\$'000
Cost	
At 1 April 2018	7,600
Addition	3,000
At 31 March 2019, at 1 April 2019 and at 31 March 2020	10,600
Accumulated amortisation	
At 1 April 2018	365
Charge for the year	1,193
At 31 March 2019 and at 1 April 2019	1,558
Charge for the year	1,196
Impairment	6,321
At 31 March 2020	9,075
Carrying amounts	
At 31 March 2020	1,525
At 31 March 2019	9,042

The intangible assets are amortised on a straight-line basis over a period of 8 to 15 years.

Details of impairment testing on intangible assets are disclosed in note 16 to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. RIGHT-OF-USE ASSETS

	Restaurants HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2019			
Carrying amount	41,491	431	41,922
At 31 March 2020			
Carrying amount	4,154	281	4,435
For the year ended 31 March 2020			
Depreciation charge	16,104	492	16,596
Derecognition of right-of-use assets	5,785	–	5,785
Impairment loss recognised in profit or loss (<i>note (i)</i>)	19,404	–	19,404
	41,293	492	41,785
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			1,944
Total cash outflow for leases			17,854
Addition to right-of-use assets (<i>note (ii)</i>)			4,298

Note:

- (i) After the impairment assessment as disclosed in note 16 to the consolidated financial statements, the recoverable amount of the right-of-use assets was approximately of HK\$4,435,000, and an impairment loss of HK\$19,404,000 was recognised during the year ended 31 March 2020.
- (ii) Amount includes right-of-use assets resulting from lease for restaurants and motor vehicles during the year ended 31 March 2020.

For both years, the Group leases restaurants and motor vehicles for its operations. Lease contracts are entered into for fixed term of one year to five years. Certain leases of motor vehicle were accounted for as finance leases during the year ended 31 March 2019 and carried interest at 1.99% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. RIGHT-OF-USE ASSETS (Continued)

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on the higher of sales of the restaurant or monthly average number of passenger trips at Hong Kong International Airport ("HKIA").

Restrictions or covenants on leases

Lease liabilities of approximately HK\$24,221,000 are recognised with related right-of-use assets of approximately HK\$4,435,000 at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. INTERESTS IN AN ASSOCIATE

	2020 HK\$'000	2019 HK\$'000
Share of post-acquisition profit and other comprehensive income in associates, net of dividend received	734	2,491
	734	2,491

The Group's associates are unlisted corporate entities whose quoted market prices are not available.

Particulars of the associates at the end of the report period are as follows:

Name of associate	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group	
		2020 %	2019 %
Wingo Hong Kong Investment Limited ("Wingo")	Hong Kong	42	42

Wingo is principally engaged in provision of casual dining food catering services and ceased the restaurant operation during the year ended 31 March 2020.

The associate is accounted for using the equity method in the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. INTERESTS IN AN ASSOCIATE (Continued)

Wingo

Summarised financial information of Wingo is disclosed below:

	2020 HK\$'000	2019 HK\$'000
Current assets	2,161	7,148
Non-current assets	–	–
Current liabilities	412	1,216
Non-current liabilities	–	–

The above amounts of assets and liabilities include the following:

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	1,953	594

For the year ended 31 March

	2020 HK\$'000	2019 HK\$'000
Revenue	–	10,550
Loss and total comprehensive loss	(183)	(1,488)
Dividend received from Wingo	4,000	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. INTERESTS IN AN ASSOCIATE *(Continued)*

Wingo *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of interest in Wingo recognised in the consolidated financial statements is disclosed below:

	2020 HK\$'000	2019 HK\$'000
Net assets of Wingo	1,749	5,932
Proportion of the Group's ownership interest in Wingo	42%	42%
	734	2,491

20. INTEREST IN A JOINT VENTURE

	2020 HK\$'000	2019 HK\$'000
Cost of investment in a joint venture	54	54
Share of post-acquisition loss and other comprehensive loss in a joint venture, net of dividend received	(54)	(54)
	-	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. INTEREST IN A JOINT VENTURE *(Continued)*

Particular of the joint venture at the end of the report period is as follows:

Name of joint venture	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group	
		2020 %	2019 %
Starz Kitchen	Hong Kong	50	50

Starz Kitchen is engaged in provision of catering management and consultancy services.

The joint venture is accounted for using the equity method in the consolidated financial statements.

Information of joint venture that is not individually material

	2020 HK\$'000	2019 HK\$'000
The unrecognised share of loss of Starz Kitchen for the year	804	55
Cumulative share of loss of Starz Kitchen	1,853	1,049

21. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Food and beverage, and other operating items for restaurant operations	303	405
Others	–	180
	303	585

Inventories are expected to be recovered within one year. The inventories carried at net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

22. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly by cash and credit card settlement. The settlement terms of credit card companies are usually 7 days after the service rendered date. The credit terms of the Group's trade receivables granted to airlines and other corporate customers are generally ranging from 1 day to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade receivables are interest-free.

The following is an aging analysis of trade receivables, presented based on the invoice dates, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

	2020 HK\$'000	2019 HK\$'000
0–30 days	140	465
31–60 days	2	109
61–90 days	8	72
Over 90 days	16	521
	166	1,167

At 31 March 2020, there is no trade receivables that are past due at the end of the reporting period.

At 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$357,000 which are past due at the end of the reporting period. Out of the past due balances, approximately HK\$146,000 has been past due 90 days or more and is not considered as in default. These mainly relate to customers from whom there is no recent history of default. Based on past experience, management of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Details of impairment assessment of expected credit loss model of trade receivables for the years ended 31 March 2020 and 2019 are set out in note 4 to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Deposits paid	5,470	7,398
Prepayments	10,307	12,622
Other receivables	3,028	302
	18,805	20,322
Less: Non-current portion included in deposits, prepayments and other receivables	(10,163)	(9,984)
Current portion included in deposits paid and prepayments	8,642	10,338

Details of impairment assessment of expected credit loss model of deposits paid and other receivables for the years ended 31 March 2020 and 2019 are set out in note 4 to the consolidated financial statements.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Unlisted investment funds:		
— Investment funds outside Hong Kong, at fair value	—	35,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. AMOUNTS DUE FROM/(TO) AN ASSOCIATE/A JOINT VENTURE/NON-CONTROLLING INTERESTS

Particular of the amounts due from an associate and a joint venture and non-controlling interests are as follows:

	2020 HK\$'000	2019 HK\$'000
Amount due from a joint venture		
Starz Kitchen	500	500
Less: impairment loss recognised	(500)	(500)
	-	-
Amounts due from non-controlling interests		
Charm Sky Enterprise Limited	-	1,200

The maximum amount due from an associate, a joint venture and non-controlling interests during the year are as follows:

	During the year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Amount due from an associate		
Wingo	-	34
Amount due from a joint venture		
Starz Kitchen	-	500
Amounts due from non-controlling interests		
Charm Sky Enterprise Limited	1,200	1,200

The amounts due from/(to) an associate/a joint venture/non-controlling interests are unsecured, interest-free and repayable on demand.

Details of impairment assessment of expected credit loss model for years ended 31 March 2020 and 2019 are set out in note 4 to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	39,456	47,975
Short-term time deposits maturing within three months	–	7,637
	39,456	55,612

At 31 March 2020 and 2019, the bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default. Short-term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates at 1.11% per annum.

At 31 March 2019, the Group's cash and bank balances denominated in USD and RMB are approximately HK\$56,000 and HK\$36,000 respectively.

RMB is not a freely convertible currency in the People's Republic of China (the "PRC") and the remittance of funds out of the PRC is subject to the foreign exchange control imposed by the PRC government. The Group's cash and cash equivalents denominated in RMB are located in Hong Kong which is not subject to the foreign exchange control.

For the years ended 31 March 2020 and 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for expected credit losses is provided.

27. TRADE PAYABLES

The following is an aging analysis of trade payables, based on the invoice dates:

	2020 HK\$'000	2019 HK\$'000
0–30 days	281	1,193
31–60 days	73	354
61–90 days	110	196
Over 90 days	340	133
	804	1,876

The average credit period granted by suppliers ranging from 30 to 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

28. ACCRUALS AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Accruals	2,766	5,147
Receipt in advance	132	1,681
Other payables	9,240	5,524
	12,138	12,352

29. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Unsecured bank borrowings	1,934	9,473
Carrying amounts (shown under current liabilities) that contain repayable on demand clause based on scheduled repayment terms:		
– Within one year	1,934	7,539
– More than one year but less than five years	–	1,934
	1,934	9,473

All of the Group's bank borrowings are denominated in HK\$.

At 31 March 2020, the unsecured bank borrowings are interests bearing at 4.13% (2019: 4.13%) per annum.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

30. LEASE LIABILITIES

	2020 HK\$'000
Lease liabilities payable:	
Within one year	14,544
Within a period of more than one year but not more than two years	8,989
Within a period of more than two years but not more than five years	688
Within a period of more than five years	–
	24,221
Less: Amount due for settlement with 12 months shown under current liabilities	14,544
	9,677

At 31 March 2020, lease liabilities with carrying amounts of approximately HK\$639,000 was secured by right-of-use assets of approximately HK\$281,000.

31. OBLIGATION UNDER A FINANCE LEASE

The Group leased its motor vehicle under a finance lease. The lease term is 5 years. Interest rate underlying obligation under a finance lease at 1.99% per annum. The lease is on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

	Minimum Lease payments 2019 HK\$'000	Present value of minimum lease payments 2019 HK\$'000
Amount payable under a finance lease:		
Within one year	307	283
In the second to fifth years	385	373
	692	656
Less: Future finance charges	(36)	–
	656	656
Less: Amount due for settlement within 12 months (shown under current liabilities)		(283)
		373

At 31 March 2019, the Group's obligation under a finance lease is secured by the lessor's charge over the leased asset with the carrying amount of approximately HK\$431,000 (see note 16 to the consolidated financial statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. DEFERRED TAX

For the purpose of presentation in the consolidated financial statements, deferred tax asset and liability has been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 HK\$'000	2019 HK\$'000
Deferred tax asset	549	549
Deferred tax liability	(245)	(911)
	304	(362)

The followings are the major deferred tax balances recognised by the Group and movements thereon:

	Accelerated tax depreciation HK\$'000	Franchise agreement HK\$'000	Total HK\$'000
At 1 April 2018	(836)	983	147
Charge/(credited) to profit or loss (note 13)	287	(72)	215
At 31 March 2019 and at 1 April 2019	(549)	911	362
Credited to profit or loss (note 13)	–	(666)	(666)
At 31 March 2020	(549)	245	(304)

The Group had unused estimated tax losses of approximately HK\$94,126,000 (2019: HK\$57,326,000) available for offsetting against future profits at 31 March 2020. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams and unrecognised tax losses could be carried forward indefinitely.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. SHARE CAPITAL

	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
Ordinary share of HK\$0.01 each				
Authorised:				
At the beginning of the reporting period	20,000,000	20,000,000	200,000	200,000
Issued and fully paid:				
At the beginning and at end of the reporting period	2,643,360	2,643,360	26,434	26,434

34. COMMITMENTS

Capital commitments

	2020 HK\$'000	2019 HK\$'000
Authorised and contracted, but not provided for:		
— Purchase of property, plant and equipment	76	2,695

Operating leases commitments

The Group as lessee

The Group leases certain restaurants, office premises and storage room under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. COMMITMENTS (Continued)

Operating leases commitments (Continued)

The Group as lessee (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases falling due as follows:

	2019 HK\$'000
Within one year	19,100
In the second to fifth years, inclusive	29,096
	48,196

In addition, the operating leases rentals for certain restaurants are based on the higher of a fixed rental and contingent rent based on the sales of these restaurants or monthly average number of passenger trips at Hong Kong International Airport ("HKIA") (where appropriate), whichever is higher, pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants and monthly average number of passenger trips at HKIA could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

The Group does not have an option to purchase the leased premises at the expiry of the lease period.

35. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 30 September 2019, Alliance Catering, an indirect wholly owned subsidiary of the Company, has entered into a share purchase agreement with, pursuant to which the Group agreed to acquire, and Tao Heung agreed to sell, its 30% equity interest in DHY HK at an consideration of approximately HK\$5,470,000 in cash. As a result of the acquisition, the Group's shareholding in DHY HK increased from 60% to 90%.

On 30 September 2019, Simple Future, a wholly owned subsidiary of the Company, has entered into a share purchase agreements with, pursuant to which the Group agreed to acquire, and Charm Sky Enterprise Limited ("Charm Sky") agreed to sell, its 40% equity interest in Sky Grand International Development Limited ("Sky Grand"), Forever Drinks Limited ("Forever Drinks") and Bright Up (HK) Limited ("Bright Up") at an aggregate consideration of approximately HK\$280,000 in cash. As a result of these acquisitions, the Group's shareholding in Sky Grand, Forever Drinks and Bright Up increased from 60% to 100%.

The Group recognised a decrease in non-controlling interests of approximately HK\$7,052,000 and an increase in equity attributable to owners of the Company of approximately HK\$1,302,000.

Further details are set out in the Company's announcement dated 2 October 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Property, plant and equipment	20	55
Non-current rental deposits and prepayments	5,622	4,858
	5,642	4,913
Current assets		
Deposits, prepayments and other receivables	779	44
Amounts due from subsidiaries	47,610	125,869
Cash and bank balances	2,063	55
	50,452	125,968
Current liabilities		
Accruals	1,091	1,475
Amounts due to subsidiaries	36,403	27,204
Bank borrowings	1,934	9,473
	39,428	38,152
Net current assets	11,024	87,816
Net assets	16,666	92,729
Capital and reserves		
Share capital	26,434	26,434
Reserves	(9,768)	66,295
Total equity	16,666	92,729

On behalf of the board of directors:

Wong Man Wai
Director

Lam Wai Kwan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY *(Continued)*

(b) Movement of reserves of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018	113,760	2,750	(36,329)	80,181
Loss and total comprehensive loss for the year	–	–	(13,886)	(13,886)
At 31 March 2019 and at 1 April 2019	113,760	2,750	(50,215)	66,295
Loss and total comprehensive loss for the year	–	–	(76,063)	(76,063)
At 31 March 2020	113,760	2,750	(126,278)	(9,768)

37. MATERIAL RELATED PARTY TRANSACTION

- (a) Save as disclosed elsewhere in these consolidated financial statements during the year, the Group carried out the following material transactions with its related parties:

	2020 HK\$'000	2019 HK\$'000
Management fee income received from an associate	–	43

The Group has entered into master agreement with Tensel Investment Limited pursuant to which the transactions under the master agreement constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules. Details of the master agreement are set out in the “Continuing Connected Transactions” of the section headed “Report of the Directors”.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. MATERIAL RELATED PARTY TRANSACTION *(Continued)*

- (b) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 11 to the consolidated financial statements, is as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowance and benefit in kind	4,922	4,002
Discretionary bonus	2,283	1,568
Retirement benefit schemes contributions	72	72
	7,277	5,642

- (c) Details of the balances with related parties at the end of the reporting period are set out in note 24 to the consolidated financial statements.

38. SHARE OPTIONS

Pursuant to a resolution passed on 21 July 2016, a share option scheme (the "Option Scheme") was adopted by the Company.

The major terms of the Option Scheme are summarised as follows:

- (i) The purpose is to attract and retain quality personnel and other persons to provide incentive to them to contribute to the business and operation of the Group.
- (ii) The eligible person include full time or part time employees of the Group (including any director, whether executive or non-executive and whether independent or not, or consultant of the Company or any subsidiary or any entity in which the Group holds an equity interest); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, customers, licensees (including any sub-licensee), landlords or tenants (including any sub-tenants) of the Group or any invested entity or any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group.
- (iii) The total number of shares in respect of which share options may be granted under the Option Scheme shall not exceed 10% of the issued shares capital of the Company at any point in time, without prior approval from the Company's shareholders. The number of shares which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Option Scheme and any other share option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. SHARE OPTIONS *(Continued)*

- (iv) The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (including exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.
- (v) The total number of shares issued and to be issued upon exercise of the share options granted to each substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of its respective associates or an independent non-executive director or any of his associates (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, unless the same is approved by the shareholders.
- (vi) The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of offer for grant.
- (vii) Save as determined by the board of directors provided in the offer of the grant of the relevant share options, there is no general requirement that a share option must be held for any minimum period before it can be exercised.
- (viii) Offer of options shall be open for acceptance in writing or by telex received by the secretary of the Company for a period of 21 days inclusive of, and from, the date of grant.
- (ix) The subscription price of a share option must be the highest of:
 - a. the closing price of a share of the Company on the Stock Exchange on the date of grant of the option;
 - b. the average closing price of a share of the Company from the 5 business days immediately preceding the date of grant of the option; and
 - c. the nominal value of a share of the Company on the date of grant of the option.
- (x) The Option Scheme is effective for 10 years from the date of grant.

At the end of the reporting period, the number of shares in respect of which may be issued upon exercise of share options granted and remain outstanding under the Option Scheme and was 60,000,000 (2019: 60,000,000), representing 2.7% (2019: 2.7%) of the shares of the Company in issue at that date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

38. SHARE OPTIONS (Continued)

Details of specific categories of options are as follows:

Exercisable period	Outstanding at 1 April 2018, at 31 March 2019, at 1 April 2019 and at 31 March 2020
5 October to 4 October 2026	
Directors	
Chan Chak To Raymond	20,000,000
Lam Wai Kwan	20,000,000
	40,000,000
Other employee	20,000,000
Exercisable at the end of the reporting period	60,000,000
Weighted average exercise price	HK\$0.163

No share options were grant, exercised or lapsed during the years ended 31 March 2020 and 2019.

39. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (2019: HK\$1,500) and they can choose to make additional contributions. Employers monthly contributions are calculated at 5% of the employee’s monthly salaries or up to a maximum of HK\$1,500 (2019: HK\$1,500) (the “mandatory contributions”). Employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The retirement benefits scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in notes 10 and 11 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. PARTICULARS OF SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of subsidiary	Place/ country of incorporation	Class of share	Issued and fully paid share capital	Proportion of ownership interest and voting power held		Principal activities
				by the Company		
				2020 %	2019 %	
Airport Catering Services Company Limited	Hong Kong	Ordinary	HK\$100	100	100	Provision of casual dining food catering services
Alliance Catering	Hong Kong	Ordinary	HK\$100	100	100	Investment holding
Bright Up (HK) Limited	Hong Kong	Ordinary	HK\$1,200,000	100	60	Inactive
DHY (HK)	Hong Kong	Ordinary	HK\$9,000,000	90	60	Provision of casual dining food catering services
Forever Drinks Limited	Hong Kong	Ordinary	HK\$1,200,000	100	60	Inactive
Kingdom Star Investment	Hong Kong	Ordinary	HK\$100	100	100	Property investment
Palace Corporation Limited	Hong Kong	Ordinary	HK\$1	100	100	Investment holding
Royal Catering Group Company Limited	Hong Kong	Ordinary	HK\$100	100	100	Investment holding
Royal HR Management Limited	Hong Kong	Ordinary	HK\$1	100	100	Provision of human resources management services
Royal Time Enterprises Limited	Hong Kong	Ordinary	HK\$2	100	100	Provision of food catering services
Simple Future Investment Ltd.	BVI	Ordinary	USD1	100	100	Investment holding
Sky Grand International Development Limited	Hong Kong	Ordinary	HK\$1,200,000	100	60	Sales of beverages and light refreshments
Top Future Management Limited	BVI	Ordinary	USD1	100	100	Holding of trademark and franchise



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. PARTICULARS OF SUBSIDIARIES (Continued)

None of the subsidiaries had debt securities outstanding at the end of the reporting period or at any time during the year.

Except for Simple Future Investment Ltd. is directly held by the Company, all other subsidiaries are indirectly held by the Company.

Non-controlling interests

The following table lists out the information relating to DHY (HK), a subsidiary of the Company with material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

DHY (HK)

	2020 HK\$'000	2019 HK\$'000
Current assets	15,301	27,172
Non-current assets	8,344	8,272
Current liabilities	13,484	9,206
Non-current liabilities	6,039	911
Equity attributable to owners of the Company	3,755	15,899
Non-controlling interests	367	9,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

40. PARTICULARS OF SUBSIDIARIES (Continued)

Non-controlling interests (Continued)

DHY (HK) (Continued)

	From 1 April 2017 to 31 March 2020 HK\$'000	From the date of subscription to 31 March 2019 HK\$'000
Revenue	37,422	42,230
Expenses	52,197	36,276
(Loss)/profit and total comprehensive (loss)/income attributable to owners of the Company	(13,729)	3,412
(Loss)/profit and total comprehensive (loss)/income attributable to non-controlling interests	(1,046)	2,542
(Loss)/profit and total comprehensive (loss)/income for the year/period	(14,775)	5,954
Dividend paid to non-controlling interests	2,000	–
Net cash (used in)/generated from operating activities	(20,288)	13,197
Net cash used in investing activities	(3,402)	(7,574)
Net cash (out flow)/inflow	(16,597)	5,623

Except for DHY (HK), the directors consider that the non-controlling interests of other non-wholly owned subsidiaries of the Group during the year ended 31 March 2020 were insignificant to the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of these non-wholly owned subsidiaries other than DHY (HK) is required to present.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

41. MAJOR NON-CASH TRANSACTIONS

The Group entered into the following major non-cash investing and financing activities, which were not reflected in the consolidated statement of cash flows:

- a) During the year ended 31 March 2020, the Group entered into leases agreement in respect of property, plant and equipment and right-of-use assets of three years. On the leases commencement, the group recognised right-of-use assets and lease liabilities of approximately HK\$4,298,000 and HK\$4,303,000 respectively.
- b) During the year ended 31 March 2020, prepayments for purchase of property, plant and equipment of HK\$2,058,000 was transferred to property, plant and equipment.
- c) During the year ended 31 March 2019, the Group had acquired certain property, plant and equipment with the amount of approximately HK\$39,805,000, of which the amount of HK\$576,000 remains unpaid and included in accruals and other payables.
- d) During the year ended 31 March 2019, the Group had acquired certain intangible assets with the amount of HK\$3,000,000, of which the amount of HK\$2,700,000 remains unpaid and included in accruals and other payables.
- e) During the year ended 31 March 2019, the capital injection into subsidiaries by non-controlling interests was not paid for and are included in amounts due from/(to) non-controlling interests.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK\$'000	Bank borrowings HK\$'000	Unlisted corporate bonds HK\$'000	Obligation under a finance lease HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2018	991	7,511	21,000	926	–	30,428
Financing cash flows	(2,119)	1,962	(21,000)	(270)	–	(21,427)
Non-cash changes:						
Interest expenses	1,143	–	–	–	–	1,143
At 31 March 2019	15	9,473	–	656	–	10,144
Effect of HKFRS 16	–	–	–	(656)	42,147	41,491
At 1 April 2019	15	9,473	–	–	42,147	51,635
Financing cash flows	(254)	(7,539)	–	–	(15,910)	(23,703)
Non-cash changes:						
Interest expenses	239	–	–	–	1,704	1,943
New lease entered	–	–	–	–	4,303	4,303
Rental concession	–	–	–	–	(2,300)	(2,300)
Derecognition of lease liabilities	–	–	–	–	(5,723)	(5,723)
At 31 March 2020	–	1,934	–	–	24,221	26,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020



43. EVENTS AFTER THE REPORTING PERIOD

The COVID-19 outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has temporarily suspended certain restaurant operations in the Hong Kong International Airport since February 2020. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures on operations and cash flows management. These contingency measures include but not limited to:

- (i) the Group had applied the Employment Support Scheme under the second round of the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government to obtain financial support;
- (ii) minimising expenditures and negotiating lower restaurants rentals; and
- (iii) revisiting the operational performance of each restaurant and adjusting our future restaurants expansion plan.

The Group will keep our contingency measures under review as the situation evolves. As the timing of the commencement and termination of the COVID-19 outbreak is not clearly defined, it is not practical to estimate the full financial effect that the COVID-19 outbreak may have had on the Group's operations.

44. COMPARATIVE INFORMATION

The Group has initially applied HKFRS 16 on 1 April 2019. Under the transition methods, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2 to the consolidated financial statements.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2020.



FINANCIAL SUMMARY

For the year ended 31 March 2020

A summary of the published results and of the assets and liabilities of the Group pursuant to Rule 18.33 of the GEM Listing Rules, as extracted from the published prospectus of the Company, is set out below:

RESULTS

	Year ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	68,837	92,662	103,882	90,606	125,502
(Loss)/profit before tax	(66,867)	(15,909)	1,636	(14,154)	15,295
Income tax expenses	(1,045)	(1,504)	(447)	(691)	(2,698)
(Loss)/profit for the year	(67,912)	(17,413)	1,189	(14,845)	12,597
(Loss)/profit for the year attributable to:					
Owners of the Company	(65,476)	(18,377)	(423)	(14,845)	12,619
Non-controlling interests	(2,436)	964	1,612	–	(22)
	(67,912)	(17,413)	1,189	(14,845)	12,597

ASSETS AND LIABILITIES

	At 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	99,595	165,718	193,912	110,726	32,527
Total liabilities	41,495	31,956	(46,337)	(15,228)	(17,372)
	58,100	133,762	147,575	95,498	15,155
Equity attributable to:					
Owners of the Company	57,733	121,907	140,284	95,498	15,608
Non-controlling interests	367	11,855	7,291	–	(453)
	58,100	133,762	147,575	95,498	15,155