



麻酸樂
MARSINO


麻孫樂
Marsino

倩碧控股有限公司 Simplicity Holding Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8367

Annual Report 2020

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This report, for which the directors (the “Directors”) of Simplicity Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Wong Suet Hing (*Chairlady*)
Ms. Wong Sau Ting Peony
Mr. Wong Muk Fai Woody
Mr. Ma Sui Hong
Mr. Wong Chi Chiu Henry

Independent non-executive Directors

Ms. Ng Yau Kuen Carmen
Mrs. Cheung Lau Lai Yin Becky
Mr. Yu Ronald Patrick Lup Man

Compliance Officer

Mr. Wong Chi Chiu Henry

Authorised Representatives

Ms. Wong Sau Ting Peony
Mr. Wong Chi Chiu Henry

Company Secretary

Mr. Wong Chi Chiu Henry

Audit Committee

Ms. Ng Yau Kuen Carmen (*Chairlady*)
Mrs. Cheung Lau Lai Yin Becky
Mr. Yu Ronald Patrick Lup Man

Remuneration Committee

Mrs. Cheung Lau Lai Yin Becky (*Chairlady*)
Ms. Ng Yau Kuen Carmen
Mr. Yu Ronald Patrick Lup Man
Ms. Wong Suet Hing
Ms. Wong Sau Ting Peony

Nomination Committee

Mr. Yu Ronald Patrick Lup Man (*Chairman*)
Ms. Ng Yau Kuen Carmen
Mrs. Cheung Lau Lai Yin Becky
Ms. Wong Suet Hing
Ms. Wong Sau Ting Peony

Auditor

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

Compliance Adviser

Dakin Capital Limited
Suites 4505-06, 45/F
Tower 1, Lippo Centre
89 Queensway
Hong Kong

CORPORATE INFORMATION

Principal Bankers	Shanghai Commercial Bank Limited Shanghai Commercial Bank Tower 12 Queen's Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 13, 8/F Vanta Industrial Centre 21-33 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar and Transfer Office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company Website	www.simplicityholding.com
GEM Stock Code	08367

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”), I am pleased to present the annual results of Simplicity Holding Limited (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019.

FINANCIAL RESULTS

For the year ended 31 March 2020, the total Group revenue was approximately HK\$116.4 million (2019: approximately HK\$142.4 million). Loss for the year attribute to the owners of the Company was approximately HK\$44.5 million (2019: Loss of approximately HK\$16.1 million). The loss was mainly attributable to (i) the impairment loss on property, plant and equipment for three restaurants (ii) the decrease in revenue as affected by the reduction of the number of our restaurants as well as the severe economic downturn as caused by the social instabilities and the coronavirus outbreak; (iii) the loss on written-off/disposal of property, plant and equipment due to the closure of our restaurants; (iv) staff costs were remained high despite our revenue was dropped; and (v) impairment loss of interest in an associate.

BUSINESS REVIEW

As at 31 March 2020, we are operating twelve restaurants under three brands, namely “Marsino”, “Grand Avenue” and “Baba Nyonya”. There are five restaurants under “Marsino”, four restaurants under “Grand Avenue” and three restaurants under “Baba Nyonya”.

During the year ended 31 March 2020, our Group has closed down three restaurants, namely Tsuen Wan Grand Avenue following the expiry of its lease term, Mongkok Beefst and Mongkok Haha Prawn Mee due to their unsatisfactory performances. We also switched the brand from Tseung Kwan O La Dolce to Tseung Kwan O Baba Nyonya, as well as revamping Ngau Tau Kok Marsino to offer a sleek appearance in order to attract new customers. In addition to the above restaurants, our Group also owns and operates a central kitchen which supplies food ingredients to our restaurants.

During the year ended 31 March 2020, we opened one restaurant, namely Ngau Tau Kok Baba Nyonya located at Amoy Plaza, and up to the date of this report, Ngau Tau Kok Baba Nyonya has been performing satisfactory among our restaurants, as there is less competition in terms of offering Southeast Asian style cuisine in the neighbourhood of Amoy Plaza.

The number of restaurants as at 31 March 2019, 31 March 2020 and as at the date of this report are as follows:

Restaurant	31 March 2019	31 March 2020	Date of Report
Marsino	5	5	5
Grand Avenue	4	4	4
Beefst	1	–	–
Haha Prawn Mee	1	–	–
Baba Nyonya (<i>Note</i>)	3	3	4
	<u>14</u>	<u>12</u>	<u>13</u>

Note: the newly opened Tin Shui Wai Baba Nyonya is operated by a franchisee.

CHAIRMAN'S STATEMENT

During the year ended 31 March 2020, a total of 2,069,127 customers patronised our restaurants, a decrease of 465,336 customers or 18.4% when compared to the year ended 31 March 2019. The average spending per customer increased from HK\$56.2 to HK\$56.3. The key operating information by brand are summarised as follows:

Key Operating Information by Brand

	Year ended 31 March 2020							Year ended 31 March 2019						
	Number of customers visits	Number of operation days	Total revenue HK\$'000	Average spending per Customer HK\$	Average daily revenue HK\$'000	Number of seats	Seat turnover rate	Number of customers visits	Number of operation days	Total revenue HK\$'000	Average spending per Customer HK\$	Average daily revenue HK\$'000	Number of seats	Seat turnover rate
Marsino	842,235	1,770	43,292	51.4	24.5	337	6.8	935,864	1,589	45,725	48.9	28.8	345	8.5
La Dolce	-	-	-	-	-	-	-	352,271	661	17,893	50.8	27.1	71	5.9
Grand Avenue	665,100	1,133	38,724	58.2	34.2	280	6.1	1,035,887	1,440	60,714	58.6	42.2	387	7.5
Beefst	7,473	91	809	108.3	8.9	44	1.9	66,881	519	7,079	105.8	13.6	44	3.6
Haha Prawn Mee	12,862	91	1,046	81.3	11.5	82	1.7	76,988	519	6,629	86.1	12.8	82	3.2
Baba Nyonya	541,457	1,217	32,554	60.1	26.7	235	7.9	66,572	230	4,367	65.6	19.0	93	6.7
	2,069,127	4,302	116,425	56.3	27.1	978	4.1	2,534,463	4,958	142,407	56.2	28.7	1,022	5.9

During the year ended 31 March 2020, a wholly-owned subsidiary of our Group, together with three independent third parties, had entered into a joint venture agreement and a joint venture company (the "Associate") was formed. This Associate has been operating cold storage business starting from the end of April 2019.

PROSPECTS

The catering business in Hong Kong has been hit hardly since the start of the protest in the second half of 2019 and the coronavirus outbreak in early 2020, the Hong Kong government implemented measures to limit the number of persons dining in the restaurants, local residents have also distanced themselves from dining activities in order to avoid cross contamination and prevent community outbreaks. The prevention and control of the pandemic has continued to be the core of the Group's catering business. Notwithstanding the degree of impact of the coronavirus outbreak will depend on the duration of the pandemic and prevention and control activities taken by the Hong Kong government, the catering business in Hong Kong will still be facing a lot of uncertainties in the second half of 2020. The Group expects that after the coronavirus outbreak has been under control, the revenue generated by our Group will continue to grow.

In view of the above, management is actively seeking for potential business opportunities in the food and beverage industry, aiming at further substantiating its existing operations together with its expansion plan on its restaurants. After the year ended 31 March 2020 and up to the date of this report, the Group has entered a franchise agreement with an independent third party (the "franchisee") in which the Group has granted a franchise to the franchisee to operate a restaurant under the brand name of "Baba Nyonya". In June 2020, the franchisee opened a new restaurant in Tin Shui Wai, namely "Tin Shui Wai Baba Nyonya" and according to the franchise agreement, the franchisee will pay the royalty fee to the Group on a monthly basis based on a mutually agreed percentage of the monthly revenue generated by this restaurant.

CHAIRMAN'S STATEMENT

Management believes that through the opening of potential restaurants with our own resources or through the franchising business, accompanied with strengthening the performance of our existing restaurants, it could generate growing and sustainable income source for the Group.

The Group will continue to closely supervise the cost structure and reduction in spending in order to improve efficiency and increase the revenue, and ultimately create additional value for the shareholders of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all our valued customers, shareholders, investors and business partners for their continuous support. I would also like to express my appreciation to all fellow Directors, the management team and employees for their valuable contributions to achieve the major milestones of the Group to date.

Wong Suet Hing

Chairman

Hong Kong, 23 June 2020

FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

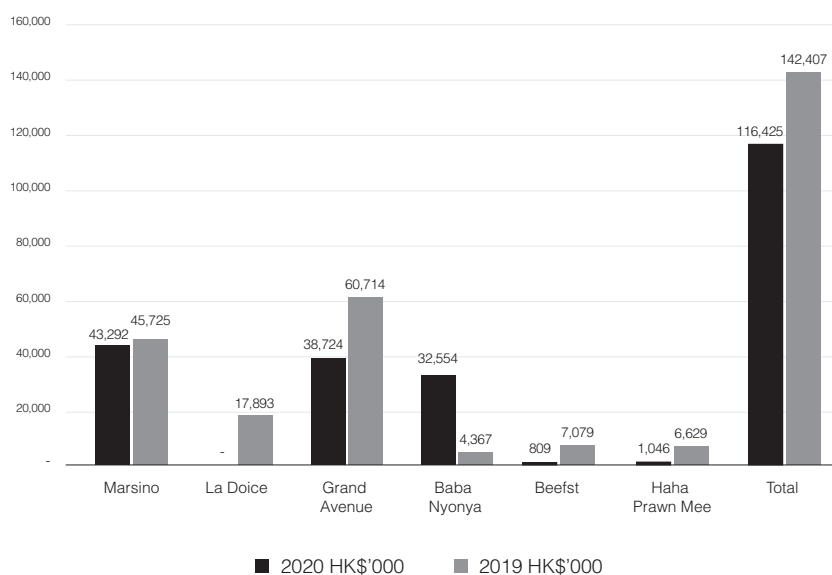
CONSOLIDATED RESULTS

	2020 HK\$'000	2019 HK\$'000
Revenue	116,425	142,407
Losses before tax	(44,710)	(15,032)
Losses and total comprehensive expense for the year attributable to owners of the Company	(44,459)	(16,087)

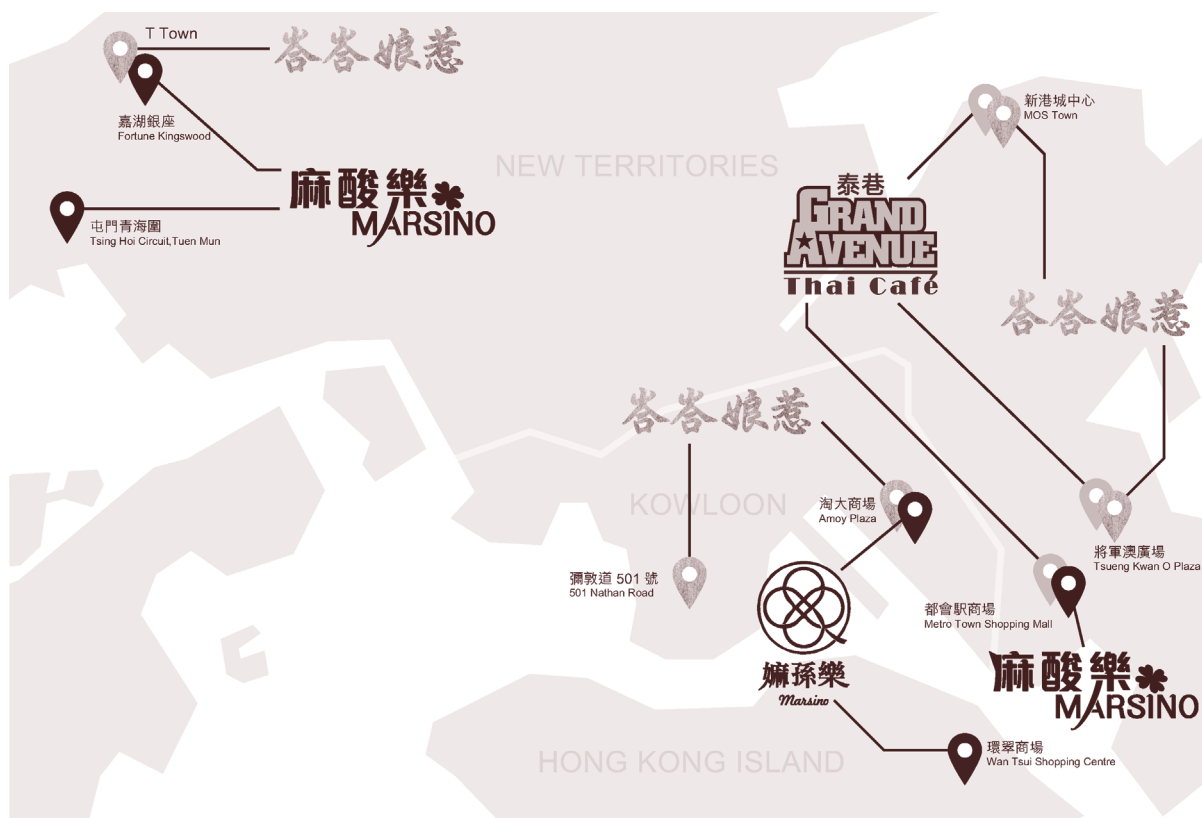
ASSETS AND LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Assets		
Non-current assets	113,272	65,901
Current assets	8,905	31,792
Total assets	122,177	97,693
Liabilities		
Non-current liabilities	45,191	17,728
Current liabilities	55,088	13,076
Total liabilities	100,279	30,804
Total equity	21,898	66,889
Total equity and liabilities	122,177	97,693
Net current (liabilities)/assets	(46,183)	18,716
Total assets less current liabilities	67,089	84,617

Total Revenue by Brand



FINANCIAL HIGHLIGHTS



OUR RESTAURANT LEASES

Brand	# of Stores	Existing Location	Mall Operator	Lease Expiry Date	Option to Renew (Yrs)	Seats	FEHD Licensed Area (Sq M)
Marsino	5	Tsing Hoi Circuit, Tuen Mun	Street front	31/8/2022	None	68	117.0
		Metro Town, Tiu Keng Leng	Fortune REIT	14/7/2022	None	86	149.7
		Fortune Kingswood, Tin Shui Wai	Fortune REIT	31/7/2022	None	66	108.6
		Amoy Plaza, Ngau Tau Kok	Hang Lung	15/12/2023	None	50	90.2
		Wan Tsui Shopping Centre, Chai Wan	Link REIT	13/9/2024	None	67	152.7
Grand Avenue	3	Metro Town, Tiu Keng Leng	Fortune REIT	14/7/2022	None	82	149.7
		MOS Town, Ma On Shan	Henderson	31/8/2023	None	108	182.9
		Tseung Kwan O Plaza, TKO	Nan Fung	1/11/2021	None	90	149.9
Baba Nyonya	5	Nathan Road, Mongkok	Street front	15/8/2020	2	54	93.1
		MOS Town, Ma On Shan	Henderson	25/3/2021	3	52	104.9
		Tseung Kwan O Plaza, TKO	Nan Fung	1/11/2021	None	66	149.9
		Amoy Plaza, Ngau Tau Kok	Hang Lung	3/9/2024	None	63	118.5
		T Town, Tin Shui Wai	Link REIT	22/4/2023	3	72	134.0

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Hong Kong's food and beverage industry has taken a massive hit by consecutive crises: the U.S.-China trade war, the months-long protests which shuttered shops and severely hit tourism, and now, the coronavirus pandemic, with uncertainty looming large as the civil unrest continues and there is no sight when will the coronavirus pandemic end.

Many restaurant operators have given up their spaces in greater numbers amid an economic downturn that started with the city's anti-government protests last year and had worsened during the coronavirus pandemic. About 1,000 restaurants have closed since June 2019, according to an estimate by the Association for Hong Kong Catering Services Management in mid-March. The social distancing measures introduced by the Hong Kong government to curb the spread of the coronavirus outbreak have also dealt a big blow to the food and beverage industry.

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 6 May 2020, the value of total receipts of the restaurants sector in the first quarter of 2020, was provisionally estimated at HK\$21.7 billion, representing a decrease of approximately 31.2% over a year earlier. Over the same period, the provisional estimate of the value of total purchases of restaurants decreased by approximately 29.1% to approximately HK\$7.0 billion.

To operate in such a difficult business environment, our Group has been trying to negotiate with our landlords to reduce the rent. We have also reduced using the part-time employees to save cost. To remain competitive, we need to provide good and stable food quality and control operating costs. Introducing new dishes in our food menu could attract more customers as people tends to try new things. In addition, we will continue to work closely with social media and other business partners to build business networking, offer promotions and to attract media attention, since more people rely on the reviews and star-rating provided by the social media before they make the decision to choose which restaurants to dine in.

BUSINESS OVERVIEW

We are a casual dining full service restaurant operator and up to the date of this report, we are operating 13 restaurants under 3 brands, namely "Marsino", "Baba Nyonya" and "Grand Avenue", and they are all situated across Hong Kong, Kowloon and the New Territories. Among these 13 restaurants, 12 of them are operated by our own whereas 1 of them is operated by a franchisee under a franchise agreement.

"Marsino" is a Chinese noodle specialist, "Grand Avenue" offers Thai cuisine, and "Baba Nyonya" offers Malaysian cuisine. Each of "Marsino", "Grand Avenue" and "Baba Nyonya" are founded and operated by our Group except one of "Baba Nyonya" is operated by a franchisee.

In November 2019, the Group has opened a new restaurant, namely Ngau Tau Kok Baba Nyonya which is serving Malaysian cuisine and it has been showing steadily good performance since commencement of its business due to relatively less competition on offering similar cuisine in its proximity.

"Marsino" had recorded revenue of approximately HK\$43.3 million during the year ended 31 March 2020, which is equivalent to 37.2% of our total revenue. As compared to the last corresponding period, "Marsino" has experienced a decrease in revenue by 5.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

“Grand Avenue” had recorded revenue of approximately HK\$38.7 million during the year ended 31 March 2020, which is equivalent to 33.3% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced a decrease in revenue by 36.2% mainly due to the reduction of number of restaurants.

“Baba Nyonya” had recorded revenue of approximately HK\$32.6 million during the year ended 31 March 2020, which is equivalent to 28.0% of our total revenue. As compared to the last corresponding period, “Baba Nyonya” has experienced an increase in revenue by 645.5% due to the expansion of number of restaurants under “Baba Nyonya” from 1 to 4.

“Beefst” had recorded revenue of approximately HK\$0.8 million during the year ended 31 March 2020, which is equivalent to 0.7% of our total revenue. As compared to the last corresponding period, “Beefst” has experienced a decrease in revenue by 88.6% due to the closure of all “Beefst” restaurants.

“Haha Prawn Mee” had recorded revenue of approximately HK\$1.0 million during the year ended 31 March 2020, which is equivalent to 0.9% of our total revenue. As compared to the last corresponding period, “Haha Prawn Mee” has experienced a decrease in revenue by 84.2% due to the closure of all “Haha Prawn Mee” restaurants.

In addition to the above restaurants, our Group also owns and operates a central kitchen which supplies raw materials and consumables to our restaurants. We established our central kitchen as early as in 2007, and then we moved to the existing premises due to expansion. Our management believes that our central kitchen can continuously improve the efficiency of our operation.

The cold storage’s business operated by the Associate was slowed down due to the social instabilities and the coronavirus outbreak, which had adversely affected the customer’s spending sentiment as well as reducing the number of visitors traveling to Hong Kong. As a result, local consumption of frozen food products was decreased which led to the demand for the cold storage facilities were also affected. In response to the challenging business, the Associate has been expanding its customer base by introducing dry storage area which allows us to accept dried products from our customers in addition to the existing frozen products. Moreover, the Associate is negotiating a flexible rental payment schedule with its landlord as well as reducing its labour cost by streamlining the business workflow.

Although there is no one can predict when the coronavirus outbreak will be ended, we are still optimistic as to the prospect of the Associate as given the fact that there are limited numbers of sizable cold storage operator in Hong Kong. In addition to that, as approved by Trade and Industry Department in late 2019, the Associate has been registered as a rice stockholder, which allows us to store rice for our customers, and this create an additional source of income for us as there is significant demand for rice in Hong Kong. Starting in April 2019, our Group has entered an agreement with a Taiwanese rice supplier and act as their sole agent in Greater China area to supply their rice products in the region, we anticipate that the formation of this business could generate positive income flow towards our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

In view of the uncertainties and the combined negative effects brought by the coronavirus outbreak, the social instabilities and the US-China trade war, the Group adopts a conservative and cautious approach on operating our business. Since the beginning of the coronavirus outbreak, Hong Kong government has rolled out measures in several rounds to encourage people staying at home and limit the number of seats provided by the restaurants which has tremendously slashed the income of all the restaurants. On the other hand, the staff costs and food costs are remained relatively high despite of the economic downturn, therefore the Group is facing huge pressure on striking the balance between cost control without sacrificing the qualities of our food and services. Another major cost component for our Group is the rental expenses, and we have been negotiating with our landlords for rent concessions, and some of them agreed to reduce the rent and given the gloomy and uncertain economic future, we will continue to negotiate further rent concessions with our landlords.

To address the current weakness in customer sentiment and unpredictable market conditions, the Group will strengthen its promotional efforts to maintain the Group's competitiveness, including offering promotional menus and launching seasonal products like moon cake, Chinese New Year cakes, stainless steel kettles and so forth. On the other hand, our Group has entered into an agreement with a restaurant chain and our Group is providing sourcing, purchasing and logistics functions to them, we are confident that this new business could generate positive return to our Group.

Looking ahead, the Group will constantly adjust the business strategies in response to the ever-changing economy and the food and beverage industry, we will also closely monitor and evaluate the performance of each of our restaurants and take a proactive approach such as cost control, to reduce the possible adverse impact brought by the underperformed restaurants to the Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, the Group recorded revenue of approximately HK\$116.4 million (year ended 31 March 2019: approximately HK\$142.4 million), representing a decrease of 18.2% compared with the same period of the previous financial year. The decrease in revenue was primarily attributed to the reduction of the number of our restaurants as well as the severe economic downturn as caused by the social instabilities and the coronavirus outbreak which led to fewer tourists coming to Hong Kong and weaker consumer's spending sentiment.

MANAGEMENT DISCUSSION AND ANALYSIS

Raw materials and consumables used

The raw materials and consumables used mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants and central kitchen. The major food ingredients purchased by the Group include, but are not limited to, meat, seafood, frozen food, vegetables and beverages. Raw materials and consumables used is one of the major components of the Group's operating expenses which amounted to approximately HK\$40.2 million and HK\$31.9 million for each of the year ended 31 March 2019 and 2020, respectively, representing approximately 28.2% and 27.4% of the Group's total revenue for the corresponding periods. Our management has been very conscious in striking the balance between food cost and food quality. Despite the rising costs of raw materials which has adversely affected the profitability of the food and beverage industry, the Group has steadily improved its food cost through adopting a variety of planning, monitoring and evaluation techniques, such as comparing different prices between suppliers, finding alternative but less expensive food ingredients without sacrificing the quality, performing food cost calculations, evaluating menu planning, and reducing waste and theft.

Other gains and losses, net

Other gains and losses, net increased by approximately HK\$9.3 million from approximately HK\$0.9 million for the year ended 31 March 2019 to approximately HK\$10.2 million for the year ended 31 March 2020. Such increase was mainly due to the impairment loss of the property, plant and equipment which was approximately HK\$6.2 million and it was mainly attributable to Tiu Keng Leng Grand Avenue, Mongkok Baba Nyonya and Ngau Tau Kok Marsino as well as the loss on written-off/disposal of property, plant and equipment of Mongkok Beefst and Mongkok Haha Prawn which was approximately HK\$4.8 million due to the closure of these two restaurants at the end of June 2019.

Staff costs

Staff costs was approximately HK\$54.4 million for the year ended 31 March 2020, representing a decrease of approximately 8.4% as compared to approximately HK\$59.5 million for the year ended 31 March 2019. Such decrease was mainly due to the reduction of the number of our restaurants and the tightened cost control.

Depreciation

Depreciation was approximately HK\$29.3 million and HK\$9.5 million for the year ended 31 March 2020 and 2019, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, kitchen and other equipment. The increase in such expense was mainly due to the implementation of HKFRS 16 – Leases which has required the Group to recognise the right-of-use assets for our leases and depreciated them over the lease terms.

Rental and related expenses

The rental expenses for the year ended 31 March 2020 amounted to approximately HK\$4.5 million, representing a decrease of approximately 84.4% as compared with that of the year ended 31 March 2019 which amounted to approximately HK\$28.6 million. Such decrease was mainly due to the classification of rental expenses as depreciation of right-of-use assets and expenses from short-term leases under HKFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the year ended 31 March 2020 and 2019, the total utility expenses amounted to approximately HK\$6.6 million and HK\$7.5 million, respectively.

Other expenses

The Group's other expenses decreased by approximately 10.6% from approximately HK\$11.7 million for the year ended 31 March 2019 to approximately HK\$10.5 million for the year ended 31 March 2020. Such decrease was mainly due to the decrease in audit fees, cleaning fee, small tools and equipment expenses, bank charges, the royalty fee paid to the franchisor for using its brand name "Beefst" in Hong Kong and so on.

Finance costs

Finance costs of the Group significantly increased by approximately HK\$2.7 million or approximately 592.8% from approximately HK\$0.4 million for the year ended 31 March 2019 to approximately HK\$3.1 million for the year ended 31 March 2020. The increase in finance costs was mainly attributable to the interest on lease liabilities attributable to the right-of-use assets under HKFRS 16.

Losses attributable to owners of the Company

For the year ended 31 March 2020, the Group recorded a loss attributable to owners of the Company of approximately HK\$44.5 million, as compared to the loss of approximately HK\$16.1 million for the year ended 31 March 2019. The loss for the year ended 31 March 2020 was mainly attributable to (i) the impairment loss on property, plant and equipment for three restaurants (ii) the decrease in revenue as affected by the reduction of the number of our restaurants as well as the severe economic downturn as caused by the social instabilities and the coronavirus outbreak; (iii) the loss on written-off/disposal of property, plant and equipment due to the closure of our restaurants; (iv) staff costs were remained high despite our revenue was dropped; and (v) impairment loss of interest in an associate.

Dividend

The Board does not recommend any payment of dividend for the year ended 31 March 2020 (2019: Nil).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong with significant transactions are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any outstanding capital commitment.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities.

CHARGE ON GROUP ASSETS

At 31 March 2020, bank loans of HK\$15,000,000 and bank overdrafts HK\$5,857,000 were secured by leasehold land and building owned by the Group with the carrying amount of approximately HK\$30,982,000.

At 31 March 2019, bank loans of HK\$15,000,000 were secured by the leasehold land and building owned by the Group with the carrying amount of approximately HK\$32,594,000.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 31 March 2020, a wholly-owned subsidiary of the Company invested HK\$15.0 million towards an Associate, other than that, the Group had no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 March 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

- 1) As we lease all of the properties for our restaurant operations, any attractive location will likely be subject to high demand from, among others, other food and beverage operators that compete directly with our Group for the same location. As such, there is no assurance that our Group would be able to find suitable premises that are commercially attractive for its restaurants with reasonable commercial terms in the event there is a need for relocation or our Group intends to open new restaurants. In addition, it is uncertain that all our leases can be renewed at all when they expire or on terms acceptable to us. Even if our Group is able to renew or extend its leases, the rental expenses may increase significantly, which could adversely affect our profitability.
- 2) We rely on our central kitchen to supply some of our semi-processed or processed food ingredients used in our restaurants and any disruption of operation at our central kitchen could adversely affect our business and operations.
- 3) If our suppliers fail to deliver food with an acceptable quality or in a timely manner, we may experience supply shortages and increased food costs.
- 4) We require various approvals and licences to operate our business, and the loss of, or failure to, obtain or renew any or all of these approvals and licences, could materially and adversely affect our business.
- 5) Labour shortages or increases in labour costs will increase our Group's operating costs and reduce our profitability.
- 6) Risks related to the spread of coronavirus and other possible infectious disease which may adversely affect the business of the food and beverage sector.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Wong Suet Hing (黃雪卿) (“Ms. SH Wong”), aged 67, is our Chairlady and an executive Director. She is primarily responsible for overseeing the overall operations and procurement of our Group including but not limited to handling suppliers relationship, approval of procurement, review of stock level and order size and approval on menu changes. Being raised in a family engaging in the food and beverage industry operating a Hong Kong style dai pai dong (大牌檔) (an open-air food stall), Ms. SH Wong is devoted to the food and beverage industry. Ms. SH Wong has nearly 50 years of experience in this industry, since the 1960s when she was working in the dai pai dong known as Sui Yuen (瑞園) in To Kwa Wan. Ms. SH Wong is the mother of Ms. ST Wong. She is also the sister of Mr. MF Wong and an aunt of Mr. SH Ma.

Ms. Wong Sau Ting Peony (王秀婷) (“Ms. ST Wong”), aged 45, is our Chief Executive Officer and an executive Director. She is primarily responsible for and works with Ms. SH Wong to oversee our Group’s overall operations, strategic direction and business development. Ms. ST Wong graduated from The Chinese University of Hong Kong with a degree in bachelor of social science in May 1997 and a degree in master of business administration which was a distance learning course organised by University of South Australia in September 2005. Ms. ST Wong is the daughter of Ms. SH Wong. She is also the niece of Mr. MF Wong and cousin of Mr. SH Ma.

Mr. Wong Muk Fai Woody (黃木輝) (“Mr. MF Wong”), aged 58, is our executive Director. He is primarily responsible for overseeing the restaurant operations of our Group as well as developing restaurants in different cuisines and to ensure the quality of our products. Mr. MF Wong has nearly 40 years of experience in this industry, since the 1960s when he was working in the dai pai dong known as Sui Yuen in To Kwa Wan. He is the brother of Ms. SH Wong. He is also the uncle of Ms. ST Wong and Mr. SH Ma.

Mr. Ma Sui Hong (馬瑞康) (“Mr. SH Ma”), aged 37, is our executive Director. He is primarily responsible for our Group’s customer services and human resources operations. Mr. SH Ma is also responsible for the provision of staff training and adjusting the number of staff to reflect the business needs of each restaurant. He graduated from University of Wollongong in Australia with a degree in bachelor of commerce in logistics in July 2006 and a master degree of science in management (human resources management) in The Hong Kong Polytechnic University in December 2017. He is the nephew of Ms. SH Wong and Mr. MF Wong and cousin of Ms. ST Wong.

Mr. Wong Chi Chiu Henry (黃智超) (“Mr. Wong”), aged 44, is our executive Director. He is primarily responsible for overseeing our Group’s overall financial accounting and reporting matters. Mr. Wong received a bachelor’s degree in business administration from Acadia University, Canada in August 1999 and obtained a master degree in business administration from The Hong Kong Polytechnic University in August 2008. He is a qualified member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ng Yau Kuen Carmen (吳幼娟) (“**Ms. Ng**”), aged 44, was appointed as an independent non-executive Director on 29 January 2018. She had worked at PricewaterhouseCoopers for approximately 13 years in the Financial Services Assurance Department. Since leaving PricewaterhouseCoopers, she has been a practicing certified public accountant. Ms. Ng obtained a bachelor’s degree of business administration from the Chinese University of Hong Kong in May 1998, a master’s degree of business administration and a master’s degree of laws in corporate and financial law from the Hong Kong University of Science and Technology in November 2007 and the University of Hong Kong in November 2013, respectively. Since October 2017, Ms. Ng has been a fellow member of the Hong Kong Institute of Certified Public Accountants and she is currently the managing partner of Cypress Certified Public Accountants.

Ms. Ng is currently an independent non-executive director of Get Nice Financial Group Limited (stock code: 1469), the issued shares of which are listed on the Main Board of the Stock Exchange, Koala Financial Group Limited (stock code: 8226), the issued shares of which are listed on GEM of the Stock Exchange, and IEV Holdings Limited, the issued shares of which are listed on Singapore Exchange.

Mrs. Cheung Lau Lai Yin Becky (張劉麗賢) (“**Mrs. Cheung**”), aged 60, was appointed as an independent non-executive Director on 29 January 2018. Mrs. Cheung has over 30 years food safety and operation experience in catering, food retail, research and development, distribution and manufacturing industry in England, Hong Kong and China. She was an assistant food technologist in British Home Stores, England between July 1983 and February 1984, an assistant scientific officer at Flour Milling Baking Research Association, England in February to August 1984, a quality control and product development manager at Kenyons Fine Foods Ltd, England between October 1986 and July 1987, a technical manager at St Ivel Limited from August 1987 to May 1991, managing director and principal trainer at Best Key Food Hygiene Consultants, England from June 1991 to May 1994. Since 1983, Mrs. Cheung has been working in food safety related areas in England and Hong Kong. She is the chief executive officer of Best Key Consultants since 2007. Mrs. Cheung is currently the chairman of International Food Safety Association, and has served as a lecturer at both The University of Hong Kong and Hong Kong Baptist University. She obtained a bachelor degree in food science from the London South Bank University, United Kingdom in July 1985 and a postgraduate diploma in management studies from the University of Westminster, United Kingdom in October 1986. She was elected as a member of the Institute of Food Science & Technology (UK) in 1991 and a fellow member of Royal Society of Health in 1991 and a fellow member of the Royal Society for Public Health in 2011. She is a voting member and a registered trainer of The Chartered Institute of Environmental Health since 2011.

Mr. Yu Ronald Patrick Lup Man (余立文) (“**Mr. Yu**”), aged 49, was appointed as an independent non-executive Director on 29 January 2018. He is the Chairman of the Nomination Committee and a member of Audit Committee and Remuneration Committee of the Company. Mr. Yu has over 20 years of experience in accounting, investment banking, and private equity investments. Mr. Yu holds a Bachelor of Informatics degree from Griffith University, Australia and a Master degree of Professional Accounting with University of Queensland, Australia. He is a fellow member of CPA Australia and fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Yu worked as the responsible officer with Zeus Asset Management Limited until 31 December 2019. Mr. Yu is currently an independent non-executive director of Homeland Interactive Technology Ltd. (stock code: 3798), the issued shares of which are listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Cheung Shing Kang (張成耕) (“**Mr. SK Cheung**”), aged 63, joined our Group on 1 July 2017 as Business Development Manager is mainly responsible for developing Japanese restaurant operations for us. Mr. SK Cheung has nearly 37 years of experience in the food and beverage industry with well known brands such as Beppu Group (formerly known as Beppu Menkan Management Limited), Kowloon Shangri-La Hotel and Cathay Pacific Catering (HK) Limited. He was a Demi Chef de Partie of Nadaman restaurant at the Kowloon Shangri-La Hotel from 1995 to 1996. Prior to joining our Group, Mr. SK Cheung had been working for 15 years as the executive chef of Beppu Group, a group of Japanese style casual dining full-service chain restaurants. While Mr. SK Cheung was the executive chef of Beppu Group, he was responsible for overseeing the operation of the Japanese ramen restaurants.

Ms. Wong Suet Ching (黃雪貞) (“**Ms. SC Wong**”), aged 61, is our controlling shareholder and joined our Group on 10 September 2014 as food factory assistant and promoted to food factory manager at April 2017. She is mainly responsible for the operation of our central kitchen. Ms. SC Wong has over 40 years of experience in the food and beverage industry earned from running cha chaan teng with her husband prior to joining our Group. Ms. SC Wong is the sister of Ms. SH Wong and Mr. MF Wong and aunt of Ms. ST Wong and Mr. SH Ma.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board and the senior management of the Company is committed to achieving high standards of corporate governance by emphasising transparency, accountability, fairness and responsibility. The Company has adopted the Corporate Governance Code (the “**Code**”) as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 March 2020 and complied with all applicable code provisions under the Code throughout the year. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the Code.

BOARD OF DIRECTORS

At present, the Board comprises eight Directors as follows:

Executive Directors:

Ms. Wong Suet Hing (*Chairlady*)

Ms. Wong Sau Ting Peony (*Chief Executive Officer*)

Mr. Wong Muk Fai Woody

Mr. Ma Sui Hong

Mr. Wong Chi Chiu Henry

Independent Non-Executive Directors:

Ms. Ng Yau Kuen Carmen

Mrs. Cheung Lau Lai Yin Becky

Mr. Yu Ronald Patrick Lup Man

All Directors possess broad experience or appropriate professional qualification as well as well-equipped industry knowledge. The Board as a whole has maintained an appropriate balance of skills and experiences. Biographical details of the Directors are set out in the section of “Directors and Senior Management” of this annual report (“**Annual Report**”).

The composition of the Board is in accordance with the requirement of Rules 5.05 and 5.05A of the GEM Listing Rules. There are three independent non-executive Directors and two of them have accounting professional qualification. More than one-third of the members of the Board are independent non-executive Directors, which brings a fairly strong independence element in its composition.

CHAIRMAN AND CHIEF EXECUTIVE

According to A.2.1 of the Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year, Ms. SH Wong, the chairlady of the Company, is responsible for overseeing the overall operations and procurement of the Group. While our chief executive officer, Ms. ST Wong has a clear distinction of responsibilities and she works together with the other executive Directors and senior management to be responsible for day-to-day operations of the Group and different aspects of the business.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

The Board has adopted a board diversity policy on 31 December 2018 which sets out the approach to achieve diversity on the Board.

Selection of candidates will be based on a range of factors, including diversity in gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The final decision will be based on merit and contribution that the selected candidates will bring to the Board. For further details, please refer to the board diversity policy published on the Company's website.

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board and confirmed that the Company has maintained a balanced composition with a strong independent element on the Board. The Directors collectively possess diversified experience in management and broad industrial experience. Three independent non-executive Directors possess professional knowledge in accounting and finance, food safety expertise and business management, respectively. Further details of the Directors are set out in the section headed "Directors and Senior Management" in this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDS")

The INEDs serve a critical function of advising the management on strategy development and ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole.

The INEDs are all experienced with expertise in different areas of finance, accounting, industry knowledge and expertise. With their professional knowledge and experience, the INEDs advise the Company on its operation and management; provide independent advice; and participate in the Company's different committees including Audit Committee, Nomination Committee and Remuneration Committee. Each of the independent non-executive Directors has made annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

All of the Directors including both the executive Directors and the INEDs are appointed for a specific term. Each of the INEDs has entered into a letter of appointment with the Company for a period of three years subject to the rotation requirement and shall continue thereafter unless terminated by either party giving at least three months' notice in writing. In accordance with the Company's Articles of Association and, at each Annual General Meeting ("AGM") of the Company, one-third of the Directors will retire from office by rotation but will be eligible for re-election.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiries to all the Directors and all the Directors had confirmed they have complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 March 2020.

CORPORATE GOVERNANCE REPORT

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Pursuant to the deed of non-competition dated 29 January 2018 (“**Deed of Non-Competition**”) entered into by Marvel Jumbo Limited (“**MJL**”), Ms. SH Wong, Ms. ST Wong, Ms. Chow Lai Fan (“**Ms. LF Chow**”), Ms. SC Wong and Mr. SH Ma (collectively, the “**Controlling Shareholders**”), each of our Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the continuation of the Deed of Non-Competition he/she/it shall not, and shall procure that his/her/its close associates (other than any member of our Group) not to, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business, or be interested or involved or engaged in or acquire or hold any right or interest, or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business, which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the operation of restaurants in Hong Kong and any other country or jurisdiction).

The Company has received an annual declaration from each of the Controlling Shareholders confirming that they complied with the undertakings for the year ended 31 March 2020. The Controlling Shareholders also confirmed in the said annual declaration that none of them had any interest in a business, other than business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 March 2020.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-Competition for the year ended 31 March 2020:

- (i) the Controlling Shareholders had procured the INEDs to review, on an annual basis, the compliance with the non-competition undertakings by the Controlling Shareholders under the Deed of Non-Competition;
- (ii) the Controlling Shareholders had promptly provided all information requested by the Company which is necessary for the annual review by the INEDs and the enforcement of the Deed of Non-Competition;
- (iii) the Controlling Shareholders had provided to the Company a written confirmation relating to the compliance of the Deed of Non-Competition and declared that they had complied with the Deed of Non-Competition for the year ended 31 March 2020; and
- (iv) the INEDs, having reviewed the relevant information and the written confirmation provided by the Controlling Shareholders, decided that the undertakings in respect of the Deed of Non-Competition had been duly enforced and complied with by the Controlling Shareholders for the year ended 31 March 2020.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 March 2020, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DELEGATION BY THE BOARD

The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer, the other executive Directors and the senior management. The delegated work tasks are reviewed periodically. Approval has to be obtained from the Board prior to any significant transactions occurred. The INEDs bring a wide range of business and expertise, independent judgement and experiences to the Board.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing corporate governance duties and has adopted written terms of reference on its corporate governance functions.

The duties of the Board in respect of the corporate governance functions include:

- (i) Developing and reviewing the Company's policies and practices on corporate governance;
- (ii) Reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (v) Reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report; and
- (vi) Developing, reviewing and monitoring the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

During the year, the above corporate governance duties have been duly performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

CORPORATE GOVERNANCE REPORT

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to the Directors. Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials.

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 March 2020 is as follows:

Name of Directors	Continuous professional development programmes
<i>Executive Directors</i>	
Ms. Wong Suet Hing (<i>Chairlady</i>)	Yes
Ms. Wong Sau Tine Peony	Yes
Mr. Wong Muk Fai Woody	Yes
Mr. Ma Sui Hong	Yes
Mr. Wong Chi Chiu Henry	Yes
<i>Independent non-executive Directors</i>	
Ms. Ng Yau Kuen Carmen	Yes
Mrs. Cheung Lau Lai Yin Becky	Yes
Mr. Yu Ronald Patrick Lup Man	Yes

The nature of continuous professional development programmes are reading seminar materials and updates relating to the latest development of the GEM Listing Rules and other applicable regulatory requirements.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board meets regularly, and at least four times a year, in person or by telephone or by means of electronic communication. The Chairlady also meets with the INEDs at least once a year without the presence of the executive Directors. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board and committee meetings, reasonable notice is generally given. All notices, agendas, schedules and the relevant information of each Board and committee meeting are generally made available to Directors or committee members in advance. The Board and each Director also have separate and independent access to the management whenever necessary.

The company secretary of the Company or the secretary to the board committees is responsible for taking and/or keeping minutes of all Board meetings and various committees' meetings in sufficient detail. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting is held, and the final version of the minutes is opened for Director's inspection.

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

Name of Directors	Board Meeting Attended/Held
<i>Executive Directors</i>	
Ms. Wong Suet Hing (<i>Chairlady</i>)	9/9
Ms. Wong Sau Tine Peony	9/9
Mr. Wong Muk Fai Woody	0/9
Mr. Ma Sui Hong	9/9
Mr. Wong Chi Chiu Henry	9/9
<i>Independent non-executive Directors</i>	
Ms. Ng Yau Kuen Carmen	9/9
Mrs. Cheung Lau Lai Yin Becky	9/9
Mr. Yu Ronald Patrick Lup Man	9/9

INDEPENDENT BOARD COMMITTEE

Where there are matters involving connected or continuing connected transactions, so far as required under the GEM Listing Rules, an Independent Board Committee, comprising wholly the INEDs, will be established.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, including the Remuneration Committee, the Nomination Committee and the Audit Committee with delegated powers for overseeing particular aspects of the Company's affair. Each of the committees of the Company has been established with written terms of reference.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 29 January 2018 in compliance with Appendix 15 of the GEM Listing Rules. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the website of the Stock Exchange and the Company's website.

The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and the senior management and determining the remuneration packages of all executive Directors and senior management. The Remuneration Committee is also responsible to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee will hold at least one meeting during the year. The members will review the remuneration package of Directors and the senior management of the Company.

The Remuneration Committee comprises five members namely:

Mrs. Cheung Lau Lai Yin Becky (*Chairlady*)

Ms. Ng Yau Kuen Carmen

Mr. Yu Ronald Patrick Lup Man

Ms. Wong Suet Hing

Ms. Wong Sau Ting Peony

Majority of the members are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

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

Name of Directors	Remuneration Committee Meeting Attended/Held
<i>Independent non-executive Directors</i>	
Mrs. Cheung Lau Lai Yin Becky (<i>Chairlady</i>)	3/3
Ms. Ng Yau Kuen Carmen	3/3
Mr. Yu Ronald Patrick Lup Man	3/3
<i>Executive Directors</i>	
Ms. Wong Suet Hing	3/3
Ms. Wong Sau Tine Peony	3/3

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 29 January 2018 for making recommendations to the Board on appointment of Directors and succession planning for the Directors. On 31 December 2018, the Company adopted a set of revised terms of reference of the Nomination Committee in line with the GEM Listing Rules requirement. The terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the website of the Stock Exchange and the Company's website.

The principal duties of the Nomination Committee include reviewing the Board structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service); make recommendations on any proposed changes to the Board to implement the Company's corporate strategy; identify and nominate appropriate candidates to fill vacancies of Directors for the Board's approval; assess the independence of the INEDs and review the board diversity policy. The nomination procedures are set out as follows:

1. The secretary of the Nomination Committee shall call a meeting and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.
2. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

CORPORATE GOVERNANCE REPORT

3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
4. In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.
5. A shareholder can serve a notice to the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as an INED, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.
6. A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary.
7. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
8. As there may be more candidates than the vacancies available, and the "gross-vote" method will be used to determine who shall be elected as an INED, shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

Currently, the Nomination Committee comprises five members namely:

Mr. Yu Ronald Patrick Lup Man (*Chairman*)

Mrs. Cheung Lau Lai Yin Becky

Ms. Ng Yau Kuen Carmen

Ms. Wong Suet Hing

Ms. Wong Sau Ting Peony

Majority of the members are independent non-executive Directors.

Pursuant to the terms of reference of the Nomination Committee, meeting shall be held at least once a year and additional meetings should be held if the committee shall so request.

CORPORATE GOVERNANCE REPORT

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>Independent non-executive Directors</i>	
Mr. Yu Ronald Patrick Lup Man (<i>Chairman</i>)	1/1
Mrs. Cheung Lau Lai Yin Becky	1/1
Ms. Ng Yau Kuen Carmen	1/1
<i>Executive Directors</i>	
Ms. Wong Suet Hing	1/1
Ms. Wong Sau Tine Peony	1/1

AUDIT COMMITTEE

The Company has established an Audit Committee on 29 January 2018 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. On 31 December 2018, the Company adopted a set of revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the website of the Stock Exchange and the Company's website.

The primary duties of the Audit Committee are mainly to:

- Make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor
- Review the adequacy of the Group's policies and systems regarding risk management and internal controls
- Review the financial reporting principles and practices applied by the Group in preparing its financial statements
- Before audit commencement, review external auditor's independence, objectivity, effectiveness of the audit process and the scope of the external audit, including the engagement letter
- Monitor integrity of the Group's financial statements and the annual, quarterly and interim financial reports, and review significant financial reporting judgements contained in them prior to approval by the Board

CORPORATE GOVERNANCE REPORT

Currently, the Audit Committee comprises three INEDs as follows:

Ms. Ng Yau Kuen Carmen (*Chairlady*)

Mr. Yu Ronald Patrick Lup Man

Mrs. Cheung Lau Lai Yin Becky

Pursuant to the terms of reference of the Audit Committee, meetings shall be held not less than four times per year and additional meetings should be held as the work of the Committee demands.

During the year ended 31 March 2020, the Audit Committee convened 5 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>	
Ms. Ng Yau Kuen Carmen (<i>Chairlady</i>)	5/5
Mr. Yu Ronald Patrick Lup Man	5/5
Mrs. Cheung Lau Lai Yin Becky	5/5

All the members are independent non-executive Directors (including two independent non-executive Directors who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Group's consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2020 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, major business developments, corporate governance and other material information), to enable the shareholders and the potential investors to make an informed decision on their investments in the shares and other securities of the Company, and to actively participate in the activities organised by the Company for them.

CORPORATE GOVERNANCE REPORT

The Company has established several channels to communicate with the shareholders as follows:

- 1) The Company communicates with the shareholders and the potential investors through various channels, including financial reports (annual, half-yearly and quarterly reports), annual general meetings and extraordinary general meetings, announcements and circulars;
- 2) The Company will monitor and review regularly the process of its general meeting and, where necessary, make appropriate changes to ensure that shareholders' needs are best served;
- 3) Board members, in particular, either the chairmen or deputy chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer the shareholders' questions;
- 4) Information published by the Company pursuant to the GEM Listing Rules will be made available on the website of the Stock Exchange www.hkexnews.hk and the Company's website www.simplicityholding.com (such as its history and developments, products and services, awards and achievements etc) to enable the shareholders and the potential investors to have better understanding of the Company and its latest development;
- 5) The Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Since 26 February 2018 (being the "**Listing Date**"), there was no change to the Company's Articles of Association.

INTERNAL CONTROL AND RISK MANAGEMENT

The Company does not have an internal audit department and is currently of the view that there is no immediate need to set up an internal audit department within the Group in light of the size, nature and complexity of the business of the Group. The Board has overall responsibility for formulation and overseeing the implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives, safeguard assets against unauthorised use or misappropriation, ensure maintaining proper accounting records for the provision of reliable financial information for internal use or publication, execution with appropriate authority and to ensure compliance of the relevant laws and regulations. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The Board understands that no one system will preclude all errors and irregularities.

CORPORATE GOVERNANCE REPORT

The Board reviews the effectiveness of the Group's material internal controls and considers the Group's internal control system is designed to manage reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties. The Board is of the view that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

The Company maintains a framework for the handling and dissemination of inside information and the disclosure policy of the framework sets out the procedures and internal controls to ensure inside information remains confidential until such information is appropriately disclosed and the announcement of such information is made in a timely manner in compliance with the GEM Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements of the Group for the year ended 31 March 2020, the Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The Group's independent external auditor is BDO Limited ("BDO"). The remuneration for the audit and non-audit services provided by BDO to the Group during the year ended 31 March 2020 was approximately as follows:

Type of Services	Amount HK\$'000
Audit	700
Non-audit services	—
Total	<u>700</u>

COMPANY SECRETARY

Mr. Wong Chi Chiu Henry was appointed as our company secretary, is responsible for ensuring that Board's procedures are followed and facilitating communications among Directors as well as with shareholders and management. During the year ended 31 March 2020, Mr. Wong has undertaken no less than 15 hours of relevant professional training, which met the requirements of Rule 5.15 of the GEM Listing Rules.

DIVIDEND POLICY

The Company has adopted a dividend policy on 31 December 2018 which sets out the principles and measures on how the Company may propose a dividend.

The Board will take into account the following factors when considering the payment of dividends:

- (a) the Company's actual and expected financial performance;
- (b) retained earnings and distributable reserves of the Group;
- (c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- (d) any restrictions on payment of dividends that may be imposed by the Group's contracting parties;
- (e) the Group's expected working capital requirements and future expansion plans;
- (f) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- (g) any other factors that the Board may deem appropriate.

Any declaration and payment of future dividends under the dividend policy will be subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. In addition, the declaration and payment of dividends may be subject to legal restrictions or any applicable laws, rules and regulations and the Articles of Association of the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene 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 website of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

Pursuant to the Articles of Association of the Company which provides the extraordinary general meetings should be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at the times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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 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.

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 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 "Procedures for shareholders to convene an extraordinary general meeting" above.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company has not made any significant change to its constitutional documents during the year. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements. The principal activities of the Group are restaurant operations.

BUSINESS REVIEW

The business review of the Group, including a discussion of the principal risks and uncertainties facing by the Group, an indication of likely future developments in the Group's business, and an analysis using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 10 to 15 of this Annual Report. Those discussions form part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 and the financial position of the Group as at that date is set out in the consolidated financial statements on pages 55 to 119.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 March 2020.

As at the date of this report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 8 of the Annual Report.

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then. The capital of the Group only comprised of ordinary shares.

DIRECTORS' REPORT

Financial Resources and Liquidity

As at 31 March 2020, current assets amounted to approximately HK\$8.9 million (as at 31 March 2019: approximately HK\$31.8 million), of which approximately HK\$3.0 million (as at 31 March 2019: approximately HK\$21.8 million) was bank balances and cash (excluding bank overdrafts), approximately HK\$2.4 million (as at 31 March 2019: approximately HK\$7.6 million) was trade and other receivables, deposits and prepayments. The decrease in bank balances and cash was mainly due to the investment costs on opening the new restaurants, the funds injected into the Associate and the decline in our restaurant business. The Group's current liabilities amounted to approximately HK\$55.1 million (as at 31 March 2019: approximately HK\$13.1 million) which primarily consisted of bank borrowings, trade and other payables, accrued charges and lease liabilities. Current ratio (calculated based on the total current assets divided by total current liabilities) and quick ratio (calculated based on the total current assets less inventories divided by total current liabilities) were 0.2 and 0.1 respectively (as at 31 March 2019: 2.4 and 2.4 respectively). Gearing ratio is calculated based on the borrowings representing the sum of interest-bearing bank borrowings and amounts due to related parties which are non-trade nature divided by total equity at the end of the year and multiplied by 100%. Gearing ratio was 95.2% (as at 31 March 2019: 22.4%).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, in the 18 April 2019 Announcement and in this Annual Report, the Group did not have other plans for material investments or capital assets as of 31 March 2020.

COMPARISON OF BUSINESS OBJECTIVES AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2020 is set out below:

Business Strategies as stated in the Prospectus	Implementation plan up to 31 March 2020 as stated in the Prospectus	Actual business progress up to the date of this report
Expansion of restaurant network	– Opening of one new Grand Avenue restaurant	– We have re-allocated the resources towards the opening of a Malay cuisine restaurant as set out in the announcement of the Company dated 18 April 2019 (the “ 18 April 2019 Announcement ”) and which was opened in November 2019

DIRECTORS' REPORT

Business Strategies as stated in the Prospectus	Implementation plan up to 31 March 2020 as stated in the Prospectus	Actual business progress up to the date of this report
	<ul style="list-style-type: none"> <li data-bbox="478 431 925 517">– Opening of four new Japanese ramen restaurants <li data-bbox="478 733 925 819">– Opening of one new Marsino restaurant 	<ul style="list-style-type: none"> <li data-bbox="941 431 1410 733">– Two Japanese ramen restaurants were opened in May 2018 and in July 2018 respectively. We have re-allocated the remaining unutilised balances towards the Group's investment to a joint venture company as set out in the 18 April 2019 Announcement (<i>Note</i>) <li data-bbox="941 733 1410 819">– We have opened a new Marsino restaurant at Chai Wan in November 2018
Expanding the capacity of our central kitchen to support our business expansion plans	<ul style="list-style-type: none"> <li data-bbox="478 873 925 1024">– Expanding our central kitchen storage facilities 	<ul style="list-style-type: none"> <li data-bbox="941 873 1410 1175">– We have partially expanded the central kitchen by purchasing new equipment and renting additional storage facilities. We have re-allocated the remaining unutilised balances towards the Group's investment to a joint venture company as set out in the 18 April 2019 Announcement
Upgrading our computer system	<ul style="list-style-type: none"> <li data-bbox="478 1185 925 1369">– Integrating our existing POS systems, installing a new human resources management system and purchasing new computer accessories, software and necessary licences 	<ul style="list-style-type: none"> <li data-bbox="941 1185 1410 1412">– New human resources management system has been put in place, while the integration of POS systems is still ongoing. We have also purchased some new computer accessories, software and necessary licences
Implementing marketing and promotional initiatives	<ul style="list-style-type: none"> <li data-bbox="478 1422 925 1530">– For continuous promotional and branding activities 	<ul style="list-style-type: none"> <li data-bbox="941 1422 1410 1636">– We have launched different marketing and promotional activities such as working with social media companies, shopping mall operators, credit card company and electric company to promote our brands and restaurants.

Note: These two Japanese ramen restaurants were closed down subsequently in January 2019 and in June 2019 respectively

DIRECTORS' REPORT

USE OF PROCEEDS FROM THE IPO

The Company's shares were listed on the GEM of the Stock Exchange on 26 February 2018. A total of 200,000,000 new shares with nominal value of HK\$0.01 each of the Company were issued at HK\$0.275 per share for a total of approximately HK\$55.0 million (the "IPO"). The net proceeds raised by the Company from the IPO were approximately HK\$32.6 million (the "IPO Proceeds").

On 18 April 2019, the Board resolved to change the use of the IPO Proceeds. Details of the original allocation of the IPO Proceeds, the revised allocation of the IPO Proceeds, the utilisation of the IPO Proceeds up to 18 April 2019 and the remaining unutilised balance after the revised allocation of the IPO Proceeds were set out in the 18 April 2019 Announcement.

	Revised allocation of IPO Proceeds as disclosed in the 18 April 2019 Announcement	Utilised IPO Proceeds up to 31 March 2020	Unutilised IPO Proceeds up to 31 March 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening of one new Marsino Restaurant	4,400	4,400	–
Opening of 4 new Japanese ramen restaurants	10,060	10,060	–
Expansion of central kitchen storage facilities	1,543	1,543	–
Upgrade of computer system	1,300	1,300	–
Marketing and promotional activities	1,000	944	56
General working capital	500	500	–
Opening of one new Malay cuisine restaurant	4,400	4,400	–
Capital contribution to an Associate	9,397	9,397	–
	32,600	32,544	56

The Group intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. All unutilised proceeds have been placed in licenced banks in Hong Kong.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 27 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 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company had distributable reserves of approximately HK\$13.9 million (as at 31 March 2019: HK\$58.3 million).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director or a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of the Company's subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "**Share Option Scheme**" below, no equity-linked agreements were entered into by the Company during the year ended 31 March 2020.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of our shareholders passed on 29 January 2018. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme. In this paragraph “**Options**” means the options to be granted by our Company pursuant to the terms and conditions of the Share Option Scheme.

(a) Purpose

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined in paragraph (b) below) to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

(b) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite:

- (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of our Group;
- (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group;
- (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group;
- (iv) any provider of goods and/or services to our Group; or
- (v) any other person who the Board considers, in its sole discretion, has contributed to our Group to take up Options (together, the “**Participants**”).

(c) Subscription price

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no 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 on which an Option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an Option is granted; and (iii) the nominal value of a share on the date of the offer.

DIRECTORS' REPORT

(d) Acceptance of an offer of Options

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

(e) Maximum number of shares available for subscription

- (i) Subject to (iv) below, the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of the shares in issue as at the Listing Date, unless our Company obtains an approval from its shareholders pursuant to (ii) below.
- (ii) Subject to (iv) below, our Company may seek approval from its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the shares in issue as at the date of approval to refresh such limit.
- (iii) Subject to (iv) below, our Company may seek separate approval from our shareholders in general meeting for granting Options beyond the 10% limit provided that the Options granted in excess of such limit are granted only to the Participants are specially approved by the shareholders in general meeting and the Participants are specifically identified by our Company before such approval is sought. In such case, our Company shall send a circular to our shareholders containing the information required under the GEM Listing Rules.
- (iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

DIRECTORS' REPORT

(f) Maximum entitlement of shares of each Participant

- (i) Subject to paragraph (ii) below, the total number of shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by our Shareholders in general meeting with such Participant and his or her close associates (or his or her associates if such Participant is a connected person) abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before our Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(g) Grant of Options to connected persons

- (i) Any grant of Options to a Participant who is a Director, chief executive or substantial shareholder of our Company or their respective associates must be approved by our independent non-executive Directors (excluding independent non-executive Director who is the Participant).
- (ii) Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, and such Option which if exercised in full, would result in the shares issued and to be issued upon exercise of all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate more than 0.1% of the relevant class of securities of our Company in issue on the date of such grant; and
 - (2) having an aggregate value, based on the closing price of the shares as at the date of such grant, in excess of HK\$5 million, such proposed grant of Options must be approved by our Shareholders in general meeting. In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the GEM Listing Rules. The Participant concerned, his or her associates and all core connected persons of our Company must abstain from voting at such general meeting (except where any core connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

DIRECTORS' REPORT

(h) Restrictions on the time of grant of Options

Our Company shall not grant any Options after inside information has come to its knowledge until it has announced the information. In particular, it shall not grant any Option during the period commencing one month immediately before the earlier of:

- (i) the date of the board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving our Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to announce its results for any year, half year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement.

Where the grantee is a Director, no Option shall be granted:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(j) Duration of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Other Information – 1. Share Option Scheme" in Appendix V of the Prospectus.

For the year ended 31 March 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 March 2020 are set out in note 36 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitute connected transactions that need to be disclosed under the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Dakin Capital Limited ("**Dakin Capital**") to be the compliance adviser. As informed by Dakin Capital, neither Dakin Capital nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Dakin Capital dated 15 January 2019.

DIRECTORS

The Directors during the year and up to the date of this Annual Report are as follows:

Executive Directors

Ms. Wong Suet Hing (*Chairlady*)

Ms. Wong Sau Ting Peony

Mr. Wong Muk Fai Woody

Mr. Ma Sui Hong

Mr. Wong Chi Chiu Henry

Independent Non-Executive Directors

Ms. Ng Yau Kuen Carmen

Mrs. Cheung Lau Lai Yin Becky

Mr. Yu Ronald Patrick Lup Man

DIRECTORS' REPORT

Pursuant to article 84 of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation and re-election at an annual general meeting of the Company in accordance with the Company's Articles of Association, providing that every Director shall be retired at least once every three years.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of our executive Directors has entered into a service agreement with the Company for a term of three years commencing from 29 January 2018 and shall continue thereafter unless terminated by not less than three months' notice in writing served by either party.

Each of our independent non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE CONFIRMATION

The Company has received confirmation from each of the INEDs regarding his independence in accordance with Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2020 falls within the following band:

Remuneration band	Number of senior management
Up to HK\$1,000,000	2
HK\$1,000,000 to up to HK\$1,500,000	–
Above HK\$1,500,000	–

DIRECTORS' REPORT

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the Senior Management of the Group are set out on pages 16 to 18 of this Annual Report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year ended 31 March 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2020.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A OF THE GEM LISTING RULES

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors since the date of annual report of the Company for the year ended 31 March 2019 are set out below:

Mr. Yu Ronald Patrick Lup Man, an independent non-executive Director of the Company, resigned from being the responsible officer of Zeus Asset Management Limited on 31 December 2019.

Save as disclosed above, there was no change in the information of the Directors which was required to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules during the year ended 31 March 2020.

DIRECTORS' REPORT

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

As at the date of this report, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/nature	No. of shares held in the associated corporation	% of shareholding in the associated corporation
Ms. SH Wong	MJL	Beneficial interest	620	31.0%
Ms. ST Wong	MJL	Beneficial interest	374	18.7%
Mr. SH Ma	MJL	Beneficial interest	86	4.3%
Mr. MF Wong (<i>Note</i>)	MJL	Interest of spouse	620	31.0%

Note: By virtue of being the spouse of Ms. LF Chow, Mr. MF Wong is deemed to be interested in Ms. LF Chow's shareholding in MJL.

Saved as disclose above, as at 31 March 2020, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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

As at 31 March 2020, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the shares of the Company

Name	Capacity/nature	No. of shares held	Approximate % of shareholding
MJL (<i>Note 1</i>)	Beneficial Interest	540,000,000	67.5%
Charm Dragon Investments Limited (<i>Note 2</i>)	Beneficial Interest	60,000,000	7.5%
Mr. Cheung Wai Yin Wilson (<i>Note 2</i>)	Interest in controlled corporation	60,000,000	7.5%
Ms. Lam Ka Wai (<i>Note 2</i>)	Interest of spouse	60,000,000	7.5%

Notes:

- (1) MJL is owned as to (i) 31.0% by Ms. SH Wong; (ii) 31.0% by Ms. LF Chow; (iii) 18.7% by Ms. ST Wong; (iv) 15.0% by Ms. SC Wong; and (v) 4.3% by Mr. SH Ma. Ms. SH Wong and Ms. ST Wong being our executive Directors, are also directors of MJL.
- (2) Charm Dragon Investments Limited is 100% owned by Mr. Cheung Wai Yin Wilson, as such, he is deemed under the SFO to be interested in all the shares in which Charm Dragon Investments Limited is interested. By virtue of being the spouse of Mr. Cheung Wai Yin Wilson, Ms. Lam Ka Wai is deemed to be interested in all the shares in which Mr. Cheung Wai Yin Wilson is interested pursuant to the SFO.

Long positions in other members of our Group

Name	Name of member of our Group	Capacity/nature	No. of shares held	Approximate % of shareholding
Mr. Yau Wai Leung	All Happiness Limited	Beneficial interest	1,000	10%
Ms. Yim Wan Wing	Glory Fine Corporation Limited	Beneficial interest	20	20%
Ms. Ng Siu Ying Christina	Glory Fine Corporation Limited	Beneficial interest	20	20%

DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Director is aware of, 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.

MAJOR CUSTOMERS AND SUPPLIERS

Due to the nature of our Group's business, majority of our customers consist of walk-in customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group, and the Group did not rely on any single customers.

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 24.0% of our total purchases of raw materials and consumables consumed. During the same year, purchases from our largest supplier accounted for approximately 5.7% of our total purchases of materials and consumables.

None of the Directors or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

BORROWING

As at 31 March 2020, the total borrowing of the Group, which consisted of bank loans and bank overdrafts, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$20.9 million (31 March 2019: the Group's borrowing only consisted of bank loans, amounted to approximately HK\$15.0 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules during the year and up to the date of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive or similar 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 the existing shareholders.

PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the Articles of Association of the Company. Such provisions were in force throughout the year ended 31 March 2020 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' Liabilities in respect of legal actions that may be brought against the Directors.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 198 full-time and 77 part-time employees (as at 31 March 2019: 236 full-time and 114 part-time employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions.

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

ENVIRONMENTAL, POLICIES AND PERFORMANCE

The Group is devoted to promoting and maintaining the environmental and social sustainable development of Hong Kong. As a responsible enterprise, the Group strives to comply with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

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.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Monday, 21 September 2020 to Thursday, 24 September 2020, both days inclusive, during which period no transfer of the shares will be registered. In order to establish entitlements to attend and vote at the forthcoming AGM, 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 Friday, 18 September 2020.

DONATIONS

During the year ended 31 March 2020, the charitable donations made by the Group amounted to approximately HK\$30,000.

EVENTS AFTER THE REPORTING DATE

Save as the events as disclosed in note 40 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 the date of approval of the Annual Report.

AUDITOR

The financial statements have been audited by BDO who shall retire at the forthcoming AGM and, being eligible, offered themselves for re-appointment.

On behalf of the Board

WONG Suet Hing

Chairman

Hong Kong, 23 June 2020

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF SIMPLICITY HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Simplicity Holding Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 55 to 119, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 (“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 (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s 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.

Material Uncertainty Related to Going Concern

We draw attention to note 3(c) in the consolidated financial statements which indicates that the Group incurred a loss of HK\$44,615,000 during the year ended 31 March 2020, and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$46,183,000. As stated in note 3(c), these conditions, along with other matters as set forth in that note, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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. In addition to the matter described in the “Material Uncertainty Related to Going Concern” section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment Assessment of Non Financial Assets

The Group had significant tangible and intangible assets on its consolidated statement of financial position, including property, plant and equipment and intangible assets as at 31 March 2020.

Management is required to perform impairment assessment on where indicators of impairment are identified, on these assets. For the purpose of assessing impairment, these assets were allocated to cash generating units (“CGUs”), and management has assessed the recoverable amount of these assets based on higher of value in use and fair value less costs of disposal. In carrying out the impairment assessments, significant management judgement was used to appropriately identify CGUs and to determine the key assumptions and estimations. Based on the above assessment performed, for the year ended 31 March 2020, management concluded that the impairment loss of approximately HK\$6,227,000 and HK\$177,000 were made in respect of the Group’s property, plant and equipment and intangible assets respectively.

The accounting policies and disclosure for the estimation of impairment of non financial assets are included in notes 4(e), 4(f), 4(g), 4(q), 5, 15 and 16 to the consolidated financial statements.

Our response:

Our procedures in relation to management’s impairment assessment included:

- Assessing the appropriateness of the valuation methodology;
- Assessing the appropriateness of the management’s identification of CGUs based on our understanding of the Group’s business;
- Assessing the reasonableness of key assumptions and estimations used;
- Reconciling the key input data to supporting evidence such as historical financial information, approved budgets and considering the reasonableness of these budgets.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

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 this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES 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 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 directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S 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 auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSAAs 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 HKSAAs, we exercise professional judgment 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.

INDEPENDENT AUDITOR'S REPORT

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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 the 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 the 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 the directors, 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 auditor's 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.

BDO Limited

Certified Public Accountants

Lam Tsz Ka

Practising Certificate no. P06838

Hong Kong, 23 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	6	116,425	142,407
Other income	7	2,718	730
Other gains and losses, net	7	(10,151)	(870)
Raw materials and consumables used		(31,852)	(40,166)
Staff costs		(54,441)	(59,446)
Depreciation		(29,294)	(9,499)
Rental and related expenses		(4,457)	(28,556)
Utilities expenses		(6,589)	(7,488)
Other expenses		(10,462)	(11,697)
Impairment loss of interest in an associate	17	(13,510)	–
Finance costs	8	(3,097)	(447)
Losses before tax	9	(44,710)	(15,032)
Income tax credit/(expense)	10	95	(1,300)
Losses and total comprehensive expense for the year		<u>(44,615)</u>	<u>(16,332)</u>
Losses and total comprehensive expense for the year attributable to:			
– owners of the Company		(44,459)	(16,087)
– non-controlling interests		(156)	(245)
		<u>(44,615)</u>	<u>(16,332)</u>
Losses per share			
Basic (HK cents)	14	<u>(5.56)</u>	<u>(2.01)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	15	105,525	59,269
Intangible assets	16	–	245
Deferred tax assets	28	95	95
Interest in an associate	17	–	–
Deposits	19	7,652	6,292
Total non-current assets		113,272	65,901
Current assets			
Inventories	18	1,557	1,012
Trade and other receivables, deposits and prepayments	19	2,353	7,628
Amount due from a related party	23	–	312
Amount due from an associate	17	1,500	–
Tax recoverable		508	1,009
Bank balances and cash	20	2,987	21,831
Total current assets		8,905	31,792
Current liabilities			
Trade and other payables and accruals	21	14,540	12,216
Contract liabilities	22	224	–
Provision for reinstatement	25	200	860
Lease liabilities	26	19,267	–
Bank borrowings	24	20,857	–
Total current liabilities		55,088	13,076
Net current (liabilities)/assets		(46,183)	18,716
Total assets less current liabilities		67,089	84,617
Non-current liabilities			
Deferred tax liabilities	28	703	812
Provision for reinstatement	25	2,226	1,916
Lease liabilities	26	42,262	–
Bank borrowings	24	–	15,000
Total non-current liabilities		45,191	17,728
Net assets		21,898	66,889

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Capital and reserves			
Share capital	27	8,000	8,000
Reserves		13,889	58,348
Equity attributable to owners of the Company		21,889	66,348
Non-controlling interests		9	541
Total equity		21,898	66,889

The consolidated financial statements on pages 55 to 119 were approved and authorised for issue by the Board of Directors on 23 June 2020 and are signed on its behalf by:

Wong Suet Hing
Director

Wong Sau Ting Peony
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(Note (a))</i>	Other reserves <i>HK\$'000</i> <i>(Note (b))</i>	Accumulated profits/ (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2018	8,000	81,662	(8,482)	1,442	82,622	949	83,571
Loss and total comprehensive expense for the year	-	-	-	(16,087)	(16,087)	(245)	(16,332)
Acquisition of subsidiaries from non-controlling interests	-	-	(187)	-	(187)	(163)	(350)
At 31 March 2019 and 1 April 2019	8,000	81,662	(8,669)	(14,645)	66,348	541	66,889
Loss and total comprehensive expense for the year	-	-	-	(44,459)	(44,459)	(156)	(44,615)
Dividend paid	-	-	-	-	-	(376)	(376)
At 31 March 2020	<u>8,000</u>	<u>81,662</u>	<u>(8,669)</u>	<u>(59,104)</u>	<u>21,889</u>	<u>9</u>	<u>21,898</u>

Notes:

- (a) As at 31 March 2020 and 2019, share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares were listed on GEM of the Stock Exchange in previous years.
- (b) As at 31 March 2020 and 2019, other reserves represented the difference between the aggregated capital of subsidiaries arising from the group reorganisation and the shareholders' contribution arising from the acquisition of additional interest in subsidiaries in previous years.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Losses before tax		(44,710)	(15,032)
Adjustments for:			
Bank interest income	7	(20)	(359)
Finance costs	8	3,097	447
Depreciation:			
– owned property, plant and equipment	9	9,678	9,499
– leased right-of-use assets	9	19,616	–
Amortisation of intangible assets	9	68	69
Rent concession	7	(757)	–
Gain on early termination of leases	7	(380)	–
Loss on written-off/disposal of property, plant and equipment	7	4,884	870
Provision for impairment:			
– owned property, plant and equipment	7	1,925	–
– leased right-of-use assets	7	4,302	–
– intangible assets	7	177	–
Impairment loss of interest in an associate		13,510	–
Operating cash flows before movements in working capital		11,390	(4,506)
(Increase)/decrease in inventories		(545)	127
Decrease/(increase) in trade and other receivables, deposits and prepayments		3,915	(2,319)
Increase/(decrease) in trade and other payables and accruals		505	(2,002)
Increase in contract liabilities		224	–
Decrease in provision for reinstatement		(650)	(400)
Cash generated from/(used in) operation		14,839	(9,100)
Tax refund		836	329
Income tax paid		(349)	(2,049)
Interest paid		(744)	(447)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		14,582	(11,267)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Advances to a related party		–	(12)
Advances to an associate	17	(1,500)	–
Increase in interest in an associate	17	(13,510)	–
Acquisition of a subsidiary		–	(300)
Repayment from a related party		312	1,100
Purchases of property, plant and equipment		(6,102)	(16,929)
Proceeds from disposal of property, plant and equipment		–	5
Interest received		20	359
		<hr/> (20,780)	<hr/> (15,777)
NET CASH USED IN INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Acquisition of subsidiaries from non-controlling interests	34	–	(350)
Proceeds from bank borrowings		5,857	–
Repayment of principal portion of lease liabilities		(15,774)	–
Repayment of interest portion of lease liabilities		(2,353)	–
Dividend distribution to non-controlling interests		(376)	–
		<hr/> (12,646)	<hr/> (350)
NET CASH USED IN FINANCING ACTIVITIES			
NET DECREASE IN CASH AND CASH EQUIVALENTS		(18,844)	(27,394)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		21,831	49,225
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		<hr/> 2,987	<hr/> <hr/> 21,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 27 January 2017 and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 February 2018. The address of the Company’s registered office and the principal place of business is disclosed in the Corporate Information section to the annual report.

Its immediate holding company is Marvel Jumbo Limited (“MJL”), a private limited company incorporated in the British Virgin Islands (“BVI”) with limited liability. MJL is 31% owned by Ms. Wong Suet Hing (“Ms SH Wong”), 31% owned by Ms. Chow Lai Fan (“Ms. LF Chow”), sister-in-law of Ms SH Wong, 18.7% owned by Ms. Wong Sau Ting Peony (“Ms. ST Wong”), daughter of Ms SH Wong, 15% owned by Ms. Wong Suet Ching (“Ms. SC Wong”), sister of Ms. SH Wong, and 4.3% owned by Mr. Ma Sui Hong (“Mr. SH Ma”), the son of Ms. Wong Shuet Ying (“Ms. SY Wong”), sister of Ms. SH Wong.

The Company is an investment holding company and its subsidiaries are principally engaged in restaurant operations in Hong Kong. Details are set out in note 39.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

HKFRS 16	Leases
Amendments to HKFRS 16	Lease – COVID-19-Related Rent Concessions
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
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

HKFRS 16 “Leases”

(i) *Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 “Leases” (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of reserves at the date of initial application. The comparative information presented in 31 March 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

HK\$'000

Consolidated statement of financial position as at 1 April 2019

Right-of-use assets	<u>75,653</u>
Lease liabilities (current)	<u>18,442</u>
Lease liabilities (non-current)	<u>58,190</u>

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

HK\$'000

Reconciliation of operating lease commitments to lease liabilities

Operating lease commitments as of 31 March 2019	50,371
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	32,440
Less: practical expedient-leases with lease term ending within 12 months from the date of initial application	<u>(300)</u>
	82,511
Less: future interest expenses	<u>(5,879)</u>
Total lease liabilities as of 1 April 2019	<u>76,632</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 “Leases” (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

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

	HK\$'000
Right-of-use assets relating to operating leases recognised upon adoption of HKFRS 16	76,632
Add: reinstatement costs	300
Less: accrued lease liabilities relating to rent-free period and progressive rent at 1 April 2019	<u>(1,279)</u>
Total right-of-use assets as of 1 April 2019	<u>75,653</u>

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 is 3.5% for the leases in Hong Kong.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the 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, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 “Leases” (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For leasehold land and buildings which are held for own use would continue to be accounted for under HKAS 16 and would be carried at depreciated cost. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 “Leases” (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application of 1 April 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 April 2019 and recognised right-of-use assets at amounts equal to the related lease liabilities. The Group had also 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

HKFRS 16 “Leases” (Continued)

(iv) Transition (Continued)

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group’s lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

Amendments to HKFRS 16 – Lease – COVID-19-Related Rent Concessions

The amendments to HKFRS 16 exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. The amendments apply to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 *(Continued)*

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 (Continued)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business ¹
Amendments to HKAS 1 and HKAS 8	Definition of material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2020

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of “material”, aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and the Hong Kong Companies Ordinance.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

(c) Going concern assumption

During the year, the Group incurred a loss of HK\$44,615,000 for the year ended 31 March 2020 and as of that date, its current liabilities exceeded its current assets by HK\$46,183,000. In addition, the COVID-19 pandemic has prompted the introduction of public health measures by the Government of the Hong Kong Special Administrative Region (“HKSAR Government”) since 28 March 2020, which include social distancing between tables in restaurant and gathering restriction. These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis as the Company’s directors, based on a cash flow forecast of the Group prepared by them covering a period up to 31 March 2021 (the “Forecasted Period”), are satisfied that the Group will be able to meet its financial obligations as and when they fall due within the twelve months from 31 March 2020, after taking into account the following:

- i) The Group has signed a new banking facilities letter on 18 June 2020 that the bank borrowings of HK\$20,857,000 will be extended to 21 June 2021. Given the covenants attached to the bank borrowings, the directors of the Company have tested the sensitivity of the financial covenants relevant to the bank borrowings and considered that it the Group would be able to fulfil the terms of the borrowings over the Forecasted Period;
- ii) The Group has applied for the “Employment Support Scheme” launched by the HKSAR Government under the second round of the “Anti-epidemic Fund”. The Group will be able to obtain HK\$1,901,300 for each month from June 2020 to November 2020 with total amounts of HK\$11,408,000. The Group received first payment from HKSAR with an amount of HK\$5,704,000 for June 2020 to August 2020 on 16 June 2020;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

3. BASIS OF PREPARATION *(Continued)*

(c) Going concern assumption *(Continued)*

iii) The Group has undertaken various measures which enable it to improve its business performance and generate sufficient working capital during the Forecasted Period, which comprise closure of loss making restaurant, reducing staff costs, which commenced during the year before the outbreak of the COVID-19, and other operating costs. The directors of the Company have developed the forecast based on actual performance since the outbreak of the COVID-19 up to the latest period that the financial information is available and have considered the possible impact to the operations if the pandemic has been sustaining over the Forecasted Period with the anti-pandemic measures be restored; and

iv) The Group has unutilised facilities up to approximately HK\$8,375,000 as at 23 June 2020.

Should the use of the going concern basis in preparation of the consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to re-classify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in these consolidated financial statements.

(d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Fair Value

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 Historical Financial Information 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 HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Fair Value *(Continued)*

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.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for the Company on the basis of dividend received and receivable.

(d) Associates

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

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(e) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leased building where the Group is not the registered owner of the property interest (see note 4(f)(A)), are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvements	Over the lease terms
Furniture and fixtures	Over 3 – 5 years
Kitchen equipment	Over 3 – 5 years
Other equipment	Over 3 – 5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing

A. *Leasing (accounting policies applied from 1 April 2019)*

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value assets and leases for which at the commencement date gave a leases term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use that meets the definition of a land and buildings held for own use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

A. Leasing (accounting policies applied from 1 April 2019) *(Continued)*

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

B. Leasing (accounting policies applied until 31 March 2019)

The leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(g) Intangible assets

(i) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives. The amortisation expense is recognised in profit or loss and included in other expenses.

Franchise	5 years
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(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial Instruments

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments in below measurement category:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial Instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and accruals and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Inventories

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

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties.

Revenue from restaurant operation is recognised at a point in time when the food and catering service have been served, and customer payments are made to the Group upon completion of catering service.

(k) Retirement benefits costs

(i) *Short term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) *Defined contribution retirement plan*

Contributions to defined contribution retirement plan are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(l) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Share-based payments *(Continued)*

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(n) Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined the Group's service lines stated in note 6.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

(q) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible asset; and
- investments in subsidiaries and an associate.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Impairment of assets (other than financial assets) *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 or cash generating unit.

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

(s) Related parties

- (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 key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (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 the employees of 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 key management personnel of the entity (or of a parent of the entity).
 - (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 parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Related parties *(Continued)*

Close members of the family 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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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

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

Estimation of useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management of the Group will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants. The management of the Group will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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

Impairment testing of property, plant and equipment (including right-of-use assets)

The Group determines whether property, plant and equipment (including right-of-use assets) are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying values of these assets exceed their recoverable amounts, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

In addition, management of the Group assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place. As at 31 March 2020, the carrying amounts of property, plant and equipment are approximately HK\$105,525,000 (2019: HK\$59,269,000).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment loss of interests in an associate

The Group regularly review the recoverable amount of the interests in an associate in respect of Well Strong Holdings Limited and its subsidiary (collectively known as "Well Strong Group"). For the purpose of impairment review, it requires an estimation of the recoverable amount which is based on the value in use calculation derived by discounted future cash flow model prepared by the management. The value in use calculation requires the Group to estimate the expected cash flows in the coming five years by a suitable budgeted sales, gross margin, growth rate; and cash flows beyond five years are extrapolated by a suitable terminal discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received or receivable from the operation of restaurants in Hong Kong during the year.

Revenue

The amounts of each significant category of revenue recognised during the reporting period were disaggregated as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from restaurant operation	<u>116,425</u>	<u>142,407</u>
By timing of revenue recognition at a point in time	<u>116,425</u>	<u>142,407</u>

Segment revenue and results

Information reported to the management of the Group, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on styles of cuisine serving by the Group’s restaurants to the customers.

Specifically, the Group’s reportable segments under HKFRS 8 “Operating Segments” are as follows:

1. Chinese cuisine – Operations of Chinese cuisine restaurants under the brand of “Marsino”.
2. Thai cuisine – Operations of Thai cuisine restaurants under the brand of “Grand Avenue”.
3. Japanese cuisine – Operations of Japanese cuisine restaurants under the brand of “Beefst” were closed on 28 June 2019.
4. Malaysian cuisine – Operations of Malaysian cuisine restaurants under the brand of “Baba Nyonya” and “Haha Prawn Mee”, “Haha Prawn Mee” were ceased to operate since 30 June 2019.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies described in note 4(p) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Year ended 31 March 2020

	Chinese cuisine HK\$'000	Western cuisine HK\$'000 (Note)	Thai cuisine HK\$'000	Japanese cuisine HK\$'000	Malaysian cuisine HK\$'000	Total HK\$'000
Segment revenue	<u>43,292</u>	<u>–</u>	<u>38,724</u>	<u>809</u>	<u>33,600</u>	<u>116,425</u>
Segment loss	<u>(2,130)</u>	<u>–</u>	<u>(1,224)</u>	<u>(2,140)</u>	<u>(6,008)</u>	<u>(11,502)</u>
Unallocated other income						482
Unallocated finance costs						(744)
Unallocated corporate costs						(19,436)
Impairment loss of interest in an associate						<u>(13,510)</u>
Loss before tax						<u>(44,710)</u>

Year ended 31 March 2019

	Chinese cuisine HK\$'000	Western cuisine HK\$'000 (Note)	Thai cuisine HK\$'000	Japanese cuisine HK\$'000	Malaysian cuisine HK\$'000	Total HK\$'000
Segment revenue	<u>45,725</u>	<u>17,893</u>	<u>60,714</u>	<u>7,079</u>	<u>10,996</u>	<u>142,407</u>
Segment profit/(loss)	<u>2,508</u>	<u>7</u>	<u>4,395</u>	<u>(953)</u>	<u>(3,810)</u>	2,147
Other income						730
Finance costs						(447)
Unallocated corporate costs						<u>(17,462)</u>
Loss before tax						<u>(15,032)</u>

Note: The operations of western cuisine were ceased to operate since 19 March 2019 and no operation conducted during the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

At 31 March 2020

	Chinese cuisine HK\$'000	Thai cuisine HK\$'000	Malaysian cuisine HK\$'000	Consolidated HK\$'000
Segment assets	<u>28,525</u>	<u>23,817</u>	<u>29,680</u>	82,022
Unallocated property, plant and equipment				32,880
Deferred tax assets				95
Unallocated inventories				1,236
Unallocated other receivables and prepayments				949
Amount due from an associate				1,500
Tax recoverable				508
Bank balances and cash				<u>2,987</u>
Consolidated assets				<u>122,177</u>
Segment liabilities	<u>27,958</u>	<u>19,843</u>	<u>25,815</u>	73,616
Unallocated trade and other payables and accruals				5,103
Bank borrowings				20,857
Deferred tax liabilities				<u>703</u>
Consolidated liabilities				<u>100,279</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 March 2019

	Chinese cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Japanese cuisine <i>HK\$'000</i>	Malaysian cuisine <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>10,412</u>	<u>12,414</u>	<u>2,392</u>	<u>12,818</u>	38,036
Unallocated property, plant and equipment					34,400
Deferred tax assets					95
Unallocated inventories					710
Unallocated other receivables and prepayments					1,300
Amount due from a related party					312
Tax recoverable					1,009
Bank balances and cash					<u>21,831</u>
Consolidated assets					<u>97,693</u>
Segment liabilities	<u>4,402</u>	<u>3,348</u>	<u>396</u>	<u>2,802</u>	10,948
Unallocated trade and other payables and accruals					4,044
Bank borrowings					15,000
Deferred tax liabilities					<u>812</u>
Consolidated liabilities					<u>30,804</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment for corporate use, deferred tax assets, certain inventories, certain other receivables and prepayments, amount due from an associate, amount due from a related party, tax recoverable and bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than certain trade and other payables and accruals, bank borrowings and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31 March 2020

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Japanese cuisine HK\$'000	Malaysian cuisine HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:							
Additions of property, plant and equipment	10,898	–	623	–	4,573	1,180	17,274
Loss on written-off/disposal of property, plant and equipment	7	–	40	1,678	3,159	–	4,884
Depreciation:							
– owned property, plant and equipment	2,200	–	2,224	84	2,469	2,701	9,678
– leased right-of-use assets	6,607	–	6,103	344	6,562	–	19,616
Amortisation of intangible assets	–	–	–	–	–	68	68
Provision for impairment:							
– owned property, plant and equipment	829	–	423	–	673	–	1,925
– leased right-of-use assets	1,666	–	2,369	–	267	–	4,302
– intangible assets	–	–	–	–	–	177	177

Year ended 31 March 2019

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai cuisine HK\$'000	Japanese cuisine HK\$'000	Malaysian cuisine HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or segment assets:							
Additions of property, plant and equipment	4,525	–	793	3,959	8,914	196	18,387
Loss on written-off/disposal of property, plant and equipment	139	54	–	314	334	29	870
Depreciation of property, plant and equipment	1,857	565	2,744	528	1,214	2,591	9,499
Amortisation of intangible assets	–	–	–	69	–	–	69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

All of the Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all non-current assets are located in Hong Kong.

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group for both years.

7. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Reversal of provision for reinstatement	400	180
Promotion income	97	53
Bank interest income	20	359
Subsidies income <i>(note a)</i>	1,680	–
Other income	521	138
	<u>2,718</u>	<u>730</u>
Other gains and losses, net		
Rent concession <i>(note b)</i>	757	–
Gain on early termination of leases	380	–
Loss on written-off/disposal of property, plant and equipment	(4,884)	(870)
Provision for impairment:		
– owned property, plant and equipment	(1,925)	–
– leased right-of-use assets	(4,302)	–
– intangible assets	(177)	–
	<u>(10,151)</u>	<u>(870)</u>

Notes:

- (a) Subsidies income were granted from HKSAR Government in relation to the food license without unfulfilled conditions or other contingencies attaching to the subsidies.
- (b) The rent concession had satisfied the practical expedient criteria of HKFRS 16 and the amount recognised in profit or loss to reflect changes in lease payments that arised from COVID-19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on bank borrowings	744	447
Interests on lease liabilities	<u>2,353</u>	<u>–</u>
	<u>3,097</u>	<u>447</u>

9. LOSSES BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Losses before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and other benefits	<u>52,076</u>	56,867
Contribution to retirement benefit scheme	<u>2,365</u>	<u>2,579</u>
	<u>54,441</u>	<u>59,446</u>
Auditor's remuneration	700	830
Depreciation:		
– owned property, plant and equipment	9,678	9,499
– leased right-of-use assets	19,616	–
Provision for impairment:		
– owned property, plant and equipment	1,925	–
– leased right-of-use assets	4,302	–
– intangible assets	177	–
Amortisation of intangible assets (included in other expenses)	68	69
Total minimum lease payments for leases previously classified as operating lease under HKAS 17	–	23,260
Variable lease payments not included in the measurement of lease liabilities:		
– short-term lease expenses	300	–
– contingent rents (<i>note</i>)	<u>31</u>	<u>457</u>

Note: The lease payments for certain restaurants are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

10. INCOME TAX CREDIT/(EXPENSE)

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong Profits Tax	–	(4)
(Under)/over provision in prior years	(14)	6
	(14)	2
Deferred tax	109	(1,302)
	95	(1,300)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits for the year ended 31 March 2020 (2019: 16.5%). According to the Inland Revenue (Amendment) Bill 2017 (the “Bill”) which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the “Regime”) is first effective for the year of assessment 2018/19. Profits tax rate for the first HK\$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. Only one nominated entity of a group of connected entities is entitled to the Regime. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at 16.5%.

The income tax credit/(expense) for the year can be reconciled to the losses before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK\$'000	2019 HK\$'000
Losses before tax	(44,710)	(15,032)
Tax calculated at the domestic income tax rate of 16.5% (2019: 16.5%)	7,377	2,480
Tax effect of expense not deductible for tax purpose	(2,151)	(1,707)
Tax effect of Impairment loss of interest in an associate	(2,229)	–
(Under)/over provision in prior years	(14)	6
Tax effect of tax losses not recognised	(2,888)	(2,079)
Income tax credit/(expense)	95	(1,300)

Details of deferred tax are set out in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors, disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, were as follows:

Year ended 31 March 2020

	Ms. SH Wong HK\$'000	Ms. ST Wong HK\$'000	Mr. MF Wong HK\$'000	Mr. SH Ma HK\$'000	Mr. CC Wong HK\$'000	Total HK\$'000
Executive directors:						
Fees						
Other emoluments	–	–	–	–	–	–
Salaries and other benefits	424	424	436	334	370	1,988
Discretionary bonus (<i>Note a</i>)	37	37	–	35	45	154
Retirement benefit scheme contributions	–	18	18	17	18	71
Sub-total	<u>461</u>	<u>479</u>	<u>454</u>	<u>386</u>	<u>433</u>	<u>2,213</u>

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

	Mrs. Cheung Lau Lai Yin Becky HK\$'000	Ms. Ng Yau Kuen Carmen HK\$'000	Mr. Yu Ronald Patrick Lup Man HK\$'000	Total HK\$'000
Independent non-executive directors:				
Fees	145	145	145	435
Retirement benefit scheme contributions	–	–	–	–
Sub-total	<u>145</u>	<u>145</u>	<u>145</u>	<u>435</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	HK\$'000
	<u><u>2,648</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Year ended 31 March 2019

	Ms. SH Wong <i>HK\$'000</i>	Ms. ST Wong <i>HK\$'000</i>	Mr. MF Wong <i>HK\$'000</i>	Mr. SH Ma <i>HK\$'000</i>	Mr. CC Wong <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:						
Fees	-	-	-	-	-	-
Other emoluments						
Salaries and other benefits	439	439	451	346	371	2,046
Discretionary bonus (<i>Note a</i>)	-	-	-	-	-	-
Retirement benefit scheme contributions	-	18	18	18	18	72
Sub-total	<u>439</u>	<u>457</u>	<u>469</u>	<u>364</u>	<u>389</u>	<u>2,118</u>

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

	Mrs. Cheung Lau Lai Yin Becky <i>HK\$'000</i>	Ms. Ng Yau Kuen Carmen <i>HK\$'000</i>	Mr. Yu Ronald Patrick Lup Man <i>HK\$'000</i>	Total <i>HK\$'000</i>
Independent non-executive directors:				
Fees	150	150	150	450
Retirement benefit scheme contributions	-	-	-	-
Sub-total	<u>150</u>	<u>150</u>	<u>150</u>	<u>450</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

	<i>HK\$'000</i>
Total	<u>2,568</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The emoluments paid or payable to the directors of the Company included the emoluments for services as directors/employees of the group companies prior to becoming the directors of the Company. The directors' emoluments are for their services in connection to the management of the affairs of the Company and the Group.

Note:

- (a) The discretionary bonus is determined by reference to their duties and responsibilities within the Group and the Group's performance.

No remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of directors of the Company has waived any remuneration during the years ended 31 March 2020 and 2019.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2019: three directors), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year ended 31 March 2020 of the remaining three (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Salaries and other benefits	1,750	874
Bonus	9	–
Retirement benefit scheme contributions	54	33
	<u>1,813</u>	<u>907</u>

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2020	2019
Nil to HK\$1,000,000	<u>3</u>	<u>2</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of reporting period (2019: nil).

There are no income tax consequences related the payment of dividends by the Company to its shareholders.

14. LOSSES PER SHARE

The calculation of the basic losses per share attributable to owners of the Company is based on the following data:

	2020 HK\$'000	2019 HK\$'000
Losses for the year attributable to owners of the Company for the purpose of basic losses per share	<u>(44,459)</u>	<u>(16,087)</u>
	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic losses per share	<u>800,000</u>	<u>800,000</u>

No diluted losses per share were presented as there were no potential ordinary shares in issue for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Kitchen equipment	Other equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST						
At 1 April 2018	40,286	29,828	2,781	5,214	2,657	80,766
Additions	–	14,889	1,413	1,642	443	18,387
Written-off/disposals	–	(4,367)	(575)	(1,027)	(112)	(6,081)
	<u>40,286</u>	<u>40,350</u>	<u>3,619</u>	<u>5,829</u>	<u>2,988</u>	<u>93,072</u>
At 31 March 2019	40,286	40,350	3,619	5,829	2,988	93,072
Initial application of HKFRS 16	75,653	–	–	–	–	75,653
	<u>115,939</u>	<u>40,350</u>	<u>3,619</u>	<u>5,829</u>	<u>2,988</u>	<u>168,725</u>
Restated balance as at 1 April 2019	115,939	40,350	3,619	5,829	2,988	168,725
Additions	8,074	7,048	478	933	741	17,274
Written-off/disposals	–	(7,526)	(789)	(1,109)	(84)	(9,508)
Early termination of leases	(7,252)	–	–	–	–	(7,252)
	<u>116,761</u>	<u>39,872</u>	<u>3,308</u>	<u>5,653</u>	<u>3,645</u>	<u>169,239</u>
At 31 March 2020	116,761	39,872	3,308	5,653	3,645	169,239
DEPRECIATION AND IMPAIRMENT						
At 1 April 2018	6,081	16,919	1,791	2,943	1,776	29,510
Provided for the year	1,611	6,136	565	847	340	9,499
Eliminate on written-off/disposals	–	(3,600)	(529)	(999)	(78)	(5,206)
	<u>7,692</u>	<u>19,455</u>	<u>1,827</u>	<u>2,791</u>	<u>2,038</u>	<u>33,803</u>
At 31 March 2019 and 1 April 2019	7,692	19,455	1,827	2,791	2,038	33,803
Provided for the year	21,228	6,246	535	865	420	29,294
Eliminate on written-off/disposals	–	(3,222)	(621)	(704)	(77)	(4,624)
Provision for impairment	4,302	1,698	60	143	24	6,227
Early termination of leases	(986)	–	–	–	–	(986)
	<u>32,236</u>	<u>24,177</u>	<u>1,801</u>	<u>3,095</u>	<u>2,405</u>	<u>63,714</u>
At 31 March 2020	32,236	24,177	1,801	3,095	2,405	63,714
CARRYING AMOUNTS						
At 31 March 2020	<u>84,525</u>	<u>15,695</u>	<u>1,507</u>	<u>2,558</u>	<u>1,240</u>	<u>105,525</u>
At 31 March 2019	<u>32,594</u>	<u>20,895</u>	<u>1,792</u>	<u>3,038</u>	<u>950</u>	<u>59,269</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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

For the year ended 31 March 2020, the management identified impairment indicator of certain leasehold land and building, leasehold improvement, furniture and fixtures, kitchen equipment and other equipment due to decline in performance in some restaurants of the Group. The Group assessed the recoverable amounts of these property, plant and equipment allocated to their respective cash-generating units (“CGUs”) and as a result the carrying amount of these property, plant and equipment were written down to their recoverable amount. An impairment loss of approximately HK\$6,227,000 (2019: nil) was recognised in the consolidated statement of profit or loss and other comprehensive income.

The recoverable amount of the CGU related to each restaurant has been determined based on value in use calculations, which use cash flow projections based on the most recent financial forecasts approved by the directors of the Company covering five-year period.

The key assumptions for the cash flow projections are those regarding the discount rates, annual projected revenue over five-year period and growth rates. The Group estimates discount rates used pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The annual projected revenue over five-year period and growth rates are based on past performance and expectations of market development.

The key assumptions used for the cash flow projections of the CGU related to each restaurant in 2020 are (i) discount rate of 10.38% (2019: nil); and (ii) recoverable amount of HK\$130,333,000 (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

16. INTANGIBLE ASSETS

	Franchise <i>HK\$'000</i>
COST	
At 1 April 2018, 31 March 2019 and 31 March 2020	342
AMORTISATION AND IMPAIRMENT	
At 1 April 2018	28
Provided for the year	69
At 31 March 2019 and 1 April 2019	97
Provided for the year	68
Provision for impairment	177
At 31 March 2020	342
CARRYING AMOUNTS	
At 31 March 2020	–
At 31 March 2019	245

The above intangible asset represents franchise acquired from third parties during the year of 2018 and has finite useful lives. Such intangible asset is amortised on a straight-line basis over five years according to the terms of the franchise agreement.

During the year, the franchise license in Japanese cuisine segment that all restaurant outlet were closed and the management made provision for impairment loss of HK\$177,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

17. INTEREST IN AN ASSOCIATE

	2020 HK\$'000
Non-current assets	
Interest in an associate	13,510
Impairment loss of interest in an associate	<u>(13,510)</u>
	<u>–</u>
Current assets	
Amount due from an associate	<u>1,500</u>

Details of the Group's associate is as follows:

<u>Name</u>	<u>Place of incorporation, operation and principle activity</u>
Well Strong Holdings Limited	Cold storage in Hong Kong

On 18 April 2019, the Group agreed to establish Well Strong Holdings Limited ("Well Strong") with other parties, upon the completion that the Group has 50% of equity share interest in Well Strong Group. Pursuant to the agreement dated 18 April 2019, the Group shall nominated one director into the board of associate with 33.3% voting power that constitute a significant influence over the associate.

The amount due from an associate is unsecured, interest free and repayable on demand or agreed terms.

Summarised financial information in respect of the associate is set out below.

	2020 HK\$'000
At 31 March	
Current assets	27,853
Non-current assets	98,890
Current liabilities	(66,858)
Non-current liabilities	<u>(78,938)</u>
Net liabilities	<u>(19,053)</u>
Year ended 31 March	
Revenue	51,424
Loss and total comprehensive loss for the year	<u>(19,063)</u>
<i>Included in the above amounts is:</i>	
Depreciation	<u>41,569</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

18. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Food and beverage for restaurant operations	<u>1,557</u>	<u>1,012</u>

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from restaurant operations	334	775
Rental deposits	5,817	6,604
Other deposits	2,423	3,421
Prepayments and other receivables	<u>1,431</u>	<u>3,120</u>
Total	<u>10,005</u>	<u>13,920</u>
Analysed for reporting purposes as:		
Non-current assets	7,652	6,292
Current assets	<u>2,353</u>	<u>7,628</u>
	<u>10,005</u>	<u>13,920</u>

There was no credit period granted to individual customers for the restaurant operations. The Group's trading terms with its customers are mainly by cash, octopus card and credit card settlement. The settlement terms of octopus card and credit card companies are usually within 7 days after the service rendered date. All trade receivables from restaurant operations are aged within 7 days after the service rendered date.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% (2019:0.01%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	3,379	2,543
Salaries payables	4,839	5,429
Payable for acquisition of property, plant and equipment	3,098	62
Accruals and other payables	3,224	4,182
	<u>14,540</u>	<u>12,216</u>

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. All trade payables are aged within 60 days based on the invoice date at the end of the reporting period.

22. CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract liabilities arising from:		
Unredeemed cash coupons	<u>224</u>	<u>–</u>

The contract liabilities represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied in relation to the unredeemed cash coupons outstanding as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations to be recognised as revenue when the related cash coupons are redeemed within one year.

Movements in contract liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 April	–	–
Increase in contract liabilities as a result of selling cash coupons	2,292	–
Decrease in contract liabilities as a result of recognising revenue during the year for cash coupons redemption	(1,966)	–
Expiration of cash coupons	(102)	–
At 31 March	<u>224</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

22. CONTRACT LIABILITIES *(Continued)*

The following table shows the revenue during the year related to contract liabilities carried forward:

	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities at 1 April		
– Cash coupons	<u>–</u>	<u>–</u>

The following table shows unsatisfied performance obligations as at the end of the year resulting from sales of cash coupons.

	2020 HK\$'000	2019 <i>HK\$'000</i>
Expected to be recognised within one year		
– Cash coupons	<u>244</u>	<u>–</u>

23. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party is non-trade, unsecured, interest-free and repayable on demand.

Details of amount due from a related party is as follows:

	Balance at 1 April 2018 <i>HK\$'000</i>	Balance at 31 March 2019 <i>HK\$'000</i>	Balance at 31 March 2020 HK\$'000	Maximum amount outstanding during the year end 2020 HK\$'000	2019 <i>HK\$'000</i>
Golden Legend Investment Limited	<u>1,100</u>	<u>312</u>	<u>–</u>	<u>312</u>	<u>1,100</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

24. BANK BORROWINGS

	2020 HK\$'000	2019 <i>HK\$'000</i>
Bank loans, do not contain repayment on demand clause repayable within one year (2019: less than two years)	15,000	15,000
Bank overdraft, repayment on demand	5,857	–
	<u>20,857</u>	<u>15,000</u>

The bank borrowings are at floating rate which carry interest at HK\$ Best Lending Rate minus a spread. The effective interest rate on the Group's bank borrowings were 3.80% (2019: 2.91%) per annum as at 31 March 2020.

At 31 March 2020, bank borrowings of HK\$20,857,000 (2019: HK\$15,000,000) were secured by leasehold land and building owned by the Group with the carrying amount of HK\$30,982,000 (2019: HK\$32,594,000) and corporate guarantee provided by the Group's companies.

25. PROVISION FOR REINSTATEMENT

	<i>HK\$'000</i>	
At 1 April 2018		1,780
Provisions recognised		1,396
Utilisation of provision		<u>(400)</u>
At 31 March 2019 and 1 April 2019		2,776
Provisions recognised		300
Utilisation of provision		<u>(650)</u>
At 31 March 2020		<u>2,426</u>
	2020 HK\$'000	2019 <i>HK\$'000</i>
Analysed for reporting purpose as:		
Non-current liabilities	2,226	1,916
Current liabilities	200	860
	<u>2,426</u>	<u>2,776</u>

The provision for reinstatement works related to the estimated cost of reinstating the rented premises to be carried out at the end of respective lease periods. These amounts have not been discounted for the purpose of measuring the provision for reinstatement works as the effect is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

26. LEASE LIABILITIES

HKFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see note 2(a)(i). The accounting policies applied subsequent to the date of initial application, 1 April 2019, as disclosed in note 4(f)(A):

	<i>HK\$'000</i>
At 1 April 2019	(76,632)
Additions	(8,074)
Early termination of leases	6,646
Interest expenses	(2,353)
Lease payments	18,127
Rent concession	757
	<hr/>
At 31 March 2020	<u>(61,529)</u>

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated. See note 2(a)(i) for further details about transition.

	2020 HK\$'000
Current liabilities	19,267
Non-current liabilities	42,262
	<hr/>
	61,529
	<hr/>

Present value of minimum lease payments

	2020 HK\$'000
Within one year	19,267
More than one year, but not later than two years	17,494
More than two years, but not later than five years	24,452
More than five years	316
	<hr/>
	61,529
	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

26. LEASE LIABILITIES (Continued)

Total minimum lease payments

	2020 HK\$'000
Within one year	21,121
More than one year, but not later than two years	18,707
More than two years, but not later than five years	25,403
More than five years	320
	<hr/>
	65,551
Less: total future interest expenses	(4,022)
	<hr/>
	61,529

Operating leases – lessee

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK\$'000
Within one year	18,129
In the second to fifth year inclusive	32,242
	<hr/>
	50,371

The above operating lease payments represent rental payable by the Group for restaurants.

Leases are negotiated and rentals are for term of three to five years. Certain leases include contingent rentals calculated with reference to turnover of the restaurants plus monthly fixed rental. Other leases are fixed for terms of three to five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

27. SHARE CAPITAL

Details of the Company's shares are disclosed as follows:

	Number of shares	Share Capital <i>HK\$'000</i>
Authorised:		
At 31 March 2019 and 31 March 2020	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 March 2019 and 31 March 2020	<u>800,000,000</u>	<u>8,000</u>

28. DEFERRED TAX (ASSETS)/LIABILITIES

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years.

	Acceleration accounting depreciation <i>HK\$'000</i>	Acceleration tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	(1,055)	470	(585)
Charge to profit or loss	<u>960</u>	<u>342</u>	<u>1,302</u>
At 31 March 2019 and 1 April 2019	(95)	812	717
Credit to profit or loss	<u>–</u>	<u>(109)</u>	<u>(109)</u>
At 31 March 2020	<u>(95)</u>	<u>703</u>	<u>608</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deferred tax assets	(95)	(95)
Deferred tax liabilities	<u>703</u>	<u>812</u>
	<u>608</u>	<u>717</u>

At the end of the reporting period, the Group has unused tax losses of approximately HK\$30,718,000 (31 March 2019: HK\$14,079,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme") was approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of the shareholders passed on 29 January 2018. The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented Participants (as defined below) to strive for future developments and expansion of the Group.

The board of directors (the "Board") may, at its discretion, invite:

- any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of the Group;
- any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group;
- any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group;
- any provider of goods and/or services to the Group; or
- any other person who the Board considers, in its sole discretion, has contributed to the Group to take up options (together, the "Participants").

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted, the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an option is granted and the nominal value of a share on the date of the offer.

Offer of an option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

An option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

During the year ended 31 March 2020 and 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

30. ACQUISITION OF SUBSIDIARIES

- (a) On 31 July 2018, the Group acquired 100% of the issued share capital of Top Wealth International (HK) Limited at a cash consideration of HK\$300,000.

Cash consideration, assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Amount due from a related party	312
Accruals	(12)
Bank balances and cash	—*
	<hr/>
Net assets	300
	<hr/>
Cash consideration	300
	<hr/>
Assets arising on acquisition:	
Consideration paid	300
Less: Fair value of net identifiable assets	(300)
	<hr/>
Net assets arising on acquisition	—
	<hr/>

* The balance was less than HK\$1,000.

- (b) On 13 August 2018, the Group acquired 100% of the issued share capital of Rainbow Power Holdings Limited at a cash consideration of HK\$1, which is a dormant company with its value of assets and liabilities as at acquisition date was below thousand dollars.

31. RETIREMENT BENEFITS SCHEMES

The Group participate in a Mandatory Provident Fund Schemes (the "MPF Scheme") registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are both required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount was HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statements of profit or loss and other comprehensive income 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 note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in respective note, and equity attributable to owners of the Company, comprising issued share capital, other reserves and accumulated profits.

The directors of the Company reviews the capital structure regularly. As part of this review, the directors of the Company considers the cost of capital and the risk associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial assets		
Financial assets measured at amortised cost		
– Trade and other receivables and deposits	8,883	11,723
– Amount due from a related party	–	312
– Amount due from an associate	1,500	–
– Bank balances and cash	2,987	21,831
	<u>13,370</u>	<u>33,866</u>
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables and accruals	14,540	12,216
– Lease liabilities	61,529	–
– Bank borrowings	20,857	15,000
	<u>96,926</u>	<u>27,216</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables and deposits, amount due from a related party, amount due from an associate, bank balances and cash, trade and other payables and accruals, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 20) and bank borrowings (note 24). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and prime rate arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of each reporting period were outstanding for the whole year and 50 basis points increase or decrease are used. The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's loss for the year ended 31 March 2020 would increase/decrease by HK\$104,000 (2019: loss for the year would increase/decrease by HK\$75,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits, amount due from a related party, amount due from an associate and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

The credit risk for bank balances is considered as not material as such amounts are placed in banks with good reputations.

The Group has concentration of credit risk on bank. Details of bank balances is disclosed in note 20. The management of the Group considers the counterparties with good credit worthiness based on their past repayment history and subsequent settlement.

The credit risk on other financial assets are limited because the counterparties are creditworthiness and have a strong capacity to meet its contractual cash flow obligations in the near term.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2020							
Non-derivative financial liabilities							
Trade and other payables and accruals	–	–	14,540	–	–	14,540	14,540
Lease liabilities	3.50	–	21,121	44,110	320	65,551	61,529
Bank borrowings	3.80	5,857	15,134	–	–	20,991	20,857
		<u>5,857</u>	<u>50,795</u>	<u>44,110</u>	<u>320</u>	<u>101,082</u>	<u>96,926</u>

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2019							
Non-derivative financial liabilities							
Trade and other payables and accruals	–	–	12,216	–	–	12,216	12,216
Bank borrowings	2.91	–	439	15,425	–	15,864	15,000
		<u>–</u>	<u>12,655</u>	<u>15,425</u>	<u>–</u>	<u>28,080</u>	<u>27,216</u>

The aggregate carrying amount of these bank borrowings were approximately HK\$20,857,000 (2019: HK\$15,000,000).

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

34. 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.

	Bank borrowings	Lease liabilities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2018 and 31 March 2019	15,000	–	15,000
Initial application of HKFRS16	–	76,632	76,632
Increase in lease liabilities from entering into new leases	–	8,074	8,074
Finance costs	–	2,353	2,353
Early termination of leases	–	(6,646)	(6,646)
Rent concession	–	(757)	(757)
Financing cash flow (Note)	5,857	(18,127)	(12,270)
	<u>20,857</u>	<u>61,529</u>	<u>82,386</u>
At 31 March 2020	<u>20,857</u>	<u>61,529</u>	<u>82,386</u>

Note: The financing cash flows represented the net amount of new bank borrowings raised and repayment of lease liabilities including both principal and interest portions.

35. MAJOR NON-CASH TRANSACTIONS

During the year, in addition to inception of new leases shown in note 34, the amounts of approximately HK\$3,098,000 (2019: HK\$62,000) in relation to the acquisition of property, plant and equipment were not yet settled and included in other payable.

36. RELATED PARTY TRANSACTIONS

On 31 July 2018, the Group acquired 100% of the issued share capital of Top Wealth International (HK) Limited ("Top Wealth") at a cash consideration of HK\$300,000. Ms. SH Wong and Ms. ST Wong were directors of and held beneficial interests in Top Wealth and Top Wealth became a subsidiary of the Group since 31 July 2018.

Details of the balances with a related party at the end of reporting period are disclosed in the note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

36. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 March 2020 and 2019 were as follows:

	2020 HK\$'000	2019 HK\$'000
Short-term benefits	2,577	2,496
Post-employment benefits	71	72
	<u>2,648</u>	<u>2,568</u>

37. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2020 HK\$'000	2019 HK\$'000
Property, plant and equipment	<u>–</u>	<u>196</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment in a subsidiary		11,125	35,310
Current assets			
Prepayments and other receivables		192	248
Amounts due from fellow subsidiaries		8,427	8,490
Bank balances		6	18,008
		8,625	26,746
Current liabilities			
Accruals		72	54
Amount due to a fellow subsidiary		990	–
		1,062	54
Net current assets		7,563	26,692
Net assets		18,688	62,002
Capital and reserves			
Share capital	27	8,000	8,000
Share premium and reserves		10,688	54,002
		18,688	62,002

Movement in the Company's reserves

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2018	81,662	(14,630)	67,032
Loss and total comprehensive expense for the year	–	(13,030)	(13,030)
At 31 March 2019	81,662	(27,660)	54,002
Loss and total comprehensive expense for the year	–	(43,314)	(43,314)
At 31 March 2020	81,662	(70,974)	10,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

39. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at 31 March			Principal activities
				2020	2019	Date of this report	
Access Gear Investment Limited	BVI	Hong Kong	United States Dollar ("USD") 10,000	100%	100%	100%	Investment holding
Access Smart Corporation Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	100%	Restaurant operations
All Happiness Limited	Hong Kong	Hong Kong	HK\$10,000	90%	90%	90%	Restaurant operations
Art Capital Limited	Hong Kong	Hong Kong	HK\$100	100%	100%	Nil	Inactive
C M of (Hong Kong) LCC Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	100%	Investment holding
Foodies Branding Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	100%	Investment holding
Foodies Group Limited	BVI	Hong Kong	USD1,000	100%	100%	100%	Investment holding
Foodies Management Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	100%	Provision of management services to group companies
Glory Fine Corporation Limited	Hong Kong	Hong Kong	HK\$100	54%	54%	54%	Inactive
Gold Pavilion Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	100%	Restaurant operations
Grace Wealth Holdings Limited	Hong Kong	Hong Kong	HK\$100	100%	100%	100%	Property investment in Hong Kong
Happy King Corporation Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	100%	Inactive
Jumbo Spirit Group Limited	BVI	Hong Kong	USD1,000	100%	100%	100%	Investment holding
Pacific Best Enterprises Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	100%	Restaurant operations
Pacific Rise Hong Kong Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	100%	Restaurant operations
Rainbow Power Holdings Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	100%	Restaurant operations
Sweetie Deli Garden Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	100%	Restaurant operations
Top Wealth International (HK) Limited	Hong Kong	Hong Kong	HK\$10	100%	100%	100%	Restaurant operations
Union Choice Limited	Hong Kong	Hong Kong	HK\$101	100%	100%	100%	Provision of food processing services to group companies
Vast Dragon Asia Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	100%	Investment holding
Wealthy Development (HK) Limited	Hong Kong	Hong Kong	HK\$10,000	100%	100%	100%	Property investment in Hong Kong
Wealth Step Enterprise Limited	Hong Kong	Hong Kong	HK\$10	100%	100%	100%	Restaurant operations
Wealth Treasure Capital Investment Limited	Hong Kong	Hong Kong	HK\$100	100%	100%	100%	Restaurant operations

All the companies comprising the Group have adopted 31 March as their financial year end date.

On 1 April 2020, the Group entered into an agreement with an independent third party, to disposal all interest in a subsidiary, Art Capital Limited, at a cash consideration of HK\$1. The disposal was completed on 1 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

40. EVENT AFTER THE REPORTING DATE

The emergence and spread of novel Coronavirus in early January 2020 has affected business and economic activity in Hong Kong and beyond. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future but the estimate of its financial effect cannot be made at this stage.

On 1 April 2020, the Group entered into an agreement with an independent third party, to dispose all of its interest in a subsidiary, Art Capital Limited, for a cash consideration of HK\$1 (Note 39). The transaction was completed on 1 April 2020 and a gain of approximately HK\$0.6 million on the disposal is expected to be recognised by the Group.

Other than disclosed elsewhere in these consolidated financial statements, up to the date of this report, there is no significant event identified by the management subsequent to the reporting period.

FINANCIAL SUMMARY

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 audited consolidated financial statements or the Prospectus, is set out as follows:

	Year ended 31 March				2020 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
Revenue	<u>132,603</u>	<u>149,715</u>	<u>135,624</u>	<u>142,407</u>	116,425
Profit (loss) before taxation	7,356	8,711	(10,539)	(15,032)	(44,710)
Income tax expense (credit)	<u>(1,632)</u>	<u>(1,359)</u>	<u>(835)</u>	<u>(1,300)</u>	95
Profit (loss) for the year	<u>5,724</u>	<u>7,352</u>	<u>(11,374)</u>	<u>(16,332)</u>	(44,615)
Attributable to:					
Owners of the Company	5,299	6,292	(12,163)	(16,087)	(44,459)
Non-controlling interests	<u>425</u>	<u>1,060</u>	<u>789</u>	<u>(245)</u>	(156)
	<u>5,724</u>	<u>7,352</u>	<u>(11,374)</u>	<u>(16,332)</u>	(44,615)
	As at 31 March				2020 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
Assets and liabilities					
Total assets	77,604	72,588	116,640	97,693	122,177
Total liabilities	<u>(66,830)</u>	<u>(28,995)</u>	<u>(33,069)</u>	<u>(30,804)</u>	(100,279)
	<u>10,774</u>	<u>43,593</u>	<u>83,571</u>	<u>66,889</u>	21,898
Equity attributable to:					
Owners of the Company	10,033	41,432	82,622	66,348	21,889
Non-controlling interests	<u>741</u>	<u>2,161</u>	<u>949</u>	<u>541</u>	9
	<u>10,774</u>	<u>43,593</u>	<u>83,571</u>	<u>66,889</u>	21,898