



CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Compliance Adviser

Vinco Capital Limited
Units 4909-4910, 49/F
The Center
99 Queen's Road
Central
Hong Kong

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



CORPORATE INFORMATION

**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 22, 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 announce the Group's first annual results after its successful listing on the GEM of the Stock Exchange for the year ended 31 March 2018.

The Group has successfully achieved a new milestone on 26 February 2018, having listed on the GEM of the Stock Exchange (the **"Listing"**). The successful listing represented recognitions and appreciations of the effort, devotion and support of our business partners, staff, senior management and shareholders since our establishment, and is also an encouragement to the Board in expanding the restaurant portfolio.

FINANCIAL RESULTS

For the year ended 31 March 2018, the total Group revenue was approximately HK\$135.6 million (2017: approximately HK\$149.7 million). Loss for the year attributable to the owners of the Company was approximately HK\$12.2 million (2017: Profit of approximately HK\$6.3 million). The loss was mainly attributable to (i) the non-recurring listing expenses of approximately HK\$14.0 million (2017: approximately HK\$0.7 million); and (ii) the closure of two restaurants in December 2017, namely Ma On Shan Marsino and Ma On Shan La Dolce; and (iii) the decrease in revenue from the Group's existing restaurants as affected by keen competition.

BUSINESS REVIEW

As at 31 March 2018, we are operating ten restaurants under three self-owned brands, namely "Marsino", "Grand Avenue" and "La Dolce". There are four restaurants under "Marsino", four restaurants under "Grand Avenue" and two restaurants under "La Dolce". We had closed two restaurants under "Marsino" and "La Dolce" in Ma On Shan with a joint lease in December 2017 following the expiry of its lease term. 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 2018, we opened a new Grand Avenue in Ma On Shan Sunshine City Plaza in October 2017, and it has proven successful by contributing profit to the Group throughout this period.

PROSPECTS

Looking ahead, the food and beverage industry should continue to be a challenging industry with keen competition and success is heavily dependent on the food quality, cost of operating restaurants and economic conditions of Hong Kong. In view of that, we will expand our restaurants portfolio to broaden our customer base by opening two new restaurants in Ma On Shan under two new brands, namely "Beefst" and "HaHa Prawn Mee" in May 2018, and we will also open two new restaurants in Mongkok in June 2018 under these two brands as well.

"Beefst" is a brand owned by Eat & Co Limited (**"Franchisor"**), a company established in Japan. We entered a franchise agreement with the Franchisor in November 2017 and being granted the franchise rights to operate and develop "Beefst" restaurants in Hong Kong. Whereas "HaHa Prawn Mee" is a self-developed brand which specialises in Malaysian cuisine.

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.



CHAIRMAN'S STATEMENT

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, 15 June 2018

FINANCIAL HIGHLIGHTS

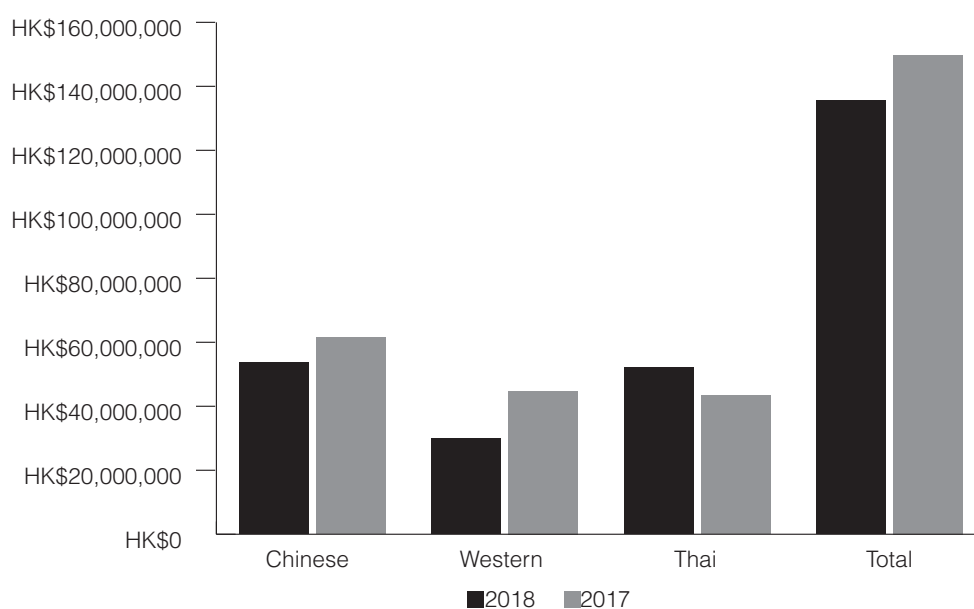
CONSOLIDATED RESULTS

	2018 HK\$'000	2017 HK\$'000
Revenue	135,624	149,715
(Loss) profit before tax	(10,539)	8,711
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	(12,163)	6,292

ASSETS AND LIABILITIES

	2018 HK\$'000	2017 HK\$'000
Assets		
Non-current assets	57,563	61,605
Current assets	59,077	10,983
Total assets	116,640	72,588
Liabilities		
Non-current liabilities	16,600	1,768
Current liabilities	16,469	27,227
Total liabilities	33,069	28,995
Total equity	83,571	43,593
Total equity and liabilities	116,640	72,588
Net current assets (liabilities)	42,608	(16,244)
Total assets less current liabilities	100,171	45,361

Total revenue by type of cuisine





MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Food and beverage industry has its own unique characteristics and generally speaking it is a high churn industry characterised by high staff turnover. Due to the depression of retails industry and low barriers to entry, many restaurant operators are set up recently. Each new player brings with their new food concepts and processes. Some were imported overseas in the form of franchises, some were adapted from overseas concepts and some were developed locally. This helps to bring vibrancy to the industry. In the meantime, we are also facing fierce competition from rising food costs and rental expenses. Labor shortage is one of the difficulties which we believe this situation will continue in near future.

In order for a company to grow, maximizing its strength and overcoming its weaknesses is critical. To remain competitive, it is necessary to provide good quality products and services efficiently and at an affordable price. Customers are more budget conscious and higher demand of the food varieties. The life span of products/services and concepts are getting shorter and thus there is a need to continuously develop new concepts to meet changing demand. The management believes innovation is a main element in our business model and we have to keep polishing our brands to draw more turnover.

BUSINESS OVERVIEW

We are a casual dining full service restaurant operator under 3 brands, namely “Marsino”, “La Dolce” and “Grand Avenue”. “Marsino” is a Chinese noodle specialist, “La Dolce” offers western cuisine while “Grand Avenue” offers Thai cuisine. Each of “Marsino”, “La Dolce” and “Grand Avenue” are founded and operated by our Group. As at 31 March 2018, we operated 4 “Marsino” restaurants, 2 “La Dolce” restaurants and 4 “Grand Avenue” restaurants and all of our restaurants are situated across Kowloon and the New Territories in Hong Kong.

“Marsino” had recorded revenue of approximately HK\$53.6 million during the year ended 31 March 2018, which is equivalent to 39.5% of our total revenue. As compared to the last corresponding period, “Marsino” has experienced a decrease in revenue by 12.9%.

“La Dolce” had recorded revenue of approximately HK\$30.0 million during the year ended 31 March 2018, which is equivalent to 22.1% of our total revenue. As compared to the last corresponding period, “La Dolce” has experienced a decrease in revenue by 33.1%.

“Grand Avenue” had recorded revenue of approximately HK\$52.0 million during the nine months ended 31 March 2018, which is equivalent to 38.4% of our total revenue. As compared to the last corresponding period, “Grand Avenue” has experienced an increase in revenue by 20.0%.

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 improve our operation efficiency in future.



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The food and beverage sector is characterized by low entry barrier, high risk, high business cost primarily in rental, labour and materials and churn of concepts. Our success is heavily dependent on the food quality, cost of operating restaurants and economic conditions of Hong Kong.

Our Group's key risk exposures and uncertainties are summarised as follows:

- 1) As we lease all of the properties for our restaurant operations, our operating lease obligations expose us to potential risks, such as increasing our vulnerability to adverse economic conditions, as we may not be able to terminate such leases even if we are operating at a loss. As a result, our financial condition and results of operations may be adversely affected.
- 2) 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.
- 3) Labour shortages or increases in labour costs will increase our Group's operating costs and reduce our profitability. Furthermore, minimum wage requirements in Hong Kong may further increase and impact our staff costs in the future.
- 4) If there are any adverse incidents associated with the quality of our food and services provided or if our hygiene standards do not meet the relevant statutory requirements, our restaurant business could be adversely affected.
- 5) The availability of raw materials and consumables, such as the type, variety and quality, and their prices, can fluctuate and be volatile and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental regulations, exchange rates and availability, each of which may affect our cost of food and beverages or cause a disruption in our supply.

For further details on the risks and uncertainties faced by our Group, please refer to the section headed "Risk Factors" of the prospectus of the Company dated 6 February 2018 (the "**Prospectus**").

In order to improve the overall business of the Group, we plan to:

1. Develop a franchise brand – The franchise model is one proven concept for growth and expansion. Many food and beverage as well as retails companies have leveraged on franchise for growth both locally and overseas. Our Group obtained a franchise right in November 2017 from the Franchisor in Japan who owns a brand named "Beefst" with 8 existing outlets now in Tokyo. We plan to open three outlets in 2018 and one in 2019; and



MANAGEMENT DISCUSSION AND ANALYSIS

2. Develop our existing brand – Our existing model is also proven mature and profitable. We plan to open one outlet of “Grand Avenue” in 2018 and one outlet of “Marsino” in 2019. We have identified potential locations for most of the above planned openings. All tenancy offers are still under negotiating with relevant landlords and have not yet signed any lease agreement for such planning; and
3. Develop new brand – we explore different opportunities to develop new brands. For example, “HaHa Prawn Mee” is our new self-developed brand which specialises in Malaysian cuisine. The first outlet was opened in Ma On Shan in May 2018 and the second outlet is planned to open in Mongkok in June 2018.
4. Enhance and upgrade our existing accounting and IT program; and upgrade HR system to meet our needs on personnel administration and payroll management. The new HR system support multi companies and multi databases, it can also self-define static and dynamic variables and formulae to cater the change of payroll policy as well as to meet the ad-hoc requirements on human resources analysis and planning.
5. Integrate an ERP system to manage inventory across multiple locations, and track and record stock movements and control the entire procurement process. ERP can also create, manage, and distribute reports that improve transparency and decision making across the business.
6. Expand our central kitchen to house new food processing equipment and fixtures to enhance the processing capacity of semi-processed food products and sauces supplied to our restaurants as our Management is of the view that our central kitchen at its current scale would not be able to support our planned new restaurants.

Our ongoing expansion and enhancement plans will improve our market share while we will continue to refine our business strategy to cope with the continuing challenges. We will also proactively seek potential business opportunities that will broaden our sources of revenue and enhance value to the shareholders.

FINANCIAL REVIEW

Loss attributable to owners of the Company was approximately HK\$12.2 million (year ended 31 March 2017: profits of approximately HK\$6.3 million) for the year ended 31 March 2018. The change from profits to loss attributable to owners of the Company was mainly due to (i) non-recurring listing expenses; (ii) closure of two restaurants in Ma On Shan due to expiry of the lease; and (iii) a decrease in our revenue due to keen competition.

For the year ended 31 March 2018, the Group recorded revenue of approximately HK\$135.6 million (year ended 31 March 2017: approximately HK\$149.7 million), representing a decrease 9.4% compared with the same period of the previous financial year. The decrease in revenue was mainly due to the decrease in revenue from our existing restaurants as affected by keen competitions.

During the year ended 31 March 2018, the Group recorded a loss on disposal of fixed assets of approximately HK\$0.2 million as well as recording long service payment expense of approximately HK\$0.1 million as a result of the closure for Ma On Shan Marsino and Ma On Shan La Dolce restaurants in December 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

Despite the closure of the above two restaurants, we opened a new Ma On Shan Grand Avenue restaurant in October 2017 with capital investment cost of approximately HK\$4.3 million. This new restaurant has 104 seats with a breakeven period of 2 months. From the of date of incorporation 29 March 2017 to 31 March 2018, Ma On Shan Grand Avenue recorded profits before tax of approximately HK\$0.4 million.

FOREIGN CURRENCY EXPOSURE

All the transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to significant foreign exchange exposure.

CAPITAL COMMITMENTS

As at 31 March 2018, the Group did not have any material capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities.

CHARGE ON GROUP ASSETS

At 31 March 2018, bank borrowings of HK\$15,000,000 were secured by leasehold land and building owned by the Group with the carrying amount of HK\$34,285,000.

At 31 March 2017, bank borrowings of HK\$8,339,000 and HK\$4,719,000 were secured by the leasehold land and building owned by the Group with the carrying amount of HK\$23,541,000 and HK\$12,275,000, respectively. The borrowings were subsequently repaid in June 2017.

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

There was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 March 2018. There is no other plan for material investments or capital assets as at 31 March 2018.



DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Wong Suet Hing (黃雪卿) (“Ms. SH Wong”), aged 65, 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 43, 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 56, 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 35, 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 restaurants. 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 42, 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 42, 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, a member and chairman of the audit committee, a member and chairman of the remuneration committee and a member and chairman of the nomination committee of Get Nice Financial Group Limited (stock code: 1469), the issued shares of which are listed on the Main Board of the Stock Exchange.

Mrs. Cheung Lau Lai Yin Becky (張劉麗賢) (“**Mrs. Cheung**”), aged 58, 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 part-time lecturer trainer at The Chinese University of Hong Kong, The University of Hong Kong, and The Hong Kong Polytechnic 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.



DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Ronald Patrick Lup Man (余立文) (“Mr. Yu”), aged 47, 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 is currently an executive director and responsible officer of WK Fund Management Limited.

SENIOR MANAGEMENT

Mr. Cheung Shing Kang (張成耕), aged 61, 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 35 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 59, 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 nearly 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 Simplicity Holding Limited (the “**Company**”) is committed to achieving high standards of corporate governance by emphasizing 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 governing the Listing of Securities on the Stock Exchange (the “**GEM Listing Rules**”) throughout the year ended 31 March 2018 and complied with all applicable code provisions under 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.



CORPORATE GOVERNANCE REPORT

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. Wong Suet Hing, the chairlady of the Company, is responsible for overseeing the overall operations and procurement of the Group. While our chief executive officer, Ms. Wong Sau Ting Peony 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (“INEDs”)

Independent non-executive Directors 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 2018.

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, Ms. SH Wong, Ms. ST Wong, Ms. Chow Lai Fan, 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 “**Restricted Business**”). For details of the Deed of Non-competition, please refer to the section headed “Relationship with Controlling Shareholders” in the Prospectus.

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 2018. 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 2018.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-competition for the year ended 31 March 2018:

- (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 2018; 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 2018.



CORPORATE GOVERNANCE REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 March 2018, 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 independent non-executive Directors 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 2018 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 Ting 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.

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.



CORPORATE GOVERNANCE REPORT

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 2018, the Board did not convene any meeting since the listing of the Company on the GEM of the Stock Exchange on 26 February 2018.

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.

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 to oversee the remuneration policy and structure for all Directors and senior management.

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 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 2018, the Remuneration Committee convened one committee meeting since listing on GEM on 26 February 2018. 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>)	1/1
Ms. Ng Yau Kuen Carmen	1/1
Mr. Yu Ronald Patrick Lup Man	1/1
<i>Executive Directors</i>	
Ms. Wong Suet Hing	1/1
Ms. Wong Sau Ting Peony	1/1

Details of the Directors' remuneration are set out in note 10 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.

The principal duties of the Nomination Committee include reviewing the Board structure, size and diversity; 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 independent non-executive Directors and review the policy.

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.

During the year ended 31 March 2018, the Nomination Committee did not convene any meeting since listing on GEM on 26 February 2018.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an audit committee on 29 January 2018 with written terms of reference setting out the authorities and duties of the Audit Committee. 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

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 four times per year and additional meetings should be held as the work of the Committee demands.

During the year ended 31 March 2018, the Audit Committee did not convene any meeting since listing on GEM on 26 February 2018.

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.

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;



CORPORATE GOVERNANCE REPORT

- 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 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 relating to operations, reporting and compliance. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimizes the risks to which the Group is exposed. The Board understand that no one system will preclude all errors and irregularities.

The Board conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, with a view to ensuring that resources of the Group are adequate.

The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective not to appoint external independent professionals to perform internal audit function for the Group.

The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorized use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for ensuring that the financial statements for each financial year are prepared to give a true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CORPORATE GOVERNANCE REPORT

In preparing the financial statements of the Group for the year ended 31 March 2018, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgements and estimations. 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.

AUDITOR'S REMUNERATION

The Group's independent external auditor is Deloitte Touche Tohmatsu ("DTT"). The remuneration for the audit and non-audit services provided by DTT to the Group during the year ended 31 March 2018 was approximately as follows:

Type of Services	Amount (HK\$'000)
Audit	700
Non-audit services	750
Total	<u>1,450</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 2018, Mr. Wong has undertaken in relevant training, which met the requirements of Rule 5.15 of the GEM Listing Rules.

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.



CORPORATE GOVERNANCE REPORT

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 of 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 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 34 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 the Group and an indication of likely future developments in the Group's business is set out in the section headed "Management Discussion and Analysis" on pages 8 to 11 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 2018 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 43 to 97.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 March 2018.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 7 of the Annual Report.

CAPITAL STRUCTURE

The change in the capital structure of the Group from 31 March 2017 to 31 March 2018 are set out in note 24 to the consolidated financial statements.

Financial Resources and Liquidity

As at 31 March 2018, current assets amounted to approximately HK\$59.1 million (as at 31 March 2017: approximately HK\$11.0 million), of which approximately HK\$49.2 million (as at 31 March 2017: approximately HK\$4.3 million) was bank balances and cash, approximately HK\$6.7 million (as at 31 March 2017: approximately HK\$5.3 million) was trade and other receivables, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$16.5 million (as at 31 March 2017: approximately HK\$27.2 million) which primarily consisted of trade and other payables and accrued charges in the amount of approximately HK\$14.2 million (as at 31 March 2017: approximately HK\$9.6 million). 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 3.6 and 3.5 respectively (as at 31 March 2017: 0.4 and 0.4 respectively). Gearing ratio is calculated based on the borrowings representing the sum of interest-bearing bank borrowings and amounts due to related parties and non-controlling shareholders of subsidiaries which are non-trade nature divided by total equity at the end of the year and multiplied by 100%. Gearing ratio was 17.9% (as at 31 March 2017: 36.2%).

DIRECTORS' REPORT

The Company has issued and allotted 200,000,000 new shares at a price of HK\$0.275 per share by means of share offer on 26 February 2018, which generated net proceeds of approximately HK\$32.6 million. It was mainly used for:

- (i) opening of four new Japanese ramen restaurants
- (ii) opening of one new Grand Avenue restaurant
- (iii) opening of one new Marsino restaurant
- (iv) expanding our central kitchen storage facilities
- (v) upgrading our computer system
- (vi) implementing marketing and promotional initiatives
- (vii) working capital for existing business

Comparison of Business Strategies and Actual Business Progress

An analysis comparing the business strategies as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2018 is set out below:

Business Strategies	Actual Progress
Opening of 1 new Japanese ramen restaurant	The opening of 1 new Japanese ramen restaurant has been completed in May 2018
Expanding our central kitchen storage facilities	The expansion plan is under progress and reviewed by our management
Upgrading computer system	We had partially upgraded our computer system

USE OF PROCEEDS FROM THE IPO

On 26 February 2018, the Company's shares were listed on the GEM of the Stock Exchange. 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"). As at 31 March 2018, approximately HK\$0.8 million, HK\$0.2 million, HK\$0.3 million and HK\$0.5 million had been utilised to open a new Japanese ramen restaurant in Ma On Shan which was opened in May 2018, to expand central kitchen storage facilities, to upgrade our computer system, and for general working capital, respectively.

From the Listing Date up to 31 March 2018, we had utilised approximately HK\$1.8 million of the IPO Proceeds against the planned use of IPO Proceeds up to 31 March 2018, which is approximately HK\$9.7 million. It represented only 18.3% of the planned IPO Proceeds had been utilised, the reason is due to the postpone of opening of the Japanese ramen restaurant in Ma On Shan from March 2018 to May 2018, the postpone of expansion of central kitchen storage facilities as we need more time to find a suitable place for us to expand the central kitchen storage facilities, and the delay of upgrading computer system as the Group would like to make more comparisons of different computer systems in order to find the best choices for us.

As at 31 March 2018, there is approximately HK\$7.9 million of the IPO Proceeds remain unutilised and such balance was deposited in a licensed bank in Hong Kong.

DIRECTORS' REPORT

An analysis of the utilisation of the IPO Proceeds as at 31 March 2018 is set out below:

	Planned use of IPO Proceeds up to 31 March 2018 <i>HK\$'000</i>	Utilised IPO Proceeds up to 31 March 2018 <i>HK\$'000</i>	Unutilised IPO Proceeds up to 31 March 2018 <i>HK\$'000</i>
Opening one new Japanese ramen restaurant	4,375	(818)	3,557
Expanding central kitchen storage facilities	3,500	(200)	3,300
Upgrading computer system	1,300	(250)	1,050
General working capital	500	(500)	–
Total	<u>9,675</u>	<u>(1,768)</u>	<u>7,907</u>

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 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 24 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 46 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company had distributable reserves of approximately HK\$74.6 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' REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Interests and short positions of directors 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 2018.

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 nonexecutive 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**").

DIRECTORS' REPORT

(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.

(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 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 March 2018 are set out in note 32 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.



DIRECTORS' REPORT

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Vinco Capital Limited (“**Vinco Capital**”) to be the compliance adviser. As informed by Vinco Capital, neither Vinco 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 Vinco Capital dated 5 February 2018.

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

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.

DIRECTORS' REPORT

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 10 to the consolidated financial statements.

The remuneration of the senior management of the Group for the year ended 31 March 2018 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' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the Senior Management of the Group are set out on pages 12 to 14 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 2018.

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 2018.

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

The shares of the Company were successfully listed on GEM on 26 February 2018. Save for the Reorganisation as disclosed in the Prospectus, 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 2018.

DIRECTORS' REPORT

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

As at the date of this report, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of 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 or short positions which they are 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 referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name of Directors	Capacity/nature of interest	Number of shares held	Approximate percentage of shareholding
Ms. SH Wong	interest in controlled corporation (<i>note 1</i>)	540,000,000	20.9%
Ms. ST Wong	interest in controlled corporation (<i>note 2</i>)	540,000,000	12.6%
Mr. MF Wong	interest of spouse (<i>note 3</i>)	540,000,000	20.9%
Mr. SH Ma	interest in controlled corporation (<i>note 4</i>)	540,000,000	2.9%

Notes:

1. Ms. SH Wong beneficially owns 31% equity interest in Marvel Jumbo Limited ("**Marvel Jumbo**"). Therefore, Ms. SH Wong is deemed to be interested in 540,000,000 shares held by Marvel Jumbo.
2. Ms. ST Wong beneficially owns 18.7% equity interest in Marvel Jumbo. Therefore, Ms. ST Wong is deemed to be interested in 540,000,000 shares held by Marvel Jumbo.
3. Mr. MF Wong is the spouse of Ms. Chow Lai Fan, who beneficially owns 31% equity interest in Marvel Jumbo. Therefore, Mr. MF Wong is deemed to be interested in 540,000,000 shares held by Marvel Jumbo.
4. Mr. SH Ma beneficially owns 4.3% equity interest in Marvel Jumbo. Therefore, Ms. SH Ma is deemed to be interested in 540,000,000 shares held by Marvel Jumbo.

Save as disclosed above, as at 31 March 2018, none of the Directors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, 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.

DIRECTORS' REPORT

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

As at 31 March 2018, so far as it is known to the Directors, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, 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 any member of the Group:

Long positions in the ordinary shares of the Company

Name of Shareholder	Nature of interest	Number of Shares (Note 1)	Approximately percentage of shareholding
Marvel Jumbo Limited	Beneficial interest (Note 1)	540,000,000	67.50%
Charm Dragon Investments Limited	Beneficial interest	60,000,000	7.50%
Mr. Cheung Wai Yin Wilson	Interest in controlled corporation (Note 2)	60,000,000	7.50%
Ms. Lam Ka Wai	Interest of spouse (Note 2)	60,000,000	7.50%

Notes:

- (1) Marvel Jumbo Limited is owned as to (i) 31.0% by Ms. SH Wong; (ii) 31.0% by Ms. Chow Lai Fan; (iii) 18.7% by Ms. ST Wong; (iv) 15.0% by Ms. SC Wong; and (v) 4.3% by Mr. SH Ma.
- (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 SFO.

Save as disclosed above, as at 31 March 2018, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors of the Company) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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.



DIRECTORS' REPORT

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 25.8% of our total purchases of raw materials and consumables consumed. During the same year, purchases from our largest supplier accounted for approximately 6.1% of our total purchases of materials & 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 2018, the total borrowing of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$15.0 million (2017: approximately HK\$13.1 million). The Group's bank borrowings were primarily used in financing the working capital requirement of its operations.

Particulars of borrowings of the Group at 31 March 2018 are set out in note 21 of the consolidated financial statements.

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 2018 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 2018, the Group had 254 full-time and 186 part-time employees (as at 31 March 2017: 242 full-time and 156 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 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.



DIRECTORS' REPORT

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.

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 Friday, 24 August 2018 to Wednesday, 29 August 2018, both days inclusive, during which period no transfer of the shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 23 August 2018.

DONATIONS

During the year ended 31 March 2018, the charitable donations made by the Group amounted to approximately HK\$6,552.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this Annual Report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2018 and up to the date of approval of this Annual Report.

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu 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, 15 June 2018



INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE MEMBERS 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 (collectively referred to as the “Group”) set out on pages 43 to 97, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2018, 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 (“HKSAs”) 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.

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.

Key audit matter

How our audit addressed the key audit matter

Revenue recognition

We identified revenue recognition as a key audit matter due to the significance of amount to the consolidated financial statements and the large volume of transactions.

The accounting policy of revenue recognition is disclosed in note 3 to the consolidated financial statements. As disclosed in note 5 to the consolidated financial statements, the Group's revenue for the year ended 31 March 2018 is HK\$135,624,000.

Our procedures in relation to revenue recognition included:

- Obtaining an understanding of the Group's revenue recognition policy of the Group's restaurant operations;
- Obtaining an understanding of the revenue business processes and key controls with the involvement of our internal information technology specialist;
- Checking revenue from restaurant operations recognised, on a sample basis, to daily sales reports and cash receipts, octopus card and credit card settlements; and
- Using data analytic tools to identify the unusual patterns of revenue from restaurant operations, and obtaining and assessing the reasonableness of management's explanation for the unusual patterns identified, if any.

OTHER INFORMATION

The directors of the Company 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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	5	135,624	149,715
Other income	6	629	678
Other losses	6	(166)	(467)
Raw materials and consumables used		(36,874)	(42,906)
Staff costs		(48,943)	(52,829)
Depreciation		(7,515)	(7,652)
Rental and related expenses		(23,608)	(23,724)
Utilities expenses		(7,261)	(7,068)
Listing expenses		(14,018)	(669)
Other expenses		(8,081)	(6,081)
Finance costs	7	(326)	(286)
(Loss) profit before tax	8	(10,539)	8,711
Income tax expense	9	(835)	(1,359)
(Loss) profit and total comprehensive (expense) income for the year		<u>(11,374)</u>	<u>7,352</u>
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
– owners of the Company		(12,163)	6,292
– non-controlling interests		789	1,060
		<u>(11,374)</u>	<u>7,352</u>
(Loss) earnings per share	13		
Basic (HK cents)		<u>(2.04)</u>	<u>1.22</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	14	51,256	54,137
Intangible asset	15	314	–
Deferred tax assets	22	1,055	1,518
Deposits	17	4,938	5,950
		<u>57,563</u>	<u>61,605</u>
Current assets			
Inventories	16	1,139	1,190
Trade and other receivables, deposits and prepayments	17	6,663	5,297
Amount due from a related party	20	1,100	–
Tax recoverable		950	149
Bank balances and cash	18	49,225	4,347
		<u>59,077</u>	<u>10,983</u>
Current liabilities			
Trade and other payables and accruals	19	14,156	9,588
Amounts due to related parties	20	–	1,383
Amounts due to non-controlling shareholders of subsidiaries	20	–	1,319
Tax payable		1,663	1,879
Bank borrowings	21	–	13,058
Provisions	23	650	–
		<u>16,469</u>	<u>27,227</u>
Net current assets (liabilities)		<u>42,608</u>	<u>(16,244)</u>
Total assets less current liabilities		<u>100,171</u>	<u>45,361</u>
Non-current liabilities			
Provisions	23	1,130	1,660
Deferred tax liabilities	22	470	108
Bank borrowings	21	15,000	–
		<u>16,600</u>	<u>1,768</u>
Net assets		<u>83,571</u>	<u>43,593</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	NOTE	2018 HK\$'000	2017 HK\$'000
Capital and reserves			
Share capital	24	8,000	8
Reserves		74,622	41,424
Equity attributable to owners of the Company		82,622	41,432
Non-controlling interests		949	2,161
Total equity		83,571	43,593

The consolidated financial statements on pages 43 to 97 were approved and authorised for issue by the Board of Directors on 15 June 2018 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 2018

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated profits			
	HK\$'000	HK\$'000	HK\$'000 (Note (a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	74	-	1,832	8,127	10,033	741	10,774
Profit and total comprehensive income for the year	-	-	-	6,292	6,292	1,060	7,352
Issue of shares of Jumbo Spirit Group Limited ("JSGL")	16	-	-	-	16	-	16
Issue of shares of the Company (note 24(d))	-	3,000	-	-	3,000	-	3,000
Dividends paid (note 12)	-	-	-	(814)	(814)	(336)	(1,150)
Acquisition of additional interests in subsidiaries (Note (b))	-	-	309	-	309	(319)	(10)
Transfer upon Reorganisation (note 1(iv), 1(v) and 1(vi))	(82)	-	82	-	-	-	-
Waiver of amounts due to shareholders (note 31)	-	-	22,596	-	22,596	1,015	23,611
At 31 March 2017	8	3,000	24,819	13,605	41,432	2,161	43,593
(Loss) profit and total comprehensive (expense) income for the year	-	-	-	(12,163)	(12,163)	789	(11,374)
Issue of shares of the Company (note 24(d))	-	5,000	-	-	5,000	-	5,000
Issue of shares of the Company (note 24(g)) and elimination of share capital arising from Reorganisation (as defined in note 1)	(8)	35,310	(33,301)	-	2,001	(2,001)	-
Issue of shares under share offer (note 24(i))	2,000	53,000	-	-	55,000	-	55,000
Transaction costs directly attributable to issue of shares	-	(8,648)	-	-	(8,648)	-	(8,648)
Capitalisation issue (note 24(h))	6,000	(6,000)	-	-	-	-	-
At 31 March 2018	8,000	81,662	(8,482)	1,442	82,622	949	83,571

Notes:

- (a) Other reserves at 1 April 2016 represent the shareholders' contribution arising from the acquisition of additional interests in subsidiaries.
- (b) On 16 August 2016, GLIL (as defined in note 1) acquired 40% equity interest of Wealth Step Enterprise Limited ("WSEL") from an independent non-controlling shareholder of WSEL for approximately HK\$357,000. Upon the completion of transaction, WSEL became the wholly-owned subsidiary of GLIL.

In January 2017, JSGL acquired entire equity interests of Vast Dragon Asia Limited ("VDAL") from GLIL and an independent non-controlling shareholder of VDAL at a cash consideration of HK\$10,000. Upon completion of transaction, VDAL became a wholly-owned subsidiary of JSGL. In February 2017, VDAL acquired 17% equity interest of Grace Wealth Holdings Limited ("GWHL") from two independent non-controlling shareholders and Ms. SY Wong (as defined in note 1) at an aggregate cash consideration of HK\$17. Upon the completion of transaction, GWHL is wholly-owned by VDAL.

In February 2017, the Controlling Shareholders (as defined in note 1) acquired 32.2% equity interest of Access Gear Investment Limited ("AGIL") from independent non-controlling shareholders of AGIL at par. Upon completion of transaction, the Controlling Shareholders have 95.7% equity interest in AGIL.

An amount of HK\$309,000, being the difference between the aggregated carrying amount of non-controlling interests of WSEL, AGIL, VDAL and GWHL amounting to HK\$319,000 and cash consideration paid by the Group, is transferred to other reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(10,539)	8,711
Adjustments for:		
Depreciation of property, plant and equipment	7,515	7,652
Loss on written-off/disposals of property, plant and equipment	166	467
Amortisation of intangible asset	28	–
Interest income	(6)	–
Finance costs	326	286
Operating cash flows before movements in working capital	(2,510)	17,116
Decrease (increase) in inventories	51	(23)
Increase in trade and other receivables, deposits and prepayments	(354)	(2,222)
Increase (decrease) in trade and other payables and accruals	4,255	(2,682)
Decrease in provisions	(180)	–
Cash generated from operations	1,262	12,189
Hong Kong Profits Tax paid	(1,027)	(2,150)
Interest paid	(326)	(286)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(91)	9,753
INVESTING ACTIVITIES		
Advances to related parties	(1,100)	(3,840)
Repayments from non-controlling shareholders of subsidiaries	–	485
Purchase of intangible assets	(342)	–
Purchases of property, plant and equipment	(5,114)	(10,433)
Interest received	6	–
Repayments from related parties	–	11,042
Advances to non-controlling shareholders of subsidiaries	–	(100)
NET CASH USED IN INVESTING ACTIVITIES	(6,550)	(2,846)
FINANCING ACTIVITIES		
Issue of shares of JSGL	–	16
Issue of shares of the Company	5,000	3,000
Acquisition of additional interest of a subsidiary	–	(10)
Advances from related parties	–	7,252
Repayments to related parties	(1,383)	(16,540)
Advances from non-controlling shareholders of subsidiaries	–	5
Repayments to non-controlling shareholders of subsidiaries	(1,319)	(373)
Repayments of bank borrowings	(13,058)	(1,462)
New bank borrowings raised	15,000	–
Dividends paid	–	(1,150)
Proceeds from issue of shares under share offer	55,000	–
Transaction costs attributable to issue of shares	(7,721)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	51,519	(9,262)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,878	(2,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,347	6,702
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	49,225	4,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 addresses of the registered office and principal place of business of the Company are 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 34.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

Before the reorganisation as described below (the “Reorganisation”), all the companies comprising the Group were controlled by Foodies Group Limited (“FGL”), AGIL, JSGL and Golden Legend Investment Limited (“GLIL”). GLIL is a company incorporated in the BVI and not forming part of the Group. FGL, AGIL, JSGL and GLIL were 95.7% owned by (i) Ms. SH Wong; (ii) Ms. ST Wong; (iii) Ms. SC Wong; and (iv) Ms. LF Chow (collectively known as “Controlling Shareholders”). They are acting in concert and owned the family business through their interests held in the companies now comprising the Group.

Remaining 4.3% interests of FGL, AGIL, JSGL and GLIL is owned by Ms. SY Wong. From December 2016 to February 2017, Ms. SY Wong transferred her equity interest of these entities to Mr. SH Ma. Both Ms. SY Wong and Mr. SH Ma are considered as non-controlling shareholders of the companies now comprising the Group before the completion of Reorganisation.

In preparation of the listing of the Company’s shares on GEM of the Stock Exchange (the “Listing”), the companies comprising the Group underwent the Reorganisation as described below.

- (i) The Company was incorporated in the Cayman Islands on 27 January 2017. The Company at the time of incorporation had an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued to an independent first subscriber at par and was subsequently transferred to Ms. SH Wong at par on 27 January 2017.
- (ii) On 15 March 2017, the Company has allotted and issued 2,789, 2,790, 1,683, 1,350 and 387 new shares of the Company at par to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma respectively. Upon the completion of the transfer, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma have 31.0%, 31.0%, 18.7%, 15.0% and 4.3% respectively of the then issued share capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- (iii) Pursuant to the subscription agreement dated 16 March 2017, the Company has allotted and issued 750 shares of the Company to Charm Dragon Investments Limited (“Pre-IPO Investor”), an independent third party, on 21 March 2017 at a cash consideration of HK\$3,000,000 and 1,250 shares of the Company to Pre-IPO Investor on 21 April 2017 at a cash consideration of HK\$5,000,000. Upon completion of these transactions, the Pre-IPO Investor has 18.2% equity interest in the Company.
- (iv) Prior to 28 March 2017, 100% equity interest of Art Capital Limited (“ACL”), 54% equity interest of Glory Fine Corporation Limited (“GFCL”), 100% equity interest of Sweetie Deli Garden Limited (“SDGL”), 100% equity interest of WSEL and 100% equity interest of Wealth Treasure Capital Investment Limited (“WTCIL”) were owned by GLIL. On 28 March 2017, FGL acquired 54% equity interest of GFCL and entire equity interest of ACL, SDGL, WSEL and WTCIL from GLIL by allotting and issuing 310, 310, 187, 150 and 43 new shares of FGL to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively.
- (v) On 31 March 2017, FGL acquired 310, 310, 187, 150 and 43 shares in JSGL, representing the entire issued share capital in JSGL, from Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively, in consideration of allotment and issuance of 1,550, 1,550, 935, 750 and 215 new shares of FGL to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively.
- (vi) On 31 March 2017, FGL acquired 3,100, 3,100, 1,870, 1,500 and 430 shares in AGIL, representing the entire issued share capital in AGIL, from Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively, in consideration of allotment and issuance of 3,100, 3,100, 1,870, 1,500 and 430 new shares of FGL to Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma, respectively.
- (vii) On 21 June 2017, Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma transferred their interests in the Company to MJL at par value.
- (viii) On 13 July 2017, each issued and unissued share of the Company of HK\$0.01 each was subdivided into 100 shares of HK\$0.0001 each.
- (ix) On 25 July 2017, every 100 issued and unissued shares of the Company of HK\$0.0001 each were consolidated into one share of HK\$0.01 each.
- (x) On 29 August 2017, FGL acquired 1 share in Pacific Best Enterprises Limited (“PBEL”), representing the entire issued share capital in PBEL, from Acota Services Limited at nominal consideration of HK\$1.
- (xi) On 29 January 2018, the Company acquired the entire equity interests in FGL from Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma in consideration of allotment and issuance of 9,000 new shares of the Company to MJL (at the direction of Ms. SH Wong, Ms. LF Chow, Ms. ST Wong, Ms. SC Wong and Mr. SH Ma). Upon the completion of transfer, FGL becomes a wholly-owned subsidiary of the Company.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Upon the completion of the above Reorganisation, the Company is 90% owned by MJL and 10% owned by Pre-IPO Investor.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 29 January 2018. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA for the years ended 31 March 2017 and 2018. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2017 and 2018 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the years ended 31 March 2017 and 2018, or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at that date taking into account the respective dates of incorporation, where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

The Group has adopted and consistently applied HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2017 for both current and prior years.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

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

⁴ Effective for annual periods beginning on or after 1 January 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair values at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 “Financial Instruments: Recognition and Measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment performed by the directors of the Company, the application of the expected credit loss model of HKFRS 9 will not have material impact on the opening accumulated profits of the Group at 1 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the future financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$23,328,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$5,383,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements 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”.

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.

The principal accounting policies adopted are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sales of goods are recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

The Group as lessee

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Intangible assets

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

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those relevant assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets *(Continued)*

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

Provisions

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, amount due from a related party and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and accruals, amounts due to related parties/non-controlling shareholders of subsidiaries and bank borrowings are subsequently measured at amortised cost, using the effective interest method.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, 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 may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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 the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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.

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 2018, the carrying amounts of property, plant and equipment are approximately HK\$51,256,000 (2017: HK\$54,137,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable for goods sold and services rendered by the Group during the year.

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. Western cuisine – Operations of Western cuisine restaurants under the brand of "La Dolce"
3. Thai cuisine – Operations of Thai cuisine restaurants under the brand of "Grand Avenue"

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

Year ended 31 March 2018

	Chinese cuisine <i>HK\$'000</i>	Western cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>53,607</u>	<u>29,975</u>	<u>52,042</u>	<u>135,624</u>
Segment profit	<u>8,575</u>	<u>2,194</u>	<u>6,313</u>	17,082
Other income				629
Listing expenses				(14,018)
Finance costs				(326)
Unallocated corporate costs				<u>(13,906)</u>
Loss before tax				<u>(10,539)</u>

Year ended 31 March 2017

	Chinese cuisine <i>HK\$'000</i>	Western cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Segment revenue	<u>61,571</u>	<u>44,782</u>	<u>43,362</u>	<u>149,715</u>
Segment profit	<u>11,653</u>	<u>4,499</u>	<u>4,814</u>	20,966
Other income				678
Listing expenses				(669)
Finance costs				(286)
Unallocated corporate costs				<u>(11,978)</u>
Profit before tax				<u>8,711</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other income, listing expenses, finance costs and unallocated corporate costs (including head office staff costs, rental and other corporate expenses) and income tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

At 31 March 2018

	Chinese cuisine <i>HK\$'000</i>	Western cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>7,505</u>	<u>3,436</u>	<u>13,739</u>	24,680
Unallocated property, plant and equipment				36,910
Intangible asset				314
Deferred tax assets				1,055
Unallocated inventories				826
Unallocated other receivables and prepayments				1,580
Amount due from a related party				1,100
Tax recoverable				950
Bank balances and cash				<u>49,225</u>
Consolidated assets				<u>116,640</u>
Segment liabilities	<u>2,930</u>	<u>1,621</u>	<u>4,146</u>	8,697
Unallocated trade and other payables and accruals				7,239
Bank borrowings				15,000
Tax payable				1,663
Deferred tax liabilities				<u>470</u>
Consolidated liabilities				<u>33,069</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

At 31 March 2017

	Chinese cuisine <i>HK\$'000</i>	Western cuisine <i>HK\$'000</i>	Thai cuisine <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>9,226</u>	<u>4,889</u>	<u>9,973</u>	24,088
Unallocated property, plant and equipment				39,062
Deferred tax assets				1,518
Unallocated inventories				833
Unallocated other receivables and prepayments				2,591
Tax recoverable				149
Bank balances and cash				<u>4,347</u>
Consolidated assets				<u>72,588</u>
Segment liabilities	<u>3,833</u>	<u>2,220</u>	<u>2,553</u>	8,606
Unallocated trade and other payables and accruals				2,642
Amounts due to related parties				1,383
Amounts due to non-controlling shareholders of subsidiaries				1,319
Bank borrowings				13,058
Tax payable				1,879
Deferred tax liabilities				<u>108</u>
Consolidated liabilities				<u>28,995</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, intangible asset, certain inventories, deferred tax assets, certain other receivables and prepayments, amount due from a related party, tax recoverable and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than tax payable, bank borrowings, certain trade and other payables and accruals, amounts due to related parties/non-controlling shareholders of subsidiaries and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Year ended 31 March 2018

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai 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	65	13	4,347	375	4,800
Addition of intangible asset	–	–	–	342	342
Loss on written-off/disposals of property, plant and equipment	83	83	–	–	166
Depreciation of property, plant and equipment	1,590	1,188	2,210	2,527	7,515
Amortisation of intangible asset	–	–	–	28	28

Year ended 31 March 2017

	Chinese cuisine HK\$'000	Western cuisine HK\$'000	Thai 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	5,538	181	2,862	1,594	10,175
Loss on written-off/disposals of property, plant and equipment	229	238	–	–	467
Depreciation of property, plant and equipment	1,292	1,276	1,672	3,412	7,652

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

6. OTHER INCOME/OTHER LOSSES

	2018 HK\$'000	2017 HK\$'000
Other income		
Service management income (<i>Note</i>)	342	491
Promotion income	156	130
Bank interest income	6	–
Others	125	57
	<u>629</u>	<u>678</u>
Other losses		
Loss on written-off/disposals of property, plant and equipment	<u>166</u>	<u>467</u>

Note: Service management income rendered by the Group represented office management services provided to entities owned by Mr. Benson Hung, who was the non-controlling shareholders of AGIL before 9 February 2017, the date of the acquisition of the remaining equity interest of AGIL by the Group.

7. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interests on bank borrowings	<u>326</u>	<u>286</u>

8. (LOSS) PROFIT BEFORE TAX

	2018 HK\$'000	2017 HK\$'000
(Loss) profit before tax has been arrived at after charging:		
Staff costs (including directors' emoluments):		
Salaries and other benefits	46,875	50,589
Contributions to retirement benefit scheme	2,068	2,240
	<u>48,943</u>	<u>52,829</u>
Auditor's remuneration	700	283
Amortisation of intangible asset (included in other expenses)	28	–
Operating lease payments in respect of rented premises:		
– minimum lease payments	18,314	17,102
– contingent rentals (<i>Note</i>)	1,342	2,709

Note: The operating lease rentals 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 2018

9. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	(372)	(2,044)
Overprovision in prior years	362	91
	<hr/>	<hr/>
Deferred tax (note 22)	(10)	(1,953)
	(825)	594
	<hr/>	<hr/>
	(835)	(1,359)
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss) profit before tax	(10,539)	8,711
	<hr/>	<hr/>
Tax at the domestic income tax rate	1,739	(1,437)
Tax effect of expenses not deductible for tax purpose	(3,156)	(168)
Overprovision in prior years	362	91
Utilisation of tax losses previously not recognised	410	245
Tax effect of tax losses not recognised	(190)	(90)
	<hr/>	<hr/>
Income tax expense	(835)	(1,359)
	<hr/> <hr/>	<hr/> <hr/>

Details of deferred tax are set out in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

10. 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 2018

	Ms. SH Wong HK\$'000 (Note (a))	Ms. ST Wong HK\$'000 (Note (b))	Mr. MF Wong HK\$'000 (Note (b))	Mr. SH Ma HK\$'000 (Note (b))	Mr. CC Wong HK\$'000 (Note (b))	Total HK\$'000
Executive directors						
Fees	–	–	–	–	–	–
Salaries and other benefits	439	439	451	346	371	2,046
Discretionary bonus (Note d)	37	37	37	29	46	186
Contributions to retirement benefit scheme	6	18	18	17	18	77
Sub-total	<u>482</u>	<u>494</u>	<u>506</u>	<u>392</u>	<u>435</u>	<u>2,309</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 (Note (c))	Ms. Ng Yau Kuen Carmen HK\$'000 (Note (c))	Mr. Yu Ronald Patrick Lup Man HK\$'000 (Note (c))	Total HK\$'000
Independent non-executive directors				
Fees	14	14	14	42
Contributions to retirement benefit scheme	–	–	–	–
Sub-total	<u>14</u>	<u>14</u>	<u>14</u>	<u>42</u>

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

	HK\$'000
Total	<u>2,351</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

Year ended 31 March 2017

	Ms. SH Wong <i>HK\$'000</i> <i>(Note (a))</i>	Ms. ST Wong <i>HK\$'000</i> <i>(Note (b))</i>	Mr. MF Wong <i>HK\$'000</i> <i>(Note (b))</i>	Mr. SH Ma <i>HK\$'000</i> <i>(Note (b))</i>	Mr. CC Wong <i>HK\$'000</i> <i>(Note (b))</i>	Total <i>HK\$'000</i>
Directors						
Fees	-	-	-	-	-	-
Salaries and other benefits	408	559	559	336	210	2,072
Discretionary bonus <i>(note d)</i>	11	11	11	11	-	44
Contributions to retirement benefit scheme	17	23	23	17	11	91
Total	436	593	593	364	221	2,207

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.

Notes:

- (a) Ms. SH Wong was appointed as executive director of the Company on 27 January 2017.
- (b) Ms. ST Wong, Mr. Wong Muk Fai, Woody ("Mr. MF Wong"), the spouse of Ms. LF Chow and the brother of Ms. SH Wong, Mr. SH Ma and Mr. Wong Chi Chiu Henry ("Mr. CC Wong") were appointed as executive directors of the Company on 5 July 2017. Ms. ST Wong also acts as chief executive officer of the Group.
- (c) Mrs. Cheung Lau Lai Yin Becky, Ms. Ng Yau Kuen Carmen and Mr. Yu Ronald Patrick Lup Man were appointed as independent non-executive directors of the Company on 26 February 2018.
- (d) 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 the directors of the Company has waived any remuneration during the years ended 31 March 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included five directors (2017: four directors), details of whose remuneration are set out in note 10. Details of the remuneration for the year ended 31 March 2017 of the remaining one highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits	–	308
Bonus	–	5
Contributions to retirement benefit scheme	–	16
	<u>–</u>	<u>329</u>

The number of the highest paid employee who is not the director of the Company whose remuneration fell within the following band is as follows:

	Number of individual	
	2018	2017
Nil to HK\$1,000,000	<u>–</u>	<u>1</u>

No remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Dividends recognised as distribution during the year:		
2017 interim dividends (<i>Note</i>)	<u>–</u>	<u>1,150</u>

Note: Two subsidiaries of the Company declared and paid interim dividends of HK\$650,000 and HK\$500,000 for the year ended 31 March 2017, respectively, to their then shareholders prior to the Reorganisation as disclosed in note 1.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share (2017: basis earnings per share) attributable to owners of the Company is based on the following data:

(Loss) earnings

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss) profit for year attributable to owners of the Company for the purpose of basic loss per share (2017: basic earnings per share)	<u>(12,163)</u>	<u>6,292</u>

Number of shares

	2018 <i>'000</i>	2017 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share (2017: basic earnings per share)	<u>597,300</u>	<u>517,458</u>

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share for the years ended 31 March 2018 and 2017 has taken into account the shares issued pursuant to the Reorganisation as disclosed in note 1 and the capitalisation issue of 599,980,000 ordinary shares of the Company on 26 February 2018 (the "Capitalisation Issue") as disclosed in note 24 as if it had been effective on 1 April 2016.

No diluted (loss) earnings 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 2018

14. 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 2016	38,981	22,431	2,957	4,423	2,220	71,012
Additions	1,305	7,753	597	385	135	10,175
Written-off/disposals	–	(824)	(385)	(265)	–	(1,474)
At 31 March 2017	40,286	29,360	3,169	4,543	2,355	79,713
Additions	80	2,914	194	1,310	302	4,800
Written-off/disposals	–	(2,526)	(582)	(639)	–	(3,747)
At 31 March 2018	40,366	29,748	2,781	5,214	2,657	80,766
DEPRECIATION						
At 1 April 2016	2,868	10,828	1,633	2,460	1,142	18,931
Provided for the year	1,602	4,548	476	637	389	7,652
Eliminated on written-off/ disposals	–	(549)	(246)	(212)	–	(1,007)
At 31 March 2017	4,470	14,827	1,863	2,885	1,531	25,576
Provided for the year	1,611	4,536	461	662	245	7,515
Eliminated on written-off/ disposals	–	(2,444)	(533)	(604)	–	(3,581)
At 31 March 2018	6,081	16,919	1,791	2,943	1,776	29,510
CARRYING AMOUNTS						
At 31 March 2018	<u>34,285</u>	<u>12,829</u>	<u>990</u>	<u>2,271</u>	<u>881</u>	<u>51,256</u>
At 31 March 2017	<u>35,816</u>	<u>14,533</u>	<u>1,306</u>	<u>1,658</u>	<u>824</u>	<u>54,137</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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	20%
Kitchen equipment	20%
Other equipment	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

15. INTANGIBLE ASSET

	Franchise <i>HK\$'000</i>
COST	
At 1 April 2016 and 31 March 2017	–
Additions	342
	<hr/>
At 31 March 2018	342
	<hr/>
AMORTISATION	
At 1 April 2016 and 31 March 2017	–
Charge for the year	28
	<hr/>
At 31 March 2018	28
	<hr/>
CARRYING VALUES	
At 31 March 2018	314
	<hr/> <hr/>
At 31 March 2017	–
	<hr/> <hr/>

The above intangible asset represents franchise acquired from third parties during the year 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.

16. INVENTORIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Food and beverage for restaurant operations	1,139	1,190
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables from restaurant operations	953	370
Rental deposits	5,383	4,284
Other deposits	2,885	2,741
Prepayments and other receivables	2,380	3,629
Deferred listing expenses	–	223
	<hr/>	<hr/>
Total	11,601	11,247
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Non-current assets	4,938	5,950
Current assets	6,663	5,297
	<hr/>	<hr/>
	11,601	11,247
	<hr/>	<hr/>

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.

18. 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. The deposits carry interest at market rate of 0.01% (2017: 0.01%) per annum.

19. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	2,907	3,339
Salaries payables	4,513	4,320
Payable for acquisition of property, plant and equipment	48	662
Accruals and other payables	2,981	1,267
Accrued listing expenses/shares issue cost	3,707	–
	<hr/>	<hr/>
	14,156	9,588
	<hr/>	<hr/>

The credit period granted to the Group by suppliers normally ranges from 0 to 30 days. All trade payables are aged within 30 days at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

20. AMOUNTS DUE FROM/(TO) RELATED PARTIES/AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

Amount due from a related party

The amount due from a related party is non-trade, unsecured, interest-free and repayable on demand. Such amount has been fully settled after 31 March 2018.

Details of amounts due from related parties are as follows:

	Balance at 1 April 2016 HK\$'000	Balance at 31 March 2017 HK\$'000	Balance at 31 March 2018 HK\$'000	Maximum amount outstanding during the year ended 2018 HK\$'000	2017 HK\$'000
Ms. SH Wong	404	-	-	-	404
GLIL	5,927	-	1,100	1,100	5,927
Ms. ST Wong	12	-	-	-	12
Wealthy Corporation Limited (<i>Note</i>)	377	-	-	-	377
Pasina Limited (<i>Note</i>)	460	-	-	-	460
Ms. LF Chow	10	-	-	-	10
Ms. SC Wong	12	-	-	-	12
	<u>7,202</u>	<u>-</u>	<u>1,100</u>		

Note: These entities are controlled by Ms. SH Wong and Ms. ST Wong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

20. AMOUNTS DUE FROM/(TO) RELATED PARTIES/AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES *(Continued)*

Amounts due to related parties

The amounts due to related parties are non-trade, unsecured, interest-free and repayable on demand.

Details of amounts due to related parties are stated as follows:

	2018 HK\$'000	2017 HK\$'000
Ms. SH Wong	–	1,280
Ms. ST Wong	–	103
	<hr/>	<hr/>
	–	1,383
	<hr/>	<hr/>

Amounts due to non-controlling shareholders of subsidiaries

The amounts due to non-controlling shareholders of subsidiaries are non-trade, unsecured, interest-free and repayable on demand.

Details of amounts due to non-controlling shareholders of subsidiaries are stated as follows:

	2018 HK\$'000	2017 HK\$'000
Faith Great Limited <i>(Note)</i>	–	700
Mr. Yau Wai Leung <i>(Note)</i>	–	300
Mr. Luk Chi Shing <i>(Note)</i>	–	300
Ms. SY Wong	–	19
	<hr/>	<hr/>
	–	1,319
	<hr/>	<hr/>

Note: Faith Great Limited, Mr. Yau Wai Leung and Mr. Luk Chi Sing are the non-controlling shareholders of All Happiness Limited ("AHL").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

21. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Carrying amount that does not contain repayment on demand clause repayable based on scheduled repayment terms:		
– More than two years but not exceeding five years	15,000	–
Carrying amount (shown under current liabilities) that contains a repayment on demand clause repayable based on scheduled repayment terms:		
– Within one year	–	977
– More than one year but not exceeding two years	–	997
– More than two years but not exceeding five years	–	3,109
– More than five years	–	7,975
	15,000	13,058

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 was 2.17% (2017: 1.95%) per annum as at 31 March 2018.

At 31 March 2018, bank borrowings of HK\$15,000,000 were secured by leasehold land and building owned by the Group with the carrying amount of HK\$34,285,000 and corporate guarantee provided by the group companies.

At 31 March 2017, bank borrowings of HK\$8,339,000 were secured by the leasehold land and building owned by the Group with the carrying amount of HK\$23,541,000, personal guarantee provided by Ms. SH Wong, Ms. SC Wong and Ms. LF Chow and corporate guarantee provided by certain group entities, GLIL and Pasina Limited. The borrowings were subsequently repaid in June 2017.

At 31 March 2017, bank borrowings of HK\$4,719,000 were secured by leasehold land and building owned by the Group with the carrying amount of HK\$12,275,000, and a property owned by Pasina Limited and personal guarantee provided by Ms. SH Wong and Ms. SC Wong and corporate guarantee provided by certain group entities, GLIL, Wealthy Corporation Limited and Pasina Limited. The borrowings were subsequently repaid in June 2017.

The pledge of property owned by Pasina Limited, personal guarantee provided by Ms. SH Wong, Ms. SC Wong and Ms. LF Chow and corporate guarantee by GLIL, Wealthy Corporation Limited and Pasina Limited were released in June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

22. DEFERRED TAX (ASSETS) LIABILITIES

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

	Accelerated accounting depreciation <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	(1,042)	226	(816)
Credit to profit or loss	(476)	(118)	(594)
At 31 March 2017	(1,518)	108	(1,410)
Charge to profit or loss	463	362	825
At 31 March 2018	<u>(1,055)</u>	<u>470</u>	<u>(585)</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Deferred tax assets	(1,055)	(1,518)
Deferred tax liabilities	470	108
	<u>(585)</u>	<u>(1,410)</u>

At the end of the reporting period, the Group has unused tax losses of approximately HK\$1,479,000 (31 March 2017: HK\$2,815,000) 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 2018

23. PROVISIONS

	Provision for reinstatement <i>HK\$'000</i>	
At 1 April 2016		1,480
Provision recognised		<u>180</u>
At 31 March 2017		1,660
Provision recognised		300
Utilisation of provision		<u>(180)</u>
At 31 March 2018		<u><u>1,780</u></u>
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Analysed for reporting purpose as:		
Non-current liabilities	1,130	1,660
Current liabilities	650	<u>–</u>
	<u>1,780</u>	<u>1,660</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 period (i.e. 36 months to 60 months). These amounts have not been discounted for the purpose of measuring the provision for reinstatement as the effect is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

24. SHARE CAPITAL

The share capital as at 31 March 2017 represented the combined share capital of the Company and FGL.

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

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 27 January 2017 (date of incorporation) and 31 March 2017 (<i>Note (a)</i>)	38,000,000	380
Share subdivision (<i>Note (e)</i>)	3,762,000,000	–
Share consolidation (<i>Note (f)</i>)	(3,762,000,000)	–
Increased on 29 January 2018 (<i>Note (b)</i>)	<u>1,962,000,000</u>	<u>19,620</u>
At 31 March 2018	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 27 January 2017 (date of incorporation) (<i>Note (a)</i>)	1	–
Issue of shares on 15 March 2017 (<i>Note (c)</i>)	8,999	–
Issue of shares on 21 March 2017 (<i>Note (d)</i>)	<u>750</u>	<u>–</u>
At 31 March 2017	9,750	–
Issue of shares on 21 April 2017 (<i>Note (d)</i>)	1,250	–
Share subdivision (<i>Note (e)</i>)	1,089,000	–
Share consolidation (<i>Note (f)</i>)	(1,089,000)	–
Issue of shares on 29 January 2018 (<i>Note (g)</i>)	9,000	–
Issue of shares pursuant to the Capitalisation Issue (<i>Note (h)</i>)	599,980,000	6,000
Issue of shares under the share offer (<i>Note (i)</i>)	<u>200,000,000</u>	<u>2,000</u>
At 31 March 2018	<u>800,000,000</u>	<u>8,000</u>

Notes:

- (a) The Company was incorporated on 27 January 2017 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (b) On 29 January 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$20,000,000 divided into 2,000,000,000 shares by the creation of 1,962,000,000 additional ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

24. SHARE CAPITAL *(Continued)*

- (c) On 15 March 2017, 8,612 and 387 shares of the Company were allotted and issued to the Controlling Shareholders and Mr. SH Ma, respectively, as disclosed in note 1(ii).
- (d) On 21 March 2017 and 21 April 2017, 750 shares and 1,250 shares of the Company were allotted and issued at cash consideration of HK\$3,000,000 and HK\$5,000,000 to the Pre-IPO Investor as disclosed in note 1(iii).
- (e) Pursuant to the written resolutions of shareholders of the Company passed on 13 July 2017, each issued and unissued share of HK\$0.01 each was subdivided into 100 shares of HK\$0.0001 each such that the authorised share capital as at 13 July 2017 was HK\$380,000 divided into 3,800,000,000 shares of HK\$0.0001 each, in which 1,100,000 shares of HK\$0.0001 each were in issue.
- (f) Pursuant to the written resolutions of shareholders of the Company passed on 25 July 2017, every 100 issued and unissued shares of the Company of HK\$0.0001 each were consolidated into one share of HK\$0.01 each such that the authorised share capital as at 25 July 2017 was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, in which 11,000 shares of HK\$0.01 each were in issue.
- (g) On 29 January 2018, 9,000 shares of the Company were issued to the Controlling Shareholders and Mr. SH Ma to acquire the entire equity interests in FGL as disclosed in note 1(xi).
- (h) On 26 February 2018, the Company capitalised the amount of HK\$5,999,800 standing to the credit of the share premium account of the Company and applied the amount towards paying up in full at par 599,980,000 shares for allotment and issue to the shareholders.
- (i) On 26 February 2018, the Company issued 200,000,000 shares of HK\$0.01 each at HK\$0.275 per share upon the completion of its share offer. On the same date, the Company's shares were listed on GEM of the Stock Exchange.

All ordinary shares issued rank *pari passu* with the existing issued shares in all aspects.

25. 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").



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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 2018, 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 2018

26. OPERATING LEASES

The Group as lessee

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

	2018 HK\$'000	2017 HK\$'000
Within one year	16,090	14,272
In the second to fifth year inclusive	7,238	15,636
	23,328	29,908

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

Leases are negotiated and rentals are for terms 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.

27. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (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 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

28. 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 amounts due to related parties and bank borrowings as disclosed in respective notes and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks 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, new share issues and the raise of borrowings or the repayment of the existing borrowings.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>54,405</u>	<u>7,790</u>
Financial liabilities		
Amortised cost	<u>24,643</u>	<u>21,028</u>

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, other deposits, bank balances and cash, trade and other payables and accruals, amounts due from/(to) related parties, amounts due to non-controlling shareholders of subsidiaries 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

29. FINANCIAL INSTRUMENTS *(Continued)*

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 18) and bank borrowings (see note 21). 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 the 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 2018 would increase/decrease by HK\$75,000 (2017: profit for the year would decrease/increase by HK\$55,000).

Credit risk

The Group's credit risk is primarily attributable to trade receivables and deposits, amount due from a related party 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 statement of financial position at the end of the 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 balances and amount due from a related party. Details of bank balances and amount due from a related party are disclosed in notes 18 and 20, respectively. The management of the Group considers the related party with good credit worthiness based on its past repayment history and subsequent settlement.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

29. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents 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 the reporting period.

Liquidity tables

As at 31 March 2018

Non-derivative financial liabilities

Trade and other payables and accruals
Bank borrowings

	Weighted average effective interest rate	Repayable on demand	Within 3 months	4 months to 12 months	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables and accruals	-	-	9,643	-	-	9,643	9,643
Bank borrowings	2.17	-	82	243	15,642	15,967	15,000
		-	9,725	243	15,642	25,610	24,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

29. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 March 2017					
Non-derivative financial liabilities					
Trade and other payables and accruals	-	-	5,268	5,268	5,268
Amounts due to related parties	-	1,383	-	1,383	1,383
Amounts due to non-controlling shareholders of subsidiaries	-	1,319	-	1,319	1,319
Bank borrowings	1.95	13,058	-	13,058	13,058
		<u>15,760</u>	<u>5,268</u>	<u>21,028</u>	<u>21,028</u>

Bank borrowings as at 31 March 2017 with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. The aggregate carrying amount of these bank borrowings was approximately HK\$13,058,000.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average effective interest rate	1-3 months HK\$'000	4-12 months HK\$'000	1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:							
As at 31 March 2017	1.95	<u>306</u>	<u>918</u>	<u>4,893</u>	<u>8,557</u>	<u>14,674</u>	<u>13,058</u>

(c) Fair value measurement of financial instruments

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

30. 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.

	Amounts due to related parties <i>HK\$'000</i>	Amounts due to non- controlling shareholders of subsidiaries <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Accrued shares issue cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	27,581	8,388	14,520	–	50,489
Financing cash flow (<i>Note</i>)	(9,288)	(368)	(1,462)	–	(11,118)
Transfer (<i>note 31</i>)	6,701	(6,701)	–	–	–
Waiver of amounts due to shareholders (<i>note 31</i>)	(23,611)	–	–	–	(23,611)
At 31 March 2017	1,383	1,319	13,058	–	15,760
Financing cash flow (<i>Note</i>)	(1,383)	(1,319)	1,942	(7,721)	(8,481)
Transaction costs directly attributable to issue of shares	–	–	–	8,648	8,648
At 31 March 2018	–	–	15,000	927	15,927

Note: The financing cash flows represented the net amount of new bank borrowings raised, repayments of bank borrowings, related parties and non-controlling shareholders of subsidiaries.

31. MAJOR NON-CASH TRANSACTIONS

During the period from 9 February 2017 to 25 February 2017, Mr. Sze Ching Yan, Mr. Benson Hung, Mr. Chan Sau Kit, Ms. Yeung Oi Kiu and Ms. SY Wong (the "Assignors") entered into deeds of agreements with Ms. SH Wong (the "Assignee") and the Company as debtor in respect of the Assignors agreeing to assign to the Assignee and the Assignee agreeing to acquire from the Assignors, all the Assignors' benefits and interests of loans due by the Company of approximately HK\$6,701,000 to the Assignors as at the date of agreements.

Amounts due to related parties of approximately HK\$7,490,000, HK\$10,856,000, HK\$2,296,000 and HK\$2,969,000 were waived by GLIL, Ms. SH Wong, Ms. ST Wong and Ms. SC Wong respectively, on 31 March 2017 and credited as deemed contributions from shareholders in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year ended 31 March 2018:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Staff costs recharged from GLIL	<u>–</u>	<u>799</u>
Purchase of kitchen equipment from Wealthy Corporation Limited	<u>–</u>	<u>36</u>

Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and note 20.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year ended 31 March 2018 were as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Short-term benefits	2,274	2,116
Post-employment benefits	<u>77</u>	<u>91</u>
	<u>2,351</u>	<u>2,207</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Non-current asset			
Investment in a subsidiary		35,310	–
Current assets			
Prepayments and other receivables		407	2,374
Amounts due from subsidiaries		3,423	–
Bank balances		41,619	–
		45,449	2,374
Current liabilities			
Accruals		3,771	–
Amounts due to subsidiaries		1,956	43
		5,727	43
Net current assets		39,722	2,331
Net assets		75,032	2,331
Capital and reserves			
Share capital	24	8,000	–
Reserves		67,032	2,331
Total equity		75,032	2,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

Movement in the Company's reserves

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 27 January 2017 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(669)	(669)
Issue of shares of the Company <i>(note 24(d))</i>	3,000	–	3,000
	<hr/>	<hr/>	<hr/>
At 31 March 2017	3,000	(669)	2,331
Loss and total comprehensive expense for the year	–	(13,961)	(13,961)
Issue of shares of the Company <i>(note 24(d))</i>	5,000	–	5,000
Issue of shares of the Company <i>(note 24(g))</i> and elimination of share capital arising from Reorganisation	35,310	–	35,310
Issue of shares under share offer	53,000	–	53,000
Transaction costs directly attribute to issue of shares	(8,648)	–	(8,648)
Capitalisation issue	(6,000)	–	(6,000)
	<hr/>	<hr/>	<hr/>
At 31 March 2018	<u>81,662</u>	<u>(14,630)</u>	<u>67,032</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Group as at 31 March		Principal activities
				2018 %	2017 %	
AGIL	BVI	Hong Kong	United States Dollar ("USD") 10,000	100%	95.7%	Investment holding
Access Smart Corporation Limited	Hong Kong	Hong Kong	HK\$10,000	90%	86.1%	Restaurant operations
AHL	Hong Kong	Hong Kong	HK\$10,000	70%	67.0%	Restaurant operations
ACL	Hong Kong	Hong Kong	HK\$100	100%	95.7%	Restaurant operations
C M of (Hong Kong) LCC Limited	Hong Kong	Hong Kong	HK\$10,000	100%	95.7%	Investment holding
Foodies Branding Limited	Hong Kong	Hong Kong	HK\$1	100%	95.7%	Trademarks holding
FGL	BVI	Hong Kong	USD1,000	100%	95.7%	Investment holding
Foodies Management Limited	Hong Kong	Hong Kong	HK\$1	100%	95.7%	Provision of management services to group companies
GFCL	Hong Kong	Hong Kong	HK\$100	54%	51.7%	Restaurant operations
Gold Pavilion Limited	Hong Kong	Hong Kong	HK\$1	100%	95.7%	Restaurant operations
GWHL	Hong Kong	Hong Kong	HK\$100	100%	95.7%	Property investment in Hong Kong
Happy King Corporation Limited	Hong Kong	Hong Kong	HK\$1	100%	–	Restaurant operations
JSGL	BVI	Hong Kong	USD1,000	100%	95.7%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Group as at 31 March		Principal activities
				2018 %	2017 %	
PBEL	Hong Kong	Hong Kong	HK\$1	100%	–	Restaurant operations
Pacific Rise Hong Kong Limited	Hong Kong	Hong Kong	HK\$10,000	100%	–	Restaurant operations
SDGL	Hong Kong	Hong Kong	HK\$10,000	100%	95.7%	Restaurant operations
Union Choice Limited	Hong Kong	Hong Kong	HK\$101	100%	95.7%	Provision of food processing services to group companies
VDAL	Hong Kong	Hong Kong	HK\$10,000	100%	95.7%	Investment holding
Wealthy Development (HK) Limited	Hong Kong	Hong Kong	HK\$10,000	100%	95.7%	Property investment in Hong Kong
WSEL	Hong Kong	Hong Kong	HK\$10	100%	95.7%	Restaurant operations
WTCIL	Hong Kong	Hong Kong	HK\$100	100%	95.7%	Restaurant operations

None of the subsidiaries had issued any debt securities at the end of the year.

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		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	132,603	149,715	135,624
Profit (loss) before taxation	7,356	8,711	(10,539)
Income tax expense	(1,632)	(1,359)	(835)
Profit (loss) for the year	5,724	7,352	(11,374)
Attributable to:			
Owners of the Company	5,299	6,292	(12,163)
Non-controlling interests	425	1,060	789
	5,724	7,352	(11,374)
	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Assets and liabilities			
Total assets	77,604	72,588	116,640
Total liabilities	(66,830)	(28,995)	(33,069)
	10,774	43,593	83,571
Equity attributable to:			
Owners of the Company	10,033	41,432	82,622
Non-controlling interests	741	2,161	949
	10,774	43,593	83,571