皇璽餐飲
集團控股有限公司
ROYAL CATERING
Group Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8300

2017-18
Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This report, for which the directors (the "**Directors**") of Royal Catering Group Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") 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 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

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

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Cheng Wing Hong
Mr. Cai Chun Fai

COMPLIANCE OFFICER

Mr. Wong Man Wai

AUTHORISED REPRESENTATIVES

Mr. Wong Man Wai
Mr. Ng Shing Kin

COMPANY SECRETARY

Mr. Ng Shing Kin *(HKICPA)*

AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter *(Chairman)*
Mr. Cheng Wing Hong
Mr. Cai Chun Fai

REMUNERATION COMMITTEE

Mr. Cheng Wing Hong *(Chairman)*
Mr. Wong Man Wai
Mr. Cai Chun Fai

NOMINATION COMMITTEE

Mr. Wong Man Wai *(Chairman)*
Mr. Cheng Wing Hong
Mr. Cai Chun Fai

INVESTMENT COMMITTEE

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

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISER TO THE COMPANY

CFN Lawyers

COMPLIANCE ADVISER

RaffAello Capital Limited

PRINCIPAL BANKERS

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

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

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

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

Unit 1901, 19/F
The Sun's Group Centre
200 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.hkrcg.com

GEM STOCK CODE

8300

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors of Royal Catering Group Holdings Company Limited, I am pleased to announce the annual report of the Group for the year ended 31 March 2018.

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands. We launched our first restaurant under the brand "*Taiwan Beef Noodle (台灣牛肉麵)*" in Kowloon City in 1993, serving mainly Taiwanese delicacies to the local community. Eyeing the development potential of the catering business at the Hong Kong International Airport (the "**HKIA**"), we submitted our first tender proposal to the Airport Authority in 2004 and were awarded a license to operate our first restaurant at the HKIA under the brand name "*Taiwan Beef Noodle (台灣牛肉麵)*" in 2005. Since then, we have been expanding our restaurant network at the HKIA through our multi-brand business strategy. Presently, we are operating three restaurants under the brands, "*Taiwan Beef Noodle (台灣牛肉麵)*", "*Chinese Kitchen (中國廚房)*" and "*Macao Harbour (阿瑪港澳門餐廳)*" and one takeaway kiosk under the brand "*Coffee Express*" at HKIA as well as two restaurants in the urban area of Hong Kong. We believe our multi-brand strategy enables us to target customers with different tastes and preference, allowing us to benefit from the diversification of revenue sources.

Apart from operating our own restaurants, we have also franchised our brands "*Taiwan Beef Noodle (台灣牛肉麵)*" and "*Chinese Kitchen (中國廚房)*" to our business partner for operating one restaurant located at Tsim Sha Tsui, Kowloon.

In order to strengthen our portfolio of franchised restaurants, we have obtained the franchising right in Hong Kong of the following reputable and household name of theme restaurants and tea-based beverage shops/outlets from Taiwan during the period under review:

1) Du Hsiao Yueh Restaurant (度小月)

2) Flamingo Bloom

3) Hanlin Tea Room/Hut (翰林茶館/棧)

Currently, we are negotiating with FLM Food & Dining Management Limited ("**FLM Food**") for the possibility and feasibility of forming a formal business cooperation for carrying out catering business under the brand "*福廚房*" in Hong Kong, Macau, and the PRC, and the Group to purchase pre-packaged food products under the brand "Fook Lam Moon Fine Foods" or "*福臨門尚品*" from FLM Food for sale at our outlets or outlets to be operated by the joint venture to be established by us and FLM Food.

Looking forward, we will continue to strengthen our position in operating restaurants at the HKIA and continue to look for opportunities to introduce popular restaurant brands at both the HKIA and the urban area of Hong Kong. We are of the view that strengthening the existing brand portfolio of restaurant operations and broadening our scope of food & beverage business operation are in the interest and benefit of the Company and its shareholders (the "**Shareholders**") as a whole.

APPRECIATION

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

Wong Man Wai
Chairman

Hong Kong, 29 June 2018

FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

	2018 **HK$'000**	2017 HK$'000
Revenue	**103,882**	90,606
Profit/(loss) before tax	**1,636**	(14,154)
Profit/(loss) and total comprehensive income for the year attributable to owners of the Company	**1,189**	(14,845)

ASSETS AND LIABILITIES

	2018 **HK$'000**	2017 HK$'000
Assets		
Non-current assets	**17,862**	10,352
Current assets	**176,050**	100,374
Total assets	**193,912**	110,726
Equity and liabilities		
Total equity	**147,575**	95,498
Non-current liabilities	**1,639**	926
Current liabilities	**44,698**	14,302
Total liabilities	**46,337**	15,228
Total equity and liabilities	**193,912**	110,726
Net current assets	**131,352**	86,072
Total assets less current liabilities	**149,214**	96,424

INDUSTRY OVERVIEW

Economic growth in Hong Kong

According to the research released by Hong Kong Trade Development Council, Hong Kong economy has grown by 3.8% in 2017 and 4.7% year-on-year in real terms in the first quarter of 2018. Meanwhile, the gross domestic product in Hong Kong compiled by the Census and Statistics Department has increased by 4.7% in real terms in the first quarter of 2018 over a year earlier, compared with the increase of 3.4% in the fourth quarter of 2017. Such encouraging figures indicated that the Hong Kong economy has grown steadily and become stronger, which will in turn promote a steady growth of the Hong Kong food and beverage industry in the near future. Under such favorable economic condition, our revenue has achieved 14.7% growth for the year ended 31 March 2018. Directors are optimistic about the Company growth prospects.

BUSINESS REVIEW

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands. During the year ended 31 March 2018, we were operating four restaurants under our self-owned brands, including "*Taiwan Beef Noodle (台灣牛肉麵)*", "*Nosh Café & Bar*", "*Chinese Kitchen (中國廚房)*" and "*Macao Harbour (阿瑪港澳門餐廳)*" and one takeaway kiosk under the brand "*Coffee Express*" at the HKIA. We also had 42% interest in the restaurant under the brand "*Tasty Congee & Noodle Wantun Shop (正斗)*".

Apart from operating our self-owned brands restaurants, we have also franchised our brands "*Taiwan Beef Noodle (台灣牛肉麵)*" and "*Chinese Kitchen (中國廚房)*" for the operation of a restaurant at Canton Road, Tsim Sha Tsui.

Apart from our business at the HKIA, our operations in the urban area of Hong Kong face intense competition. In order to streamline the Group's revenue sources in the urban area for better results, the Group closed one restaurant in Kowloon City, under our brand "*Taiwan Beef Noodle (台灣牛肉麵)*", of which the Group is not optimistic about the prospects, during the year ended 31 March 2018.

On the other hand, we have obtained the franchising rights in Hong Kong of three famous catering brands, including "*Du Hsiao Yueh Restaurant (度小月)*" which is a household name of Taiwanese cuisine, "Flamingo Bloom", which specializes in crafted floral tea and "*Hanlin Tea Room/Hut (翰林茶館/棧)*", which is a famous Taiwanese-style tea restaurant. In June 2017, the first restaurant under the brand "*Du Hsiao Yueh Restaurant (度小月)* (the "**New Franchised Restaurant**")" commenced operations in Harbour City, Tsim Sha Tsui and the second one commenced operations in Times Square, Causeway Bay in June 2018.

Presently, we are negotiating with FLM Food for the possibility and feasibility of forming a formal business cooperation for carrying out catering business under the brand "*福廚房*" in Hong Kong, Macau, and the PRC, and the Group to purchase pre-packaged food products under the brand "Fook Lam Moon Fine Foods" or "*福臨門尚品*" from FLM Food for sale at our outlets or outlets to be operated by the joint venture to be established by us and FLM Food. Also, we are strategically looking for new and suitable locations in the urban area to open restaurants. Further, we plan to acquire a property for opening a new restaurant in the urban area of Hong Kong and we are currently liaising with different property agents to identity a suitable property that meets a set criterion, including location, size and price range. After identifying the property and negotiating the terms with the vendor, we plan to apply the proceeds from the Placing (as defined below) and mortgage from a reputable financial institution in Hong Kong for such acquisition.

The Group's strategic objective is to further strengthen our position in operating restaurants at the HKIA whilst continuing to look for suitable opportunities to expand our business in the urban area of Hong Kong, as well as tap into the casual dining market in the PRC.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately 14.7% from approximately HK$90.6 million for the year ended 31 March 2017 to approximately HK$103.9 million for the year ended 31 March 2018. The increase in revenue was mainly attributed to the commencement of business of a franchised restaurant under the famous Taiwan catering brand "*Du Hsiao Yueh (度小月)*" in Harbour City, Tsim Sha Tsui in June 2017.

Cost of inventories sold

Cost of inventories sold primarily consists of the cost of all the food and beverages used in restaurant operations. The cost of inventories sold of the Group increased by approximately 10.5% from approximately HK$17.2 million for the year ended 31 March 2017 to approximately HK$19.0 million for the year ended 31 March 2018. The increase in cost of inventories sold was mainly attributed to the commencement of business of the New Franchised Restaurant in June 2017.

Gross profit and gross profit margin

The Group's gross profit, which is equal to revenue minus cost of inventories sold, for the year ended 31 March 2018 was approximately HK$84.9 million, representing an increment of approximately 15.7% from approximately HK$73.4 million for the year ended 31 March 2017. The increase in gross profit was mainly attributed to the commencement of business of the New Franchised Restaurant in June 2017.

The gross profit margin for the Group's restaurants operating at the HKIA were 81.8% and 81.2% for the year ended 31 March 2017 and 2018, respectively. The gross profit margin for the Group's restaurants operating in the urban area of Hong Kong were 71.8% and 82.7% for the year ended 31 March 2017 and 2018, respectively.

The improvement of gross profit margin for the Group's restaurants operating in the urban area of Hong Kong was attributable to the commencement of business of the New Franchised Restaurant in June 2017. The better margin of New Franchised Restaurant was resulted from outsourcing its procurement function to a service provider with a more sophisticated inventory management control.

The relatively high and stable gross profit margin recorded at the restaurants operating at the HKIA during the year ended 31 March 2017 and 2018 were attributable to the centralisation of purchases in bulk orders and to discounts through the centralised warehouse services from a services provider to the Group. Leveraging on the concentrated pedestrian traffic and generally quick dining manner of the travellers, the Group's restaurants at the HKIA recorded a higher seat turnover rate which enabled the Group to maximise the utilisation of food ingredients and reduce wastage.

Other revenue and other income

	For the year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Interest income	**511**	202
Dividend income	**2,134**	—
Management fee income	**408**	408
Sundry income	**40**	540
Tips income	**373**	529
Net foreign exchange gain	**869**	820
Total	**4,335**	2,499

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. The staff costs increased from approximately HK$31.1 million for the year ended 31 March 2017 to approximately HK$32.7 million for the year ended 31 March 2018, representing an increase of approximately 5.1%. The increase in staff costs was mainly due to increase in number of staff during the reporting period.

Due to changes in local labour laws and the general increase in labour costs in Hong Kong, the salary level of employees in the catering industry in Hong Kong has generally increased in recent years. The Directors expect the staff costs to continue to increase as inflationary pressures in Hong Kong continue to drive up wages, and owing to the expected expansion of its business.

The Directors believe the resulting upward pressure on the total staff costs as a percentage of total revenue could be mitigated by (i) prioritising internal transfers and re-allocations of employees from existing restaurants; (ii) increasing productivity of the staff by providing training; and (iii) minimising attrition levels by continuing to implement various employee retention initiatives to promote employee loyalty and to motivate employees.

Depreciation

The depreciation for the year ended 31 March 2018 amounted to approximately HK$5.6 million, representing an increase of approximately 133.3% from approximately HK$2.4 million for the year ended 31 March 2017. The increase in depreciation was mainly due to the commencement of business of the New Franchised Restaurant in June 2017.

Property rentals and related expenses

The property rentals and related expenses for the year ended 31 March 2018 amounted to approximately HK$33.5 million, representing an increase of approximately 8.1% from approximately HK$31.0 million for the year ended 31 March 2017. The increase in property rentals and related expenses was mainly due to the commencement of business of the New Franchised Restaurant in June 2017.

As the Group intends to continue to open new restaurants and expand the restaurant network, the Directors expect that the property rentals and related expenses will increase gradually in the future. Further, the Directors will continue to seek better control in the property rental and related expenses, such as entering into long-term rental agreements so as to maintain the rentals at a reasonable level.

Fuel and utility expenses

Fuel and utility expenses primarily consist of fuel expenses, electricity expenses and water supplies of the Group. For year ended 31 March 2017 and 2018, the total fuel and utility expenses remained stable at approximately HK$3.7 million and HK$3.5 million, respectively.

Administrative expenses

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

Administrative expenses decreased from approximately HK$28.1 million for the year ended 31 March 2017 to approximately HK$17.9 million for the year ended 31 March 2018, representing a decrease of approximately 36.3%, which was mainly because of the absence of the one-off listing expenses of approximately HK$15.4 million incurred during the year ended 31 March 2017.

Gain on bargain purchase

The Group recorded a gain on bargain purchase of approximately HK$3.1 million for the year ended 31 March 2018 (for the year ended 31 March 2017: nil) due to the subscription of 60% of the share capital of DHY(HK) (as defined below) at a consideration of HK$5.4 million on 13 June 2017.

Income tax expenses

The income tax expenses for the year ended 31 March 2018 amounted to approximately HK$0.4 million, representing a decrease of approximately 42.9% from approximately HK$0.7 million for the year ended 31 March 2017. The decrease in income tax expenses was mainly due to the deferred tax asset recognised during the year ended 31 March 2018.

Finance costs

The Group's finance costs increased from approximately HK$0.2 million for the year ended 31 March 2017 to approximately HK$1.3 million for the year ended 31 March 2018. The increase in finance costs was mainly due to the unlisted corporate bonds amounted to approximately HK$21.0 million issued by the Company during the year ended 31 March 2018 which bears a fixed interest rate at 8.00% per annum.

Profit

The Group recorded a profit of HK$1.2 million for the year ended 31 March 2018 as compared to a loss of approximately HK$14.8 million for the corresponding period in 2017. The increase in profit was the result of (i) the absence of the one-off listing fee of approximately HK$15.4 million incurred during the year ended 31 March 2017; (ii) the commencement of business of the New Franchised Restaurant in June 2017; and (iii) gain on bargain purchase of approximately HK$3.1 million arising from the subscription of 60% of the share capital of DHY(HK) (as defined below) on 13 June 2017.

Use of net proceeds from the listing

The net proceeds from the listing, after deducting the actual underwriting fees and expenses paid by the Company in connection thereto, were approximately HK$36.9 million. The intended use of proceeds (the "**Intended Use of Proceeds**") as set out in the prospectus of the Company dated 1 August 2016 (the "**Prospectus**") and subsequently amended as summarised in the announcement of the Company dated 9 April 2018 and the actual use of proceeds from 8 August 2016, being date of listing of the Company (the "**Listing Date**") to 31 March 2018 are set forth below:

	Intended Use of Proceeds HK$'000	Actual use of proceeds from the Listing Date to 31 March 2018 HK$'000
Renovation of existing restaurant	**7,260**	2,500
Opening new restaurants	**30,820**	—
Marketing activities (including recruitment, advertisement and promotion activities) to promote brand awareness	**2,283**	1,029
Upgrade existing restaurant facilities and system	**930**	900
Total	**41,293**	4,429

The Directors will constantly evaluate the Group's business objectives and will change or modify the plans in accordance with the changing market conditions to suit the business growth of the Group.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. The majority part of the Group's revenue is derived from our restaurants operating at the HKIA, therefore the Group's operation may be affected by any future plans of the Airport Authority in respect of the HKIA.

2. Also, the Group's revenue derived from restaurants at the HKIA may experience fluctuations from period to period due to seasonality and other factors. In general, the Group derived a relatively higher monthly revenue during July and August and a relatively lower monthly revenue during April to June.

3. During the year ended 31 March 2018, the Group generated all of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks or terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

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

1. The Group's business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. The price of food ingredients may continue to rise or fluctuate.

2. Minimum wage requirements in Hong Kong was raised from HK$32.5 per hour to HK$34.5 per hour with effect from 1 May 2017, and may further increase and affect our staff costs in the future.

3. As at 31 March 2018, the Group licensed or leased all the properties for its restaurants operating at the HKIA and in the urban area of Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the Prospectus, the announcements of the Company dated 28 December 2017, 29 December 2017 and 9 April 2018 in relation to the use of proceeds from the Placing (as defined below) and change in use of proceeds from the listing and business update and in this annual report, the Group did not have other plans for material investments or capital assets as of 22 June 2018 (being the latest practicable date prior to the issue of this report).

COMPARISON OF BUSINESS STRATEGIES AND ACTUAL BUSINESS PROGRESS

An analysis of the level of achievement of the business objectives and the Intended Use of Proceeds, during the year under review and up to 22 June 2018 (being the latest practicable date prior to the issue of this report) is set out below:

Business strategies and Intended Use of Proceeds	Achievement during the year under review and up to 22 June 2018
Leveraging our leading position to expand our operations at the HKIA	The Group is in progress to identify popular restaurant brands to the HKIA through franchising or other cooperation arrangement.
Strategically opening new restaurants in the urban area of Hong Kong	Pursuant to an announcement dated 9 April 2018 published by the Company, the original allocation of net proceeds from the Listing of HK$9.3 million for opening new restaurants under self-owned brand in the urban area of Hong Kong was allocated for opening restaurants under franchised brands in the urban area of Hong Kong.
Strategically opening restaurants under franchise brands in the urban area of Hong Kong	In May 2017, the Group has successfully obtained a franchise of a famous Taiwan catering brand "*Du Hsiao Yueh (度小月)*" by subscribing 60% of shares capital of Du Hsiao Yueh (Hong Kong) Company Limited ("**DHY (HK)**"). In June 2017, the first restaurant under the brand "*Du Hsiao Yueh Restaurant (度小月)*" commenced operations in Harbour City, Tsim Sha Tsui and the second restaurant was commenced in business in Times Square, Causeway Bay in June 2018. In February 2018, the Group obtained the franchising rights in relation to the famous catering brand "Flamingo Bloom", which specializes in crafted floral tea, in Hong Kong. In April 2018, the Group obtained the franchising rights in relation to the catering brand "*Hanlin Tea Room/Hut (翰林茶館／棧)*", which is a famous Taiwanese-style tea restaurant, in Hong Kong

Business strategies and Intended Use of Proceeds	**Achievement during the year under review and up to 22 June 2018**
	For these three franchised brands, the Group was granted the sole and exclusive rights, license and franchise to operate restaurants and food outlets in Hong Kong.
Streamlining our operation for potential business opportunities	Apart from opening restaurants under franchise brands, the Group will continuously to identify other suitable opportunities for franchising its self-owned brands to third party, joint venture or other cooperation arrangements .
Tapping into the casual dining market in the PRC	The Group keeps monitoring and researching on the PRC market opportunities for the preparation of our expansion plans in the PRC.
Continue to enhance comparable restaurant sales growth and profitability	The Group will continue to adhere to this objective by (i) increasing sales volume; (ii) optimising restaurant-level staffing; (iii) maximising the utilisation of food ingredients; and (iv) actively reducing wastage of food ingredients by offering incentive bonus to kitchen staff.

Principal risks and uncertainties in achieving our business strategies

During the year ended 31 March 2018, the Group faces certain risks and uncertainties in achieving our business strategies in accordance with the use of proceeds plan as set out in the Prospectus and the announcement of the Company dated 9 April 2018, and are summarised as follows:

(1) The Group may fail to find commercially attractive locations for new restaurants to achieve our expansion plans;

(2) When achieving our business plans, timing is everything. The Group may fail to grasp the business trend to determine the optimal time to hit the market or opening our new restaurants; and

(3) In an increasingly volatile and complex trading environment, the Group may face change of consumer behavior and high competition when we launch our business plan.

In order to alleviate above risks and uncertainties in achieving our business strategies, we will ensure that our business plans are as resilient as possible to meet these challenges. We will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

The change in the capital structure of the Group from 1 April 2017 to 31 March 2018 are set out in note 4 to the consolidated financial statements.

Cash position

As at 31 March 2018, the cash and cash equivalents of the Group amounted to approximately HK$123.1 million (at 31 March 2017: approximately HK$76.4 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 61.1% as compared to that at 31 March 2017. The increase was mainly due to the net proceeds from the Placing (as defined below).

Borrowings

At 31 March 2018, the total borrowings of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK$29.4 million (at 31 March 2017: approximately HK$1.9 million), which there is no outstanding committed banking facilities (at 31 March 2017, outstanding balance of committed banking facilities of approximately HK$0.7 million). Among the borrowings,

1. approximately HK$7.5 million (at 31 March 2017: approximately HK$0.7 million) was derived from the bank borrowings which bears interest rate at 4.00% as at 31 March 2018 (at 31 March 2017: from 4.50% to 5.00% per annum);

2. approximately HK$21.0 million was derived from unlisted corporate bonds issued by the Company during the period which bears a fixed interest rate at 8.00% per annum (at 31 March 2017: Nil); and

3. approximately HK$0.9 million was derived from obligations under finance leases of the Group's motor vehicles (at 31 March 2017: HK$1.2 million) at 1.99% per annum.

Details of the maturity profile of the borrowings is set out in note 29 to the consolidated financial statements.

Pledge of assets

As at 31 March 2018, a deposit in the amount of HK$7,500,000 was pledged by the Group to a bank as security for due performance for a licence agreement for our restaurants operating at HKIA (at 31 March 2017: HK$7,500,000).

Gearing ratio

As at 31 March 2018, the gearing ratio of the Group was approximately 21.0% (at 31 March 2017: approximately 2.0%). The increase was mainly attributable to the issuance of unlisted corporate bonds and the repayment of bank borrowings during the year ended 31 March 2018. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, unlisted corporate bonds and obligation under a finance lease, divided by the equity attributable to owners of the Company at the end of the respective period.

COMMITMENTS

The Group was committed to make future minimum lease payments in respect of certain restaurants and warehouse under non-cancellable operating leases. The Group's operating lease commitments amounted to approximately HK$21.6 million as at 31 March 2018 (at 31 March 2017: approximately HK$36.0 million). As at 31 March 2018, the Group had no outstanding capital commitments (at 31 March 2017: approximately HK$1.5 million).

SIGNIFICANT INVESTMENTS

As at 31 March 2018, save for the Group's interests in (i) associates and (ii) investment funds, the Group did not hold any significant investments.

As at 31 March 2018, the interests in associates amounted to approximately HK$3.1 million (2017: approximately HK$1.6 million), representing an increase of approximately HK$1.5 million, or 93.8% as compared to that at 31 March 2017. The increase was mainly due to the decrease in dividend paid of approximately 19.3% as compared to 31 March 2017. Dividend received and receivable from the associates amounted to approximately HK$4.6 million (2017: 5.7 million).

During the year ended 31 March 2018, the Group has subscribed for (a) Allianz US High Yield Share Class AM (HKD), a sub-fund of Allianz Global Investors Fund, which is constituted as an open-ended investment company in Luxembourg at an aggregate subscription amount of HK$20 million and (b) AB-Global High Yield Portfolio (AT HKD), a portfolio of AB FCP I, a mutual investment fund domiciled in Luxembourg at an aggregate subscription amount of HK$20 million. Although the Group's investment in funds suffered unrealised loss of amount approximately HK$2.3 million during the year ended 31 March 2018 (2017: Nil) due to unstable global capital market, the Group received dividends of amount approximately HK$2.1 million (2017: Nil). As at 31 March 2018, investment funds amounted to approximately HK$37.5 million (2017: Nil).

The Directors considered that both interests in the associates and the investment funds, with the reputable dividend paid track record, can offer a better return to the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 31 May 2017, Alliance Catering Company Limited ("**Alliance**"), a wholly-owned subsidiary of the Company and DHY (HK) entered into a shareholder agreement, pursuant to which Alliance conditionally agreed to subscribe for, and DHY (HK) conditionally agreed to allot and issue of 5,400,000 subscription shares at total consideration of HK$5,400,000 (the "**Subscription**"). The Subscription was completed on 13 June 2017. Upon completion of the Subscription, the Group held 60% equity interest in DHY (HK) and DHY (HK) becomes a non-wholly owned subsidiary of the Company. DHY (HK) is engaged in operation of restaurants and food outlets.

Save and except for the acquisition of DHY (HK), there was no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group had no significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

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

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

The transactions and monetary assets denominated in RMB are minimal for the two years ended 31 March 2017 and 2018, the Group considers there have no significant foreign exchange risks in respect of RMB for both years.

The Group did not have any foreign exchange contracts, interest or currency swaps, other financial derivatives or any financial instruments for hedging purposes during the year ended 31 March 2018.

TREASURY POLICIES AND RISK MANAGEMENT

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

As at 31 March 2018, the Group's credit risk is primarily attributable to trade receivables, fixed deposits and cash and cash equivalents.

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

As at 31 March 2018, the Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. For trade receivables, the customers are primarily credit card receivables and airline customers and management considers the credit risk is not high. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

LITIGATIONS

As at 31 March 2018, the Group is not engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance is pending or threatened by or against any member of the Group.

PROSPECTS

In addition to the section headed with "**Business Review**" in page 6 of this annual report, which states the details of the recent development of the Group and our strategic objective to continue to strengthen our position in operating restaurants at the HKIA and diversify our business in the urban area of Hong Kong, we have been strategically looking for opportunities to introduce popular restaurant brands to both the HKIA and the urban area of Hong Kong through franchising or other cooperative arrangements. Therefore, we obtained the franchise of certain famous brands, "*Du Hsiao Yueh Restaurant (度小月)*", "Flamingo Bloom" and "*Hanlin Tea Room/Hut (翰林茶館／棧)*" during the period under review. We are optimistic about the growth prospects for developing restaurants under these brands in Hong Kong and would bring positive returns to the Group in the long run.

Apart from the Hong Kong market, we intend to progressively expand into the PRC casual dining market. Benefiting from our long history of development in the catering industry in Hong Kong and the experience and expertise which we have accumulated throughout the years, and the ongoing growth of casual dining market in the PRC, we plan to pursue a growth strategy by opening restaurants in the coming two years in first-tier cities such as Guangzhou and Shanghai in the PRC where we consider having strong market potential. We will keep monitoring and searching for market opportunities and will conduct in-depth research and feasibility studies before embarking on our expansion plan in the PRC.

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

EXECUTIVE DIRECTORS

Mr. Wong Man Wai (王文威先生) ("Mr. Wong"), aged 39, is the chairman of the Board, the chief executive officer of the Company, an executive Director, the chairman of the Nomination Committee and Investment Committee and a member of Remuneration Committee. He is also a director of all subsidiaries of the Group. Mr. Wong is responsible for formulating the overall business strategy and planning; overseeing the Group's performance generally; leading and representing the Group in negotiation with potential business partners.

Shortly after Mr. Wong's graduation from The University of New South Wales in May 2003 where he obtained his Bachelor of Commerce in Accounting and Finance, he joined the Group and started taking part in the operation of the restaurants of the Group since April 2004. Up until now, he has over 14 years of experience in the restaurant and catering business.

Mr. Chan Chak To Raymond (陳澤濤先生) ("Mr. Chan"), aged 51, is an executive Director and is responsible for overseeing the day-to-day operation of the restaurants operated by the Group; assessing the performance of frontline staff and formulating training standard and guidance to frontline staff.

Mr. Chan has been with the Group for over 7 years since he joined the Group in October 2009 as the Operation director. Prior to joining the Group, Mr. Chan had accumulated over 14 years of experience in catering related businesses, of which he had worked as a chef for approximately three years and subsequently held managerial positions with various companies engaging in food production, trading or restaurant operation.

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

Ms. Lam Wai Kwan (林慧君女士) ("Ms. Lam"), aged 44, is an executive Director and a member of Investment Committee and is responsible for the finance and accounting matters, procurement and cost control measures of the Group. She is also a director of certain subsidiaries of the Group.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Yiu Ho Peter (馬遙豪先生) ("Mr. Ma"), aged 53, is an independent non-executive Director and the chairman of the Audit Committee. He joined the Group since July 2016.

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

Mr. Ma has also worked for Standard Chartered Equitor Trustee HK Limited and Hong Kong Government's Audit Department. Mr. Ma is currently and has been an independent non-executive director of Convoy Global Holdings Limited (stock code: 1019) and Mobile Internet (China) Holdings Limited (stock code: 1439) since, respectively, March 2010 and December 2013, all of which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Huisheng International Holdings Limited (stock code: 1340) from February 2014 to July 2017, a company listed on the Main Board of the Stock Exchange. Mr. Ma is currently and has been an independent non-executive director of TEM Holdings Limited (stock code: 8346) and Indigo Star Holdings Limited (stock code: 8373), all of which are listed on GEM of the Stock Exchange, since April 2016 and October 2017, respectively. Mr. Ma was an independent non-executive director of China Ocean Fishing Holdings Limited (formerly known as Sky Forever Supply Chain Management Group Limited) (stock code: 8047) from July 2014 to May 2015, a company listed on GEM of the Stock Exchange.

Mr. Cheng Wing Hong (鄭永康先生) ("Mr. Cheng"), aged 44, is an independent non-executive Director, chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee. He joined the Group since July 2016.

He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheng holds a master degree in Practising Accounting from the Monash University. Mr. Cheng has over 18 years of experience in company secretarial, accounting and financial management work in various listed companies as executive director and company secretarial in Hong Kong. Since July 2015, Mr. Cheng has been the company secretary of Kangda International Environmental Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6136).

Mr. Cai Chun Fai (蔡振輝先生) ("Mr. Cai"), aged 36, is an independent non-executive Director and a member of Remuneration Committee, Audit Committee and Nomination Committee. He joined the Group since July 2016.

He is the Chief Operating Officer of Well Link Securities Limited, a licensed corporation under the SFO to carry on the regulated activities of dealing in securities and dealings in future contracts. Mr. Cai holds the degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cai has over ten years' experience in auditing, accounting and financial management. He has been an independent non-executive director, a member of audit committee, remuneration committee and nomination committee of My Heart Bodibra Group Limited (stock code: 8297), a company listed on the GEM of the Stock Exchange, since February 2018. He was an independent non-executive director, a member of audit committee, remuneration committee and nomination committee of Inno-Tech Holdings Limited (stock code: 8202), a company listed on the GEM of the Stock Exchange, from 2 to 14 February 2018.

SENIOR MANAGEMENT

Mr. Ng Shing Kin (吳成堅先生) ("Mr. Ng"), aged 37, is the Group's financial controller and company secretary of the Company. He joined the Group since November 2015. He is mainly responsible for the handling and overseeing the financial reporting, financial planning and reviewing internal control of the Group.

Mr. Ng obtained an Honours Diploma in Business Administration from the Hong Kong Shue Yan College in July 2005 and a Master of Business Administration from The University of Louisiana at Monroe in May 2007. Mr. Ng further obtained a postgraduate diploma in professional accounting from the Hong Kong Baptist University in November 2007.

Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Financial Risk Manager admitted by the Global Association of Risk Professionals. Prior to joining the Group in November 2015, Mr. Ng had worked at HLB Hodgson Impey Cheng Limited (formerly known as HLB Hodgson Impey Cheng prior to reorganisation in March 2012) from August 2008 to December 2013 and his last position was Senior Accountant. He then joined PricewaterhouseCoopers Limited in December 2013 where he was a Senior Associate until October 2015.

CORPORATE GOVERNANCE PRACTICE

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). In the opinion of the Board, the Company has complied with the CG Code for the year ended 31 March 2018, except for the deviations of Code Provisions A.2.1.

CHAIRMAN AND CHIEF EXECUTIVE

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiry of the Directors, all Directors have complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by the directors throughout the period under review. The Company was not aware of any non-compliance in this respect throughout the year ended 31 March 2018.

BOARD OF DIRECTORS

From 1 April 2017 to 22 June 2018 (being the latest practicable date prior to the issue of this report) (both dates included), the Board comprised three executive Directors, namely Mr. Wong Man Wai, Mr. Chan Chak To Raymond and Ms. Lam Wai Kwan and three independent non-executive Directors, namely, Mr. Ma Yiu Ho Peter, Mr. Cheng Wing Hong and Mr. Cai Chun Fai.

Throughout the year ended 31 March 2018, Mr. Wong Man Wai has been the chairman of the Board and the chief executive officer of the Company.

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

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

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

The Company has received from each independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

The biographical details of the Directors and senior management are set out in the section headed with "Biographical Details of Directors and Senior Management" from pages 18 to 20 of this annual report. Save as disclosed under the paragraph headed "Chairman and Chief Executive" and in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

ATTENDANCE RECORDS OF MEETINGS

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

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

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

During the year ended 31 March 2018, the Board convened a total of 19 meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings is set out below:

Name of Directors	Board Meeting Attended/Held	General Meeting Attended/Held
Executive Directors		
Mr. Wong Man Wai *(Chairman)*	25/25	1/1
Mr. Chan Chak To, Raymond	22/25	1/1
Ms. Lam Wai Kwan	25/25	1/1
Independent non-executive Directors		
Mr. Ma Yiu Ho, Peter	22/25	1/1
Mr. Cheng Wing Hong	22/25	1/1
Mr. Cai Chun Fai	22/25	1/1

BOARD COMMITTEES

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

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

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

AUDIT COMMITTEE

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

Pursuant to the terms of reference of the Audit Committee, meetings shall be held not less than twice a year and the external auditor may request a meeting if they consider that one is necessary. During the year ended 31 March 2018, the Audit Committee convened four committee meetings. The Audit Committee had reviewed the Group's annual results and annual report for the year ended 31 March 2017, first quarterly results for the three months ended 30 June 2017, interim results for the six months ended 30 September 2017, and third quarterly results for the nine months ended 31 December 2017 and discussed internal controls, risk management and financial reporting matters. Attendance of each Audit Committee member is set out below:

Name of Directors	Audit Committee Meeting Attended/Held
Independent non-executive Directors	
Mr. Ma Yiu Ho, Peter	5/5
Mr. Cheng Wing Hong	5/5
Mr. Cai Chun Fai	5/5

There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the Company's auditors. The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), and recommended to the Board to re-appoint HLB as the Company's auditors in the year 2018, which is subject to the approval of shareholders at the forthcoming annual general meeting.

The Company's annual results and annual report for the year ended 31 March 2018 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

REMUNERATION COMMITTEE

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

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

During the year ended 31 March 2018, the Remuneration Committee convened two committee meetings. Attendance of each Remuneration Committee member is set out below:

Name of Directors	Remuneration Committee Meeting Attended/Held
Executive Directors	
Mr. Wong Man Wai	2/2
Independent non-executive Directors	
Mr. Cheng Wing Hong *(Chairman)*	2/2
Mr. Cai Chun Fai	2/2

During the year ended 31 March 2018, Remuneration Committee has reviewed the remuneration and compensation package of the Directors and the Senior Management with reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group, and approved that the remuneration and compensation package remained unchanged, and the proposal to pay performance bonus to certain Directors based on the good performance of the Group in 2017.

REMUNERATION OF SENIOR MANAGEMENT BY BAND

The annual remuneration of the members of the senior management by band for the year ended 31 March 2018 is set out below:

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

NOMINATION COMMITTEE

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

During the year ended 31 March 2018, the Nomination Committee convened one committee meeting. Attendance of each Nomination Committee member is set out below:

Name of Directors	Nomination Committee Meeting Attended/Held
Executive Director	
Mr. Wong Man Wai *(Chairman)*	1/1
Independent non-executive Directors	
Mr. Cheng Wing Hong	1/1
Mr. Cai Chun Fai	1/1

During the year ended 31 March 2018, the Nomination Committee has made recommendation on the re-election by the Shareholders of all the directors appointed by the Board at the annual general meeting held on 25 September 2017.

INVESTMENT COMMITTEE

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

During the year ended 31 March 2018, the Investment Committee convened 11 meetings. Attendance of each Investment Committee member is set out below:

Name of Directors	Investment Committee Meeting Attended/Held
Executive Director	
Mr. Wong Man Wai *(Chairman)*	11/11
Ms. Lam Wai Kwan	11/11
Senior Management	
Mr. Ng Shing Kin	11/11

During the year ended 31 March 2018, the Investment Committee has reviewed financial performance of the investment portfolio of the Group.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company and each of our independent non-executive Directors has entered into a letter of appointment with our Company, in all cases for an initial term of 3 years commencing from the Listing Date. All service contracts and letters of appointment are terminable by giving at least three months' notice and subject to termination provisions therein and provisions on retirement by rotation and re-electron in accordance with the Articles and the GEM Listing Rules.

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

DEED OF NON-COMPETITION

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2018, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Group has engaged CityLinkers Corporate Advisory Services Limited, external professional consultant, to conduct independent internal control review for the year ended 31 March 2018 and the review is completed as at the date of this annual report.

For the year ended 31 March 2018, the Board considered the Group's internal control system as adequate and effective and that the Company has complied with the code provisions on internal control of the CG Code.

AUDITORS' REMUNERATION

The remuneration for the audit service and non-audit services provided by HLB (including its affiliates) to the Group during the year ended 31 March 2018 was approximately as follows:

Type of Services	Amount HK$'000
Audit service	800
Non-audit services	84
Non-audit services	884

COMPANY SECRETARY

Mr. Ng Shing Kin ("**Mr. Ng**") is the company secretary of the Company, whose biographical details are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. During the year ended 31 March 2018, Mr. Ng has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

INVESTOR RELATIONS

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

The Company's corporate website is http://www.hkrcg.com/tc/index.php. All corporate communication materials published on the GEM website (http://www.hkgem.com) and the Stock Exchange's website (http://www.hkexnews.hk) are posted on the Company's corporate website as soon as practicable after their release. The Company's constitutional documents are also available on our website. No significant changes were made to the constitutional documents and other corporate communication materials of the Company during the year ended 31 March 2018. Information on the website will be updated on a regular basis.

Share registration matters shall be handled for the Shareholders by the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre 183 Queen's Road East Hong Kong.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

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

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

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

Enquiries to the Board

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

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

Address: Unit 1901, 19/F, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong
Telephone: 2388 9423
Fax: 3188 0501
Email: info@hkrcg.com

Putting forward proposals at a general meeting

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

LOOKING FORWARD

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

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

BUSINESS REVIEW

A fair review and an analysis of the business of the Group using financial key performance indicators, a discussion of the principal business risks and uncertainties facing the Group and the future development of the Group's business are provided in the section headed "Chairman's Statement" and paragraphs headed "Business Review", "Financial Review", "Principal Risks and Uncertainties" and "Prospects" in the "Management Discussion and Analysis" section, respectively on pages 3 to 4, page 6, pages 7 to 10, page 11 and page 17 of this annual report.

Additionally, the financial risk management objectives and policies of the Company can be found in note 4 to the consolidated financial statements. These discussions form part of this Report of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has always encouraged environmental protection, strictly complied with environmental regulations and promoted environmental protection awareness among employees. The Group implements strict monitoring through the establishment of an ever-improving environmental management system. During the year ended 31 March 2018, the Group was in compliance, in all material respects, with the relevant environmental laws and regulations.

RELATED PARTY TRANSACTIONS

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

DONATIONS

Donations of amount approximately HK$75,000 had been made by the Group for the year ended 31 March 2018 (2017: HK$752,000).

PROPERTY, PLANT AND EQUIPMENT

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

SHARES ISSUED IN THE YEAR

On 5 January 2018, the Company placed 440,560,000 new ordinary Shares (the "**Placing Shares**"), pursuant to the general mandate granted by the Shareholders to the Directors on 25 September 2017, at the placing price of HK$0.105 per Share to not less than six independent placees (the "**Placing**"). The closing price per Placing Share was HK$0.101 on 13 December 2017, being the date of the placing agreement, and therefore, the Placing Shares have a market value of approximately HK$44.5 million. Each of Placing Shares has a nominal value of HK$0.01. The net proceeds from the Placing, after deducting the placing agent commission and other expenses incurred for the Placing, amounted to approximately HK$45.2 million, of which approximately HK$37.5 million was intended to be used for acquiring a property in the urban area of Hong Kong to operate a new restaurant by the Group and approximately HK$7.7 million was intended to be used for opening "*Du Hsiao Yueh (度小月)*" restaurants in Hong Kong. The net price per Share allotted and issued in the Placing was HK$0.103. The Directors were of the view that the Placing offers a good opportunity to identify suitable opportunities, including but not limited to franchising of our self-owned brands, joint venture and cooperation arrangements with other popular restaurant brands. The Directors considered that the Placing offers a good opportunity to raise additional funds for the Company while broadening the Shareholders' and capital base of the Company.

Amongst the net proceeds from the Placing, approximately HK$44.1 million was unutilised as at 22 June 2018 (being the latest practicable date prior to the issue of this report) and is currently held in cash and placed in licensed banks in Hong Kong.

The Company intended that the unutilized net proceeds from the Placing will be applied in the manner consistent with the proposed allocations as disclosed in the announcements dated 13 December 2017 and 5 January 2018 published by the Company in relation to the Placing. Further details of the Shares issued during the year ended 31 March 2018 are set out in note 36 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 50 and note 36(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

There is no distributable reserves of the Company at 31 March 2018, calculated under Part 6 of the Companies Ordinance (Cap.622) (2017: Nil).

PRE-EMPTIVE RIGHTS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 171 employees (as at 31 March 2017: 166 employees).

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

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

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

FINANCIAL SUMMARY

A summary of the Group's results and financial position is set out on page 118 of this report.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

SHARE OPTIONS SCHEME

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

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

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

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

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

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

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

The summary of the options granted under the Share Option Scheme that were still outstanding as at 31 March 2018 is as follows:

Name of the grantee	No. of share options outstandings as at 1 April 2017	No. of share options granted during the year ended 31 March 2018	No. of share options exercised during the year ended 31 March 2018	No. of share options adjusted during the year ended 31 March 2018	No. of share options cancelled during the year ended 31 March 2018	No. of share options lapsed during the year ended 31 March 2018	No. of share options outstanding as at 31 March 2018
Mr. Chan Chak To Raymond	20,000,000	–	–	–	–	–	20,000,000
Ms. Lam Wai Kwan	20,000,000	–	–	–	–	–	20,000,000
Employee (in aggregated)	20,000,000	–	–	–	–	–	20,000,000
Total:	60,000,000	–	–	–	–	–	60,000,000

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Cheng Wing Hong
Mr. Cai Chun Fai

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except for the transactions disclosed in note 37 to the consolidated financial statements, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or parent company was a party and in which a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year under review or 31 March 2018.

CONTRACTS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 18 to 20 of this annual report.

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

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

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

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

Long positions in the underlying shares

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

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

Long positions in the shares of associated corporation

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

Save as disclosed above and so far as is known to the Directors, as at 31 March 2018, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2018 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares

Name of shareholders	Capacity	Number of ordinary shares interested	Percentage of shareholding
Fortune Round Limited	Beneficial owner (note 1)	1,500,000,000	56.7%
Ms. Li Wing Yin	Interest of spouse (note 2)	1,500,000,000	56.7%

Notes:

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

2. Ms. Li Wing Yin is the spouse of Mr. Wong Man Wai. She is deemed to be interested in all the Shares in which Mr. Wong Man Wai is interested under the SFO.

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

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

PERMITTED INDEMNITY PROVISION

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

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers were mainly retail customers and the Group was not dependent on any single customer. As such, the Directors consider that it is not practicable to identify our five largest customers of our Group for the year ended 31 March 2018.

The Group five largest suppliers together accounted for approximately 48.3% (2017: 35.7%) of the Group's total purchase for the year. The largest supplier accounted for approximately 19.0% (2017: 8.2%) of the total purchase of the Group for the year.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares throughout the year under review and up to 22 June 2018 (being the latest practicable date prior to the issue of this report).

COMPETING BUSINESS

Save as disclosed in the Prospectus and this report, the Directors are not aware of any business or interest of the Directors or the controlling Shareholders or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 March 2018.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed RaffAello Capital Limited ("**RaffAello**") to be the compliance adviser. As informed by RaffAello, neither RaffAello 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 RaffAello dated 16 December 2015.

RELATIONSHIP WITH MAJOR STAKEHOLDERS

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

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

Key Relationships with stakeholders

Employees

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

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

Customers

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

Suppliers

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 11 September 2018 to 14 September 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 10 September 2018.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 March 2018, a restaurant under the brand "*Du Hsiao Yueh Restaurant (度小月)*" commenced business operation in Times Square, Causeway Bay in June 2018 and the restaurant under the brand "*Nosh Café & Bar*" at the HKIA and the restaurant under the brand "*Tasty Congee & Noodle Wantun Shop (正斗)*" at the HKIA were closed on 11 May 2018 and 31 May 2018, respectively. Presently, we continuously operate the remaining three restaurants under our self-owned brands and one takeaway kiosk at the HKIA.

Save as disclosed above and in note 43 to the consolidated financial statements, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2018 and up to 22 June 2018 (being the latest practicable date prior to the issue of this report).

AUDITORS

The consolidated financial statements have been audited by HLB who retire and, being eligible, offer themselves for re-appointment. In the last three years preceding 31 March 2018, there has been no change in auditors of the Company.

AUDIT COMMITTEE

The Audit Committee, together with the management and external auditor of the Company, have reviewed the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited consolidated financial statements for the year ended 31 March 2018.

On behalf of the Board
Wong Man Wai
Chairman

Hong Kong, 29 June 2018

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31 Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
ROYAL CATERING GROUP HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Royal Catering Group Holdings Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 47 to 117, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Business combination	
Refer to note 35 to the consolidated financial statements	
On 13 June 2017, the Group completed the subscription of shares in Du Hsiao Yueh (Hong Kong) Company Limited ("**DHY (HK)**") (the "**Subscription**") at a consideration of HK$5,400,000. The management had accounted for the Subscription as a business combination. As a result, the Group recognised a gain on bargain purchase of approximately HK$3,118,000 to the consolidated statement of profit or loss and other comprehensive income. The Subscription requires the identification of assets acquired and liabilities assumed and the consideration measured at fair value at the date of the Subscription, which requires the significant management's judgement. Independent external valuation was obtained in order to support the management's estimates.	Our procedures in relation to the management's accounting for business combination included: • Evaluating of the independent valuer's competency, capabilities, independence and objectivity; • Assessing the appropriateness of the valuation methodologies, key assumptions and estimates used based on our knowledge of the relevant industry and using our valuation expert; • Challenging the reasonableness of key assumptions based on our knowledge of business and industry; and • Checking, on sampling basis, the accuracy and relevance of the input data used. We found that the key assumptions were supported by the available evidence.

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from restaurant operations	
Refer to note 7 to the consolidated financial statements	
We identified revenue recognition from restaurant operations as a key audit matter as revenue recognition is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income and material revenue transactions may occur close to the end of the reporting period.	Our procedures in relation to revenue recognition from restaurant operations included: • Obtaining an understanding of the Group's revenue recognition policy for restaurant operations; • Obtaining an understanding of the revenue business process and key control, and testing key manual and information technology control for validity of revenue recognition from restaurant operations; and • Performing test of details, on a sample basis, by comparing the details and amounts of the transactions selected with the details and amounts shown on the underlying documentation, including the journal vouchers and sales invoices. We found that the amount and timing of the revenue recognised were supported by the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 29 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	7	**103,882**	90,606
Cost of inventories sold		**(18,985)**	(17,158)
Gross profit		**84,897**	73,448
Other revenue and other income	8	**4,335**	2,499
Staff costs		**(32,671)**	(31,093)
Depreciation of property, plant and equipment		**(5,636)**	(2,424)
Property rentals and related expenses		**(33,547)**	(31,024)
Fuel and utility expenses		**(3,539)**	(3,710)
Unrealised loss arising on change in fair value of financial assets at fair value through profit or loss		**(2,307)**	–
Administrative expenses		**(17,902)**	(28,110)
Loss from operations		**(6,370)**	(20,414)
Gain on bargain purchase	35	**3,118**	–
Share of results of associates		**6,142**	6,488
Finance costs	9	**(1,254)**	(228)
Profit/(loss) before tax	10	**1,636**	(14,154)
Income tax expenses	13	**(447)**	(691)
Profit/(loss) and total comprehensive income/(loss) for the year		**1,189**	(14,845)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**(423)**	(14,845)
Non-controlling interests		**1,612**	–
		1,189	(14,845)
Loss per share			
Basic and diluted loss per share (HK cents)	15	**(0.02)**	(0.81)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**4,796**	7,164
Intangible assets	17	**7,235**	–
Interests in associates	18	**3,116**	1,560
Interest in a joint venture	19	**–**	–
Non-current rental deposits	22	**1,879**	1,628
Deferred tax asset	32	**836**	–
		17,862	10,352
Current assets			
Inventories	20	**192**	237
Trade receivables	21	**1,205**	628
Deposits, prepayments and other receivables	22	**5,519**	3,195
Prepaid tax		**539**	255
Financial assets at fair value through profit or loss	23	**37,476**	–
Amount due from an associate	24	**34**	1,622
Amount due from a joint venture	24	**500**	500
Fixed deposits	25	**7,500**	17,500
Cash and cash equivalents	26	**123,085**	76,437
		176,050	100,374
Current liabilities			
Trade payables	27	**2,453**	2,596
Accruals and other payables	28	**11,663**	10,324
Tax payables		**1,543**	424
Amounts due to non-controlling interests	24	**258**	–
Bank borrowings	29	**7,511**	702
Unlisted corporate bonds	30	**21,000**	–
Obligation under a finance lease	31	**270**	256
		44,698	14,302
Net current assets		**131,352**	86,072
Total assets less current liabilities		**149,214**	96,424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Obligation under a finance lease	31	**656**	926
Deferred tax liability	32	**983**	–
		1,639	926
Net assets		**147,575**	95,498
Capital and reserve			
Share capital	33	**26,434**	22,028
Reserves		**113,850**	73,470
Equity attributable to owners of the Company		**140,284**	95,498
Non-controlling interests		**7,291**	–
Total equity		**147,575**	95,498

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2018 and signed on its behalf by:

Wong Man Wai
Director

Lam Wai Kwan
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000 *(Note)*	Retained earnings/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016	–	–	–	15,608	15,608	(453)	15,155
Loss and total comprehensive loss for the year	–	–	–	(14,845)	(14,845)	–	(14,845)
Issue of shares under capitalisation issue	15,000	(15,000)	–	–	–	–	–
Issue of shares by way of placing	5,000	70,000	–	–	75,000	–	75,000
Placing of new shares	2,028	28,392	–	–	30,420	–	30,420
Share issuing expenses	–	(10,435)	–	–	(10,435)	–	(10,435)
Dividend paid *(note 14)*	–	–	–	(3,000)	(3,000)	–	(3,000)
Recognition of equity-settled share option expenses	–	–	2,750	–	2,750	–	2,750
Non-controlling interests written off upon deregistration of a subsidiary	–	–	–	–	–	453	453
At 31 March 2017 and at 1 April 2018	22,028	72,957	2,750	(2,237)	95,498	–	95,498
(Loss)/profit and total comprehensive (loss)/ income for the year	–	–	–	(423)	(423)	1,612	1,189
Non-controlling interests arising on acquisition of a subsidiary *(note 35)*	–	–	–	–	–	5,679	5,679
Placing of new shares	4,406	41,853	–	–	46,259	–	46,259
Share issuing expenses	–	(1,050)	–	–	(1,050)	–	(1,050)
At 31 March 2018	**26,434**	**113,760**	**2,750**	**(2,660)**	**140,284**	**7,291**	**147,575**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit/(loss) before tax		**1,636**	(14,154)
Adjustments for:			
Finance costs	9	**1,254**	228
Interest income	8	**(511)**	(202)
Dividend income	8	**(2,134)**	–
Unrealised loss arising on change in fair value of financial assets at fair value through profit or loss		**2,307**	–
Amortisation of intangible assets	17	**365**	–
Depreciation of property, plant and equipment	16	**5,636**	2,424
Gain on bargain purchase	35	**(3,118)**	–
Share of results of associates		**(6,142)**	(6,488)
Non-controlling interests written-off upon deregistration of a subsidiary		**–**	453
Impairment loss recognised in respect of trade receivables		**–**	1
Equity-settled share options expenses		**–**	2,750
Written-off of property, plant and equipment		**99**	–
Operating cash flows before movements in working capital		**(608)**	(14,988)
Decrease in inventories		**45**	9
(Increase)/decrease in trade receivables		**(577)**	559
(Increase)/decrease in deposits, prepayments and other receivables		**(917)**	2,576
Increase in financial assets at fair value through profit or loss		**(39,783)**	–
(Decrease)/increase in trade payables		**(143)**	663
Increase in accruals and other payables		**352**	3,356
Decrease in amounts due to non-controlling interests		**(3,141)**	–
Cash used in operations		**(44,772)**	(7,825)
Tax paid		**(505)**	(413)
Net cash used in operating activities		**(45,277)**	(8,238)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Interest received		**556**	99
Purchase of property, plant and equipment		**(1,767)**	(2,878)
Purchase of intangible assets		**(1,300)**	–
Net cash inflows from acquisition of a subsidiary	35	**3,633**	–
Dividend received		**8,308**	4,082
Withdrawal of fixed deposits		**10,000**	–
Placement of fixed deposits		**–**	(17,500)
Net cash generated from/(used in) investing activities		**19,430**	(16,197)
Cash flows from financing activities			
Dividend paid		**–**	(3,000)
Interest paid		**(267)**	(233)
Proceed from issue of shares by way of placing		**–**	75,000
Proceed from placing of new shares		**46,259**	30,420
Share issuing expenses		**(1,050)**	(10,435)
Proceeds from bank borrowings		**9,380**	–
Proceeds from unlisted corporate bonds		**21,000**	–
Repayment of bank borrowings		**(2,571)**	(7,672)
Repayment of obligation under a finance lease		**(256)**	(62)
Net cash generated from financing activities		**72,495**	84,018
Net increase in cash and cash equivalents		**46,648**	59,583
Cash and cash equivalents at the beginning of the reporting period		**76,437**	16,854
Cash and cash equivalents at the end of the reporting period		**123,085**	76,437

1. GENERAL

(a) General information of the Group

The Company was incorporated in the Cayman Islands on 19 August 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of placing (the "**Listing**") with effect from 8 August 2016. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Unit 1901, 19/F, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong. Its ultimate holding company is Fortune Round Limited, a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and wholly-owned by Mr. Wong Man Wai ("**Mr. Wong**"), a director of the Company.

The Company is an investment holding company and the Group is principally engaged in provision of casual dining food catering services in Hong Kong.

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

(b) Reorganisation and basis of presentation

Pursuant to the reorganisation (the "**Reorganisation**") as fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 1 August 2016, the Company become the holding company of the companies now comprising the Group on 6 June 2016. Immediately prior to and after the Reorganisation, the companies now comprising the Group were under common control by Mr. Wong. The Reorganisation is merely a reorganisation of the Group with no change in management of such business and the ultimate owner of the business. Accordingly, the consolidated financial statements have been prepared on the basis by applying the principle of merger accounting, as if the Reorganisation had been completed at the beginning of the reporting period.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the reporting period or since their respective date of incorporation, where there is a shorter period.

All intra-group transaction and balances have been eliminated on combination in full.

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

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the "**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning from 1 April 2017. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 12 *Disclosures of Interests in Other Entities*
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from these financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 42 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 42 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments)[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[2]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(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 requirement 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 period. 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 ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9 entities may make an irrecoverable election to present subsequent changes in 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. 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, the directors 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 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 costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors do not anticipate that the application of the expected credit loss model of HKFRS 9 will have material impact to the opening accumulated losses as at 1 April 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(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(s)
- 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 anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

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.

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

HKFRS 16 *Leases* *(Continued)*

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 operating 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 cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$21,624,000 as disclosed in note 34 to the consolidated financial statements. 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 approximately HK$3,022,000 as rights and obligations 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.

Except as described above, the directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") and by the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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.

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

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and 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 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 interests even if this results in the non-controlling interests having a deficit balance.

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

Merger accounting for business combination involving entities 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 common control of the controlling entity.

The net assets of the combining businesses are combined 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.

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

Business combination

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

Interests in associates and a joint venture

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

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

Interests in associates and a joint venture *(Continued)*

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Property, plant and equipment

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

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

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

Property, plant and equipment *(Continued)*

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

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

Leasehold improvements	Over the lease terms
Furniture and fixtures	1–5 years
Catering and other equipment	1–5 years
Motor vehicles	3 1/3 years

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

Impairment of tangible and intangible assets

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

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

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

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

Inventories

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

Financial instruments

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

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 (other than financial assets at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into the following specified categories: "financial assets at FVTPL" and "loans and receivables". The classification depends on the nature and purposes 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.

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 or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount of on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other revenue and other income.

Financial assets at FVTPL

Financial assets are classified at FVTPL when the financial asset (i) held for trading, or (ii) it is designated at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 4 to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits paid, other receivables, amount due from an associate, amount due from a joint venture, fixed deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses.

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, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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 assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent period.

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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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 investment 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

Classification as financial liabilities or equity

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

Equity instruments

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

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Cash and cash equivalents

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

Provisions

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

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

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

Provisions *(Continued)*

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

Contingent liabilities and contingent assets

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

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

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discount.

Revenue from restaurant operations when catering services have been provided to the customers.

Sales of food are recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the products are delivered to customers and title is passed.

Franchise fee income is recognised on an accrual basis in accordance with the related agreement.

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.

Management fee income is recognised when the related service is rendered.

Dividend income is recognised when the Group's right to receive payment has been established.

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

Leasing

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

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Employee benefits

Retirement benefit obligations

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

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

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

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

Employee benefits *(Continued)*

Equity-settled share option expenses

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

Foreign currencies

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

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

Borrowing costs

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

Taxation

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

Current tax

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

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

Taxation *(Continued)*

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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.

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

Segment reporting

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

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

Related parties

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

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

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

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

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

Categories of financial assets and financial liabilities

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

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Financial assets at FVTPL	**37,476**	–
Loans and receivables:		
— Trade receivables	**1,205**	628
— Deposits paid and other receivables	**4,147**	4,426
— Amount due from an associate	**34**	1,622
— Amount due from a joint venture	**500**	500
— Fixed deposits	**7,500**	17,500
— Cash and cash equivalents	**123,085**	76,437
	173,947	101,113
Financial liabilities		
Financial liabilities measured at amortised costs:		
— Trade payables	**2,453**	2,596
— Accruals and other payables	**10,896**	9,868
— Amounts due to non-controlling interests	**258**	–
— Bank borrowings	**7,511**	702
— Unlisted corporate bonds	**21,000**	–
— Obligation under a finance lease	**926**	1,182
	43,044	14,348

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

Market risk

Foreign currency risk

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

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

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

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

Equity price risk

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

Sensitivity analysis

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

If the price of the investment funds had been 50 basis points higher/lower, the pre-tax profit for the year ended 31 March 2018 would increase/decrease by approximately HK$187,000 as a result of the changes in fair value of financial assets at FVTPL.

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

Market risk *(Continued)*

Interest rate risk

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2017: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended 31 March 2018 would decrease/increase by approximately HK$38,000 (2017: HK$4,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate of bank borrowings.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group trade with a large number of individual customer and trading terms are mainly in cash and credit card settlement. In view of the Group's operation, the Group's trade receivables are primarily credit card receivables and airlines customers and the management considers the credit risk is not high.

The Group has significant concentration of credit risk on amount due from an associate and a joint venture. The management considers the counterparty with good credit worthiness based on its past repayment history and subsequent settlement.

The Group deposited its fixed deposits and cash and cash equivalents with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to fixed deposits and cash and cash equivalents held to be delayed or limited. The management monitors the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk at 31 March 2018 and 2017 were minimal.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

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

Liquidity risk

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

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

Analysed below is the Group's remaining contractual maturities for its financial liabilities at 31 March 2018 and 2017. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay.

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

	At 31 March 2018					
	Effective interest rate	Within one year or on demand HK$'000	Within 2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables	–	2,453	–	–	2,453	2,453
Accruals and other payables	–	10,896	–	–	10,896	10,896
Amounts due to non-controlling interests	–	258	–	–	258	258
Bank borrowings	4.07%	7,511	–	–	7,511	7,511
Unlisted corporate bonds	8.00%	21,710	–	–	21,710	21,000
Obligation under a finance lease	2.01%	307	692	–	999	926
		43,135	692	–	43,827	43,044

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

Liquidity risk *(Continued)*

	At 31 March 2017					
	Effective interest rate	Within one year or on demand HK$'000	Within 2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables	–	2,596	–	–	2,596	2,596
Accruals and other payables	–	9,868	–	–	9,868	9,868
Bank borrowings	5.12%	710	–	–	710	702
Obligation under a finance lease	2.01%	307	999	–	1,306	1,182
Total		13,481	999	–	14,480	14,348

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

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

	Maturity analysis — bank borrowings subject to a repayment on demand clause based on scheduled repayments					
	Effective interest rate	**Within one year HK$'000**	**Within 2-5 years HK$'000**	**More than 5 years HK$'000**	**Total undiscounted amounts HK$'000**	**Carrying amount HK$'000**
At 31 March 2018	**4.07%**	**3,483**	**4,371**	**–**	**7,854**	**7,511**

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

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair values of derivative instruments are calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

- the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values, except for the unlisted corporate bonds. The fair value of the unlisted corporate bonds is approximately HK$20,353,000 (2017: nil) at 31 March 2018. The fair value of the unlisted corporate bonds is measured using the discounted cash flows method with the most significant input being the bond yield rate that reflect the time value of money and the risks associated with the cash flows which is under Level 2 of the fair value hierarchy.

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are input for which market data are not available; and

- Level 3 valuations: fair value measured using significant unobservable inputs.

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

Fair value of financial instruments *(Continued)*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2018				
Fair value on a recurring basis:				
Financial assets at FVTPL	**37,476**	**–**	**–**	**37,476**

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

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

During the years ended 31 March 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Capital management

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

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

Gearing ratio

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

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

Capital management *(Continued)*

Gearing ratio (Continued)

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

	2018	2017
	HK$'000	HK$'000
Total debts *(Note)*	**29,437**	1,884
Less: Cash and cash equivalent	**(123,085)**	(76,437)
Net cash	**(93,648)**	(74,553)
Equity attributable to owners of the Company	**140,284**	95,498
Total debt to equity ratio	**21%**	2%

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

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

Critical judgements in applying accounting policies *(Continued)*

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

Starz Kitchen is limited liability company whose legal form confers separation between the parties to the joint arrangements and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, Starz Kitchen is classified as a joint venture of the Group. See note 19 to the consolidated financial statements for details.

Key sources of estimation uncertainty

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

Impairment of trade receivables

The Group determines the provision for impairment of trade receivables based on an assessment of the recoverability of trade receivables. This assessment is based on the credit history of its debtors and the current market condition, and requires the use of judgements and estimates. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and the provision for impairment losses in the period in which such estimate has been changed. The management reassess the provision at the end of each reporting period.

Income taxes

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

Assessment of economic useful lives of fixed assets and intangible assets

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

Net realisable value of inventories

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

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

Key sources of estimation uncertainty *(Continued)*

Share option expenses

The fair value of option granted is estimated by independent professional valuers based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

6. SEGMENT INFORMATION

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

7. REVENUE

	2018 HK$'000	2017 HK$'000
Restaurants operations	**94,861**	82,777
Sales of food	**8,378**	7,220
Franchise fee income	**643**	609
	103,882	90,606

8. OTHER REVENUE AND OTHER INCOME

	2018 HK$'000	2017 HK$'000
Interest income	**511**	202
Dividend income	**2,134**	–
Management fee income	**408**	408
Sundry income	**40**	540
Tips income	**373**	529
Net foreign exchange gain	**869**	820
	4,335	2,499

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings	**228**	211
Interest on unlisted corporate bonds	**975**	–
Interest on finance lease	**51**	17
	1,254	228

10. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

	2018 HK$'000	2017 HK$'000
Auditors' remuneration:		
— Audit service *(Note)*	**800**	800
— Non-audit services	**84**	80
	884	880
Cost of inventories sold	**18,985**	17,158
Amortisation of intangible assets	**365**	–
Depreciation of property, plant and equipment	**5,636**	2,424
Impairment loss recognised in respect of trade receivables	**–**	1
Lease payments under operating leases in respect of land and buildings:		
— Minimum lease payments	**26,238**	25,045
— Contingent rents	**4,446**	3,906
	30,684	28,951
Employee benefit expenses (excluding directors' remuneration *(note 11)*):		
— Salaries, allowance and benefits in kind	**26,272**	24,378
— Compensation for loss of office	**708**	–
— Equity-settled share option expenses	**–**	916
— Retirement benefit scheme contributions	**1,231**	1,090
	28,211	26,384
Listing expenses	**–**	15,441

Note: Exclude services for the Listing of the Company.

11. DIRECTORS' REMUNERATION

The remuneration of directors were set out below:

Year ended 31 March 2018

	Directors' Fees HK$'000	Discretionary bonus HK$'000	Salaries, allowance, and benefits in kind HK$'000	Share option expenses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Mr. Wong	–	500	1,813	–	18	2,331
Chan Chak To Raymond	–	53	960	–	18	1,031
Lam Wai Kwan	–	–	630	–	18	648
Independent non-executive directors:						
Ma Yiu Ho Peter	150	–	–	–	–	150
Cheng Wing Hong	150	–	–	–	–	150
Cai Chun Fai	150	–	–	–	–	150
	450	553	3,403	–	54	4,460

Year ended 31 March 2017

	Directors' Fees HK$'000	Discretionary bonus HK$'000	Salaries, allowance, and benefits in kind HK$'000	Share option expenses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:						
Mr. Wong	–	–	1,370	–	16	1,386
Chan Chak To Raymond	–	–	776	917	16	1,709
Lam Wai Kwan	–	–	391	917	15	1,323
Independent non-executive directors:						
Ma Yiu Ho Peter	97	–	–	–	–	97
Cheng Wing Hong	97	–	–	–	–	97
Cai Chun Fai	97	–	–	–	–	97
	291	–	2,537	1,834	47	4,709

11. DIRECTORS' REMUNERATION *(Continued)*

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

No directors of the Company have waived or agreed to waive any remuneration during the year ended 31 March 2018 and 2017.

During the year ended 31 March 2018 and 2017, there were no amount paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

In prior year, certain directors were granted share options in respect of their services to the Group, further details of which are included in the note 38 to the consolidated financial statements. The fair value of such options, which has been recognised immediately in the consolidated statement of profit or loss and other comprehensive income, was determined as at the date of grant and the amount included in the consolidated financial statements for the prior year is included in the above directors' remuneration disclosures.

Pursuant to the engagement letter dated 21 March 2017 made between Newpage Financial Press Limited ("**Newpage**") and the Company, Newpage has agreed to provide financial printing service to the Company, of which the service fee shall not exceed HK$1,000,000 per annum. Mr. Cheng Wing Hong, an independent non-executive director, is interested in this arrangement to the extent that Mr. Cheng Wing Hong, is a director of Newpage and has material equity interest in Newpage. During the year ended 31 March 2018, the total amount of service fee paid and payable by the Group was approximately HK$341,000 (2017: HK$151,000).

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

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individual include three (2017: three) directors, whose emoluments are disclosed in note 11 to the consolidated financial statements, for the year ended 31 March 2018. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowance and benefits in kind	**778**	926
Compensation for loss of office	**330**	–
Equity-settled share option expenses	**–**	916
Retirement benefit scheme contributions	**25**	35
	1,133	1,877

12. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1

The above individuals include one (2017: one) senior management as disclosed in the section headed "Biographical Details of Directors and Senior Management".

13. INCOME TAX EXPENSES

	2018	2017
	HK$'000	HK$'000
Current tax		
— Hong Kong Profits Tax	**1,340**	689
— Under-provision in prior years	**–**	2
	1,340	691
Deferred tax		
— credit for the year *(note 32)*	**(893)**	–
	447	691

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

13. INCOME TAX EXPENSES *(Continued)*

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

	2018 **HK$'000**	2017 HK$'000
Profit/(loss) before tax	**1,636**	(14,154)
Tax at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**270**	(2,335)
Tax effect of:		
Share of results of associates	**(1,013)**	(1,071)
Income not taxable for tax purpose	**(951)**	(33)
Expenses not deductible for tax purpose	**294**	3,266
Estimated tax losses not recognised	**2,336**	930
Accelerated accounting depreciation over tax depreciation (under)/over provided	**(369)**	125
One-off tax reduction of Hong Kong Profits Tax by Inland Revenue Department	**(120)**	(88)
Utilisation of tax losses previously not recognised	**–**	(105)
Under-provision in prior years	**–**	2
Income tax expenses for the year	**447**	691

14. DIVIDENDS

Prior to the Reorganisation, the Company's subsidiaries had declared and paid dividend to the shareholder during the reporting period was as follows:

	2018 **HK$'000**	2017 HK$'000
Interim dividend paid	**–**	3,000

On 31 May 2016, interim dividend of HK$3,000,000 was declared and paid on 1 June 2016.

No final dividend has been paid or proposed by the Company since its incorporation. The board of directors does not recommend the payment of a final dividend for the years ended 31 March 2018 and 2017.

15. LOSS PER SHARE

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

	2018 **HK$'000**	2017 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(423)**	(14,845)

	2018 **'000**	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,306,603**	1,833,289

The calculation of basic loss per share for the years ended 31 March 2018 and 2017 is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares.

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic loss per share calculation for the year ended 31 March 2018 and 2017, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Catering and other equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 April 2016	8,844	611	7,187	962	17,604
Additions	2,539	–	185	1,398	4,122
At 31 March 2017 and at 1 April 2017	11,383	611	7,372	2,360	21,726
Additions	1,095	206	466	–	1,767
Acquisition through business combination *(note 35)*	1,326	–	274	–	1,600
Written-off	(124)	–	–	–	(124)
At 31 March 2018	13,680	817	8,112	2,360	24,969
Accumulated depreciation					
At 1 April 2016	4,370	350	6,462	956	12,138
Charge for the year	1,850	111	327	136	2,424
At 31 March 2017 and at 1 April 2017	6,220	461	6,789	1,092	14,562
Charge for the year	4,089	270	858	419	5,636
Written-off	(25)	–	–	–	(25)
At 31 March 2018	10,284	731	7,647	1,511	20,173
Carrying amounts					
At 31 March 2018	**3,396**	**86**	**465**	**849**	**4,796**
At 31 March 2017	5,163	150	583	1,268	7,164

At 31 March 2018, the carrying amounts of motor vehicles include an amount of approximately HK$849,000 (2017: HK$1,268,000) in respect of asset held under a finance lease (note 31 to the consolidated financial statements).

17. INTANGIBLE ASSETS

	Franchise agreements HK$'000
Cost	
At 1 April 2016, at 31 March 2017 and at 1 April 2017	–
Addition	1,300
Acquisition through business combination *(note 35)*	6,300
At 31 March 2018	7,600
Accumulated amortisation	
At 1 April 2016, at 31 March 2017 and at 1 April 2017	–
Charge for the year	365
At 31 March 2018	365
Carrying amounts	
At 31 March 2018	**7,235**
At 31 March 2017	–

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

18. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of investments in associates	**–**	–
Share of post-acquisition profit and other comprehensive income in associates, net of dividend received	**3,116**	1,560
	3,116	1,560

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

18. INTERESTS IN ASSOCIATES *(Continued)*

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

Name of associate	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group	
		2018	2017
		%	%
Wingo Hong Kong Investment Limited ("**Wingo**")	Hong Kong	**42**	42
HK Star's Local Delicacy Limited ("**HK Star's**")	Hong Kong	**30**	30

Wingo is principally engaged in provision of casual dining food catering services. Subsequent to the end of the reporting period, Wingo has ceased its restaurant operations.

HK Star's is currently under the process of deregistration.

All associates are accounted for using the equity method in the consolidated financial statements.

Wingo

Summarised financial information of Wingo is disclosed below:

	2018	2017
	HK$'000	HK$'000
Current assets	**14,678**	13,322
Non-current assets	**–**	–
Current liabilities	**7,259**	9,608
Non-current liabilities	**–**	–

18. INTERESTS IN ASSOCIATES *(Continued)*

The above amounts of assets and liabilities include the following:

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**7,344**	1,678

	For the year ended 31 March	
	2018 HK$'000	2017 HK$'000
Revenue	**98,392**	100,128
Profit and total comprehensive income	**14,625**	15,448
Dividend received and receivable from Wingo	**4,586**	5,670

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

	2018 HK$'000	2017 HK$'000
Net assets of Wingo	**7,419**	3,714
Proportion of the Group's ownership interest in Wingo	**42%**	42%
Carrying amount of the Group's interest in Wingo	**3,116**	1,560

Information of associate that is not individually material

Unrecognised share of loss of HK Star's

	2018 HK$'000	2017 HK$'000
The unrecognised share of loss of HK Star's for the year	**2**	4
Cumulative share of loss of HK Star's	**7**	5

19. INTEREST IN A JOINT VENTURE

	2018 HK$'000	2017 HK$'000
Cost of investment in a joint venture	**54**	54
Share of post-acquisition loss and other comprehensive loss in a joint venture, net of dividend received	**(54)**	(54)
	–	–

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

Name of joint venture	Place of incorporation/ operation	Percentage of ownership interest attributable to the Group	
		2018 %	2017 %
Starz Kitchen	Hong Kong	**50**	50

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

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

Information of joint venture that is not individually material

	2018 HK$'000	2017 HK$'000
The unrecognised share of loss of Starz Kitchen for the year	**255**	644
Cumulative share of loss of Starz Kitchen	**994**	739

20. INVENTORIES

	2018 HK$'000	2017 HK$'000
Food and beverage, and other operating item for restaurant operations	**138**	184
Others	**54**	53
	192	237

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

21. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**1,205**	629
Less: Impairment loss recognised	**–**	(1)
	1,205	628

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

21. TRADE RECEIVABLES *(Continued)*

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

	2018 HK$'000	2017 HK$'000
0–30 days	**665**	281
31–60 days	**235**	178
61–90 days	**132**	122
Over 90 days	**173**	47
	1,205	628

The movement in the allowance for doubtful debts during the year is as follows:

	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period	**1**	–
Impairment loss recognised	**–**	1
Amounts written-off as uncollectible	**(1)**	–
At the end of the reporting period	**–**	1

At 31 March 2017, included in the allowance for doubtful debts are individually impaired trade receivable with balance of approximately HK$1,000 which was past due. The individually impaired trade receivables relate to customers that were in default in principal payments and are considered irrecoverable.

The following is an aging analysis of trade receivables which are not individually nor collectively considered to be impaired:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	**1,000**	332
One to three months past due	**202**	287
More than three months past due	**3**	9
	1,205	628

21. TRADE RECEIVABLES *(Continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Deposits paid	**4,012**	4,250
Prepayments	**3,251**	397
Other receivables	**135**	176
	7,398	4,823
Less: Current portion included in deposits, prepayments and other receivables	**(5,519)**	(3,195)
Non-current portion included in deposits paid	**1,879**	1,628

Prepayments mainly consist of prepaid insurance, prepaid design fee and prepaid franchise fee.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 **HK$'000**	2017 HK$'000
Unlisted investment funds:		
— Investment funds outside Hong Kong, at fair value	**37,476**	–

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

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

	2018 HK$'000	2017 HK$'000
Amount due from an associate		
Wingo	**34**	1,622
Amount due from a joint venture		
Starz Kitchen	**500**	500

The maximum amount due from an associate and a joint venture during the year are as follows:

	During the year ended 31 March 2018 HK$'000	 2017 HK$'000
Amount due from an associate		
Wingo	**1,622**	1,622
Amount due from a joint venture		
Starz Kitchen	**500**	500

The amount due from an associate/a joint venture is unsecured, interest-free and repayable on demand.

The amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

25. FIXED DEPOSITS

	2018 HK$'000	2017 HK$'000
Fixed deposits maturing within nine months	–	10,000
Pledged time deposits	7,500	7,500
	7,500	17,500

The effective interest rates on fixed deposits at 0.80% (2017: 0.68% to 1.28%) per annum.

At 31 March 2018, fixed deposits with the amount of HK$7,500,000 (2017: HK$7,500,000) was pledged for general banking facility to issue a guarantee to one of the landlord of the Group for the rental deposits.

26. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash and bank balances	72,654	33,905
Short-term time deposits maturing within three months	50,431	42,532
	123,085	76,437

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default. Short-term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates ranged from 0.65% to 1.28% per annum (2017: 0.65% to 1.00% per annum).

At 31 March 2018, the Group's cash and bank balances denominated in USD and RMB is approximately HK$204,000 and HK$138,000 (2017: HK$56,000 and HK$40,000) respectively.

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

27. TRADE PAYABLES

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

	2018 **HK$'000**	2017 HK$'000
0–30 days	**1,137**	1,062
31–60 days	**713**	812
61–90 days	**352**	481
Over 90 days	**251**	241
	2,453	2,596

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

28. ACCRUALS AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Accruals	**8,293**	8,423
Receipt in advance	**767**	456
Other payables	**2,603**	1,445
	11,663	10,324

Accruals mainly consist of accrued staff costs, accrued rental expenses, accrued interest expenses and accrued auditors' remuneration for audit service and non-audit services.

29. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Unsecured bank borrowings	**7,511**	702
Carrying amount repayable:		
— Within one year	**—**	702
Carrying amounts (shown under current liabilities) that contain repayable on demand clause based on scheduled repayment terms:		
— Within one year	**3,255**	—
— More than one year but less than five years	**4,256**	—
	7,511	702

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

At 31 March 2018, the unsecured bank borrowings are interests bearing at 4.00% (2017: 4.50% to 5.00%) per annum.

At 31 March 2017, the unsecured bank borrowings were guaranteed by the Company.

30. UNLISTED CORPORATE BONDS

	2018 HK$'000	2017 HK$'000
Unlisted corporate bonds	**21,000**	–

On 17 August 2017 and 18 September 2017, the Company issued two unlisted corporate bonds at principal amounts of HK$11,000,000 and HK$10,000,000 respectively. The unlisted corporate bonds are unsecured, bearing a fixed interest rate of 8% per annum and are fully redeemable by the Company after one year from the respective issue date at its principal amount.

31. OBLIGATION UNDER A FINANCE LEASE

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

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under a finance lease:				
Within one year	**307**	307	**270**	256
In the second to fifth years	**692**	999	**656**	926
	999	1,306	**926**	1,182
Less: Future finance charges	**(73)**	(124)	**–**	–
Present value of lease obligation	**926**	1,182	**926**	1,182
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(270)**	(256)
Amount due for settlement after 12 months (shown under non-current liabilities)			**656**	926

At 31 March 2018, the Group's obligation under a finance lease is secured by the lessor's charge over the leased asset with the carrying amount of approximately HK$849,000 (2017: HK$1,268,000) (see note 16 to the consolidated financial statements).

32. DEFERRED TAX

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

	2018	2017
	HK$'000	HK$'000
Deferred tax asset	**836**	—
Deferred tax liability	**(983)**	—
	(147)	—

32. DEFERRED TAX *(Continued)*

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

	Accelerated tax depreciation HK$'000	Franchise agreement HK$'000	Total HK$'000
At 1 April 2016, at 31 March 2017 and at 1 April 2017	—	—	—
Acquisition through business combination *(note 35)*	—	1,040	1,040
Credit to profit or loss *(note 13)*	(836)	(57)	(893)
At 31 March 2018	**(836)**	**983**	**147**

The Group had unused estimated tax losses of approximately HK$23,368,000 (2017: HK$9,210,000) available for offsetting against future profits at 31 March 2018. No deferred tax asset has been recognised in respective of tax losses of approximately HK$18,301,000 (2017: nil) due to the unpredictability of future profit streams and unrecognised tax losses could be carried forward indefinitely.

33. SHARE CAPITAL

	2018 '000	2017 '000	**2018 HK$'000**	2017 HK$'000
Ordinary share of HK$0.01 each				
Authorised:				
At the beginning of the reporting period	**20,000,000**	38,000	**200,000**	380
Increased in authorised share capital *(note (a))*	**–**	19,962,000	**–**	199,620
At the end of the reporting period	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid:				
At the beginning of the reporting period	**2,202,800**	–	**22,028**	–
Issue of shares under the capitalisation issue *(note (b))*	**–**	1,500,000	**–**	15,000
Issue of shares by way of placing *(note (c))*	**–**	500,000	**–**	5,000
Placing of new shares *(note (d))*	**440,560**	202,800	**4,406**	2,028
At the end of the reporting period	**2,643,360**	2,202,800	**26,434**	22,028

33. SHARE CAPITAL *(Continued)*

Notes:

(a) On 21 July 2016, Fortune Round Limited resolved to increase the authorised share capital of the Company from HK$380,000 to HK$200,000,000 by the creation of additional 19,962,000,000 ordinary shares, each carrying the same rights as the ordinary shares then in issue in all respect.

(b) Pursuant to the written resolution of the shareholders passed on 21 July 2016, conditional upon the share premium account of the Company being credited as a result of the placing as mentioned in (c) below, an aggregate of 1,499,999,998 shares of the Company, by way of capitalisation of the sum of approximately HK$15,000,000 standing to the credit of the share premium account of the Company, would be allotted, issued and credited as fully paid at par to the shareholders appearing on the register of members of the Company at the close of business on 21 July 2016 in proportion to their existing shareholdings in the Company. Upon the capitalisation issue, the issued share capital of the Company would become HK$15,000,000 divided into 1,500,000,000 ordinary shares of HK$0.01 each.

(c) Upon Listing, 500,000,000 ordinary shares of the Company were allotted and issued pursuant to the placing of the shares of the Company at HK$0.15 per placing share for a total gross proceeds of HK$75,000,000. The proceeds were proposed to be used to finance the implementation plan as set forth in the section headed “Future Plans and Use of Proceeds” of the Prospectus of the Company dated 1 August 2016. On 9 April 2018, the Company has changed the intended use of proceeds from the Listing, the details are set out in the Company’s announcement dated 9 April 2018.

(d) On 13 March 2017, the Company allotted and issued to not less than six placees, who were independent third parties, a total of 202,800,000 ordinary shares of nominal value of HK$0.01 each at the placing price of HK$0.15 per share, raising a net proceeds of approximately HK$29,840,000 with the net proceeds raised per the net placing price of HK$0.147. The net proceeds raised from the placing of new shares will be used for pursuing potential acquisition opportunities and general working capital of the Group.

On 5 January 2018, the Company allotted and issued to not less than six places, who were independent third parties, a total of 440,560,000 ordinary shares of nominal value of HK$0.01 each at the placing price of HK$0.105 per share, raising a net proceed of approximately HK$45,209,000 with the net proceeds raised per the net placing price of HK$0.103. The net proceeds raised from the placing of new shares will be used for opening “Du Hsiao Yueh (度小月)” restaurant in Hong Kong.

34. COMMITMENTS

Capital commitments

	2018	2017
	HK$’000	HK$’000
Authorised and contracted, but not provided for:		
— Purchase of intangible assets	–	1,474

34. COMMITMENTS *(Continued)*

Operating leases commitments

The Group as lessee

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

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

	2018	2017
	HK$'000	HK$'000
Within one year	**8,927**	17,243
In the second to fifth years, inclusive	**12,697**	18,798
	21,624	36,041

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

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

35. BUSINESS COMBINATION

On 31 May 2017, Alliance Catering Company Limited, a wholly-owned subsidiary of the Company ("**Alliance Catering**"), Du Hsiao Yueh (Hong Kong) Company Limited ("**DHY (HK)**") and two other independent third parties entered into the shareholders agreement, pursuant to which Alliance Catering subscribed for and DHY (HK) allotted and issued 5,400,000 of DHY (HK)'s shares (the "**Subscription Share**"), representing 60% of the issued share capital of DHY (HK) (the "**Subscription**"). The subscription price was HK$1.00 per Subscription Share and the cash consideration for the Subscription was the sum of HK$5,400,000, which was paid in full on 13 June 2017. Upon completion of the Subscription which took place on 13 June 2017, the Group recognised a gain on bargain purchase for the Subscription of approximately HK$3,118,000 and DHY (HK) became a non-wholly owned subsidiary of the Group since then.

Acquisition-related costs of approximately HK$24,000 have been included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

35. BUSINESS COMBINATION *(Continued)*

Fair value of identifiable assets acquired and liabilities assumed:

	HK$'000
Net assets acquired:	
Property, plant and equipment *(note 16)*	**1,600**
Intangible asset *(note 17)*	**6,300**
Deposits and prepayments	**1,703**
Cash and bank balances	**9,033**
Amount due to a shareholder	**(3,399)**
Deferred tax liability *(note 32)*	**(1,040)**
Net identifiable assets	**14,197**
Less: Non-controlling interests	**(5,679)**
Gain on bargain purchase	**(3,118)**
Total consideration	**5,400**
Net cash inflow on business combination:	
Consideration paid in cash	**(5,400)**
Cash and bank balances acquired	**9,033**
Net cash inflow	**3,633**

Impact of acquisition on the results of the Group

Included in the revenue and profit for the year of approximately HK$26,862,000 and HK$4,065,000 respectively, was attributable to the additional business generated by DHY (HK). Had the Subscription been effected on 1 April 2017, the revenue and profit for the year of the Group would have been approximately HK$103,882,000 and HK$1,128,000 respectively. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Group had DHY (HK) been acquired at the beginning of the current year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

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

(a) Statement of financial position of the Company

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	**58**	–
Investment in a subsidiary	**–**	–
Non-current rental deposit	**251**	–
	309	–
Current assets		
Deposits and prepayments	**1,640**	35
Amounts due from subsidiaries	**152,249**	84,055
Cash and bank balances	**51**	–
	153,940	84,090
Current liabilities		
Accruals and other payables	**2,362**	1,812
Amounts due to subsidiaries	**16,761**	9,005
Bank borrowings	**7,511**	–
Unlisted corporate bonds	**21,000**	–
	47,634	10,817
Net current assets	**106,306**	73,273
Net assets	**106,615**	73,273
Capital and reserves		
Share capital	**26,434**	22,028
Reserves	**80,181**	51,245
Total equity	**106,615**	73,273

On behalf of the board of directors:

Wong Man Wai
Director

Lam Wai Kwan
Director

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

(b) Movement of reserves of the Company

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	–	–	(4)	(4)
Loss and total comprehensive loss for the year	–	–	(24,458)	(24,458)
Issue of shares under the capitalisation issue	(15,000)	–	–	(15,000)
Issue of shares by way of placing	70,000	–	–	70,000
Placing of new shares	28,392	–	–	28,392
Share issuing expenses	(10,435)	–	–	(10,435)
Recognition of equity-settled share options	–	2,750	–	2,750
At 31 March 2017 and at 1 April 2017	72,957	2,750	(24,462)	51,245
Loss and total comprehensive loss for the year	–	–	(11,867)	(11,867)
Placing of new shares	41,853	–	–	41,853
Share issuing expenses	(1,050)	–	–	(1,050)
At 31 March 2018	**113,760**	**2,750**	**(36,329)**	**80,181**

37. MATERIAL RELATED PARTY TRANSACTION

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

	2018 HK$'000	2017 HK$'000
Management fee income received from an associate	**408**	408

37. MATERIAL RELATED PARTY TRANSACTION *(Continued)*

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

	2018	2017
	HK$'000	HK$'000
Salaries, allowance and benefit in kind	**4,250**	3,327
Equity-settled share option expenses	**–**	2,750
Retirement benefit schemes contributions	**80**	75
	4,330	6,152

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

38. SHARE OPTIONS

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

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

(i) The purpose is to attract and retain quality personnel and other persons to provide incentive to them to contribute to the business and operation of the Group.

(ii) The eligible person include full time or part time employees of the Group (including any director, whether executive or non-executive and whether independent or not, or consultant of the Company or any subsidiary or any entity in which the Group holds an equity interest); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, customers, licensees (including any sub-licensee), landlords or tenants (including any sub-tenants) of the Group or any invested entity or any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group.

(iii) The total number of shares in respect of which share options may be granted under the Option Scheme shall not exceed 10% of the issued shares capital of the Company at any point in time, without prior approval from the Company's shareholders. The number of shares which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Option Scheme and any other share option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

38. SHARE OPTIONS *(Continued)*

(iv) The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (including exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.

(v) The total number of shares issued and to be issued upon exercise of the share options granted to each substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of its respective associates or an independent non-executive director or any of his associates (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, unless the same is approved by the shareholders.

(vi) The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of offer for grant.

(vii) Save as determined by the board of directors provided in the offer of the grant of the relevant share options, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

(viii) Offer of options shall be open for acceptance in writing or by telex received by the secretary of the Company for a period of 21 days inclusive of, and from, the date of grant.

(ix) The subscription price of a share option must be the highest of:

a. the closing price of a share of the Company on the Stock Exchange on the date of grant of the option;

b. the average closing price of a share of the Company from the 5 business days immediately preceding the date of grant of the option; and

c. the nominal value of a share of the Company on the date of grant of the option.

(x) The Option Scheme is effective for 10 years from the date of grant.

At the end of the reporting period, the number of shares in respect of which may be issued upon exercise of share options granted and remain outstanding under the Option Scheme and was 60,000,000 (2017: 60,000,000), representing 2.3% (2017: 2.7%) of the shares of the Company in issue at that date. At 31 March 2018, no share options was granted under the Option Scheme (2017: 60,000,000).

38. SHARE OPTIONS *(Continued)*

Details of specific categories of options are as follows:

Exercisable period	Number of share options: Outstanding at 1 April 2016	Granted during the year	Outstanding at 31 March 2017, at 1 April 2017 and 31 March 2018
5 October 2016 to 4 October 2026			
Directors			
Chan Chak To Raymond	–	20,000,000	20,000,000
Lam Wai Kwan	–	20,000,000	20,000,000
	–	40,000,000	40,000,000
Other employee	–	20,000,000	20,000,000
Exercisable at the end of the reporting period	–	60,000,000	60,000,000
Weighted average exercise price	Nil	HK$0.163	HK$0.163

No share options were exercised or lapsed during the year ended 31 March 2018 and 2017.

During the year ended 31 March 2017, share options were granted on 5 October 2016. The estimated fair values of the share options granted on this date is HK$2,750,000. No share options were granted during the year ended 31 March 2018.

This fair value was calculated using the binomial tree method. The inputs in the model were as follows:

	Options grant on 5 October 2016
Grant date share price (HK$)	0.163
Exercise price (HK$)	0.163
Expected volatility (%)	33%
Expected life (years)	10 years
Risk-free rate (%)	1.03%
Expected dividend yield	0.77%

38. SHARE OPTIONS *(Continued)*

Expected volatility was determined by the average of historical weekly volatilities of four comparable companies with similar business operation as at the valuation date, quoted from Bloomberg. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration.

The closing price of the Company's shares immediately before the dates of grant of share options on 5 October 2016 was HK$0.163 per share.

The Group recognised the total expense of approximately HK$2,750,000 for the year ended 31 March 2017 in relation to share options granted by the Company.

The binomial tree method has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

39. RETIREMENT BENEFITS SCHEME

The Group operates the MPF Scheme under rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees employed in Hong Kong. All employees of the Group in Hong Kong are required to join the MPF Scheme. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible employees' monthly relevant income but limited to the mandatory cap of HK$30,000. The contributions are charged to profit or loss as incurred. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund.

40. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place/country of incorporation	Class of share	Issued and fully paid share capital	Proportion of ownership interest and voting power held by the Company		Principal activities
				2018 %	2017 %	
Airport Catering Services Company Limited	Hong Kong	Ordinary	HK$100	**100**	100	Provision of casual dining food catering services
Alliance Catering	Hong Kong	Ordinary	HK$100	**100**	100	Investment holding
Bright Up (HK) Limited	Hong Kong	Ordinary	HK$100	**60**	–	Inactive
Deberie Investment Limited	Hong Kong	Ordinary	HK$3	**100**	100	Ceased operation
DHY (HK)	Hong Kong	Ordinary	HK$9,000,000	**60**	–	Provision of casual dining food catering services
Forever Drinks Limited	Hong Kong	Ordinary	HK$100	**60**	–	Inactive
Palace Corporation Limited	Hong Kong	Ordinary	HK$1	**100**	100	Investment holding
Royal Catering Group Company Limited	Hong Kong	Ordinary	HK$100	**100**	100	Investment holding
Royal HR Management Limited	Hong Kong	Ordinary	HK$1	**100**	100	Provision of human resources management services
Royal Time Enterprises Limited	Hong Kong	Ordinary	HK$2	**100**	100	Provision of food catering services
Simple Future Investment Ltd.	BVI	Ordinary	USD1	**100**	100	Investment holding
Sky Grand International Development Limited ("**Sky Grand**")	Hong Kong	Ordinary	HK$100	**60**	–	Inactive
Top Future Management Limited	BVI	Ordinary	USD1	**100**	100	Holding of trademark and franchise

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

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

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

Non-controlling interests

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

DHY (HK)

	2018 **HK$'000**	2017 HK$'000
Current assets	**16,429**	N/A
Non-current assets	**6,514**	N/A
Current liabilities	**3,918**	N/A
Non-current liabilities	**983**	N/A
Equity attributable to owners of the Company	**10,825**	N/A
Non-controlling interests	**7,217**	N/A

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Non-controlling interests *(Continued)*

DHY (HK) *(Continued)*

	From the date of Subscription to 31 March 2018 HK$'000	1 April 2016 to 31 March 2017 HK$'000
Revenue	**28,862**	N/A
Expenses	**24,797**	N/A
Profit and total comprehensive income attributable to owners of the Company	**2,439**	N/A
Profit and total comprehensive income attributable to non-controlling interests	**1,626**	N/A
Profit and total comprehensive income for the period	**4,065**	N/A
Net cash generated from operating activities	**6,576**	N/A
Net cash used in investing activities	**(1,687)**	N/A
Net cash inflow	**4,889**	N/A

Except for DHY (HK), the directors consider that the non-controlling interests of other non-wholly owned subsidiaries of the Group during the year ended 31 March 2018 were insignificant to the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of these non-wholly owned subsidiaries other than DHY (HK) is required to present.

41. MAJOR NON-CASH TRANSACTIONS

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

(a) During the year ended 31 March 2017, the Group had acquired certain property, plant and equipment with the amount of approximately HK$1,398,000, of which the amount of approximately HK$1,244,000 was placed under a finance lease arrangement.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payable HK$'000	Bank borrowings HK$'000	Unlisted corporate bonds HK$'000	Obligation under a finance lease HK$'000	Total HK$'000
At 1 April 2017	4	702	–	1,182	1,888
Financing cash flows	(267)	6,809	21,000	(256)	27,286
Non-cash changes:					
Interest expenses *(note 9)*	1,254	–	–	–	1,254
At 31 March 2018	**991**	**7,511**	**21,000**	**926**	**30,428**

43. EVENTS AFTER THE REPORTING PERIOD

On 9 April 2018, Sky Grand, a non-wholly owned subsidiary of the Company, has entered into a franchise agreement with 翰林國際企業股份有限公司 (transliterated into "Hanlin International Enterprises Co., Ltd.") ("**Hanlin International**"), pursuant to which Hanlin International has authorised the exclusive rights on (i) the establishment, set up, operation and management of the "**翰林茶館**" and "**翰林茶棧**" (the "**Hanlin Franchise**"); (ii) the use of trademarks and logos; and (iii) the sale of food and beverage, products and provision of related services under the Hanlin Franchise for five years at total consideration of HK$3,000,000.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2018.

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

RESULTS

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**103,882**	90,606	125,502	141,259	121,791
Profit/(loss) before tax	**1,636**	(14,154)	15,295	24,333	14,590
Income tax expenses	**(447)**	(691)	(2,698)	(3,079)	(931)
Profit/(loss) for the year	**1,189**	(14,845)	12,597	21,254	13,659
Profit/(loss) for the year attributable to:					
Owners of the Company	**(423)**	(14,845)	12,619	21,213	13,637
Non-controlling interests	**1,612**	–	(22)	41	22
	1,189	(14,845)	12,597	21,254	13,659

ASSETS AND LIABILITIES

	At 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**193,912**	110,726	32,527	72,286	45,764
Total liabilities	**(46,337)**	(15,228)	(17,372)	(26,428)	(21,160)
	147,575	95,498	15,155	45,858	24,604
Equity attributable to:					
Owners of the Company	**140,284**	95,498	15,608	46,474	25,261
Non-controlling interests	**7,291**	–	(453)	(616)	(657)
	147,575	95,498	15,155	45,858	24,604