

# MS CONCEPT LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8447



**2020**  
Annual Report

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE” AND “GEM”, RESPECTIVELY)**

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

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

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*This annual report, for which the directors (collectively the “**Directors**” and individually a “**Director**”) of MS Concept Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 annual 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 annual report misleading.*

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Kwong Tai Wah

*(Chairman and Chief Executive Officer)*

Ms. Kwong Man Yui *(Vice Chairlady)*

Mr. Lam On Fai

### Independent Non-executive Directors

Mr. Lai Ming Fai Desmond

Dr. Cheng Lee Lung

Mr. Kwok Yiu Chung

## BOARD COMMITTEES

### Audit Committee

Mr. Lai Ming Fai Desmond *(Chairman)*

Dr. Cheng Lee Lung

Mr. Kwok Yiu Chung

### Remuneration Committee

Mr. Kwok Yiu Chung *(Chairman)*

Mr. Lai Ming Fai Desmond

Dr. Cheng Lee Lung

### Nomination Committee

Mr. Kwong Tai Wah *(Chairman)*

Dr. Cheng Lee Lung

Mr. Kwok Yiu Chung

### Executive Committee

Mr. Kwong Tai Wah *(Chairman)*

Ms. Kwong Man Yui

Mr. Lam On Fai

## COMPANY SECRETARY

Mr. Kwok Siu Man (resigned on 1 August 2019)

Mr. Poon Tsz Hang, *FCPA* (appointed on 1 August 2019)

## COMPLIANCE OFFICER

Ms. Kwong Man Yui

## AUTHORISED REPRESENTATIVES

Mr. Kwong Tai Wah

Mr. Kwok Siu Man (resigned on 1 August 2019)

Mr. Poon Tsz Hang (appointed on 1 August 2019)

## COMPLIANCE ADVISER

Alliance Capital Partners Limited

## INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

## LEGAL ADVISER

*as to Hong Kong laws*

D. S. Cheung & Co.

## PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

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

Room 2313, 23/F, Hong Kong Plaza

186–191 Connaught Road West

Hong Kong

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

## COMPANY WEBSITE

[www.mrsteak.com.hk](http://www.mrsteak.com.hk)

## GEM STOCK CODE

8447

# Chairman's Statement

Dear Valued Shareholders,

On behalf of the board of directors (the **"Directors"** and the **"Board"**, respectively) of MS Concept Limited (the **"Company"**), I am pleased to present the annual results of the Company and its subsidiaries (collectively referred to as the **"Group"**) for the year ended 31 March 2020 (the **"Year"**).

## BUSINESS REVIEW

This Year was a challenging year for the restaurant industry and our Group was inevitably impacted. The haze of uncertainties stemming from the China-United States trade tensions since 2018 lingered and overshadowed the global economy. Without exception the Hong Kong economy was affected by the macro-environment and public consumption sentiment became more cautious. The social unrest in Hong Kong has also adversely affected consumer sentiment since June 2019. The ad-hoc variation or shortening of shopping mall operation hours where our Group's restaurants are located, including but not limited to Causeway Bay, Mongkok and Yuen Long, had affected the number of customer visits and the business of our Group's restaurants.

In August 2019, our new restaurant operated under the brand "Hana" located at Citygate in Tung Chung, Hong Kong (**"Hana(TC)"**) commenced commercial operation and provided the Group an additional income stream and also further expand our footprint of Japanese specialty restaurants in Hong Kong.

Turning to 2020, the novel coronavirus pandemic (**"COVID-19"**) added further difficulties to the already weakened Hong Kong consumption market. Regulatory restrictions imposed on social distancing, with some specific to the catering business, including but not limited to a lowered maximum visitor capacity of restaurants. Our Group's restaurants had adjusted operations accordingly to comply with these measures. The general public has also adopted cautious responses minimizing social gatherings and limiting meals away from home.

As a combined result of the above factors, the Group recorded a revenue of approximately HK\$225.8 million for the Year, representing a decrease of approximately HK\$32.8 million, or approximately 12.7%, from approximately HK\$258.6 million for the year ended 31 March 2019. Loss attributable to the Shareholders of approximately HK\$2.9 million was recorded for the Year.

Up to the date of this report, we own and operate twelve restaurants serving various cuisines in Hong Kong, including five restaurants serving various western cuisine along with our signature steak under our "Mr. Steak" brand, one buffet restaurant serving international cuisine under our "Mr. Steak — Buffet à la minute" brand, two restaurants under our "Sky Bar" brand offering western cuisine along with our signature seafood dishes and a wide selection of wines and cocktails, two western specialty restaurants under our "Bistro Bloom" and "Bistro Bloom/Marbling" brands serving modern and trendy western food along with specialty meat cuts, and two Japanese specialty restaurants under our "Hana" brand serving "Nabemono" — Japanese hot pot dishes such as Sukiyaki, Shabu and Seiromushi.

# Chairman's Statement

## OUTLOOK

The pandemic has recently shown signs of stabilising when compared to the onset of the outbreak in Hong Kong, and the Government had refined and relaxed certain control measures in relation to COVID-19. However, the scale of the pandemic remains uncertain and the Hong Kong economy, especially the consumption market and catering industry, will take an extended period of time to recover. We will continue to review and assess the business performance of each restaurants and will try our utmost effort to negotiate the most favourable terms with the relevant landlords upon the leases of premises are expiring so as to maintain the sustainability of our business.

Despite the difficult business environment, our experienced management team will continue to adopt cost saving measures, as well as explore the appropriate opportunities to expand our restaurant business in Hong Kong with a more prudent approach to maximize the return to shareholders. Recently, our management team identified a location at Kowloon Bay for the opening of a new restaurant serving Asian cuisine. The Company is currently finalising the lease terms with the landlord, pending for the signing of tenancy agreement and it is estimated that the new restaurant can commence operation in August 2020. Further announcements will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our valued shareholders and business partners for the continuing support of the Company. I am immensely thankful to our staff, for your passion and contribution during the Year.

**Kwong Tai Wah**

*Chairman*

12 June 2020

# Management Discussion and Analysis

## BUSINESS REVIEW

During the year ended 31 March 2020, the United States–Mainland trade tensions continued to overshadow consumption sentiment in Hong Kong. In addition to the social unrest in Hong Kong since June 2019, the outbreak of novel coronavirus pandemic (“**COVID-19**”) in Hong Kong since January 2020 added further difficulties to the already weakened Hong Kong consumption market. Regulatory restrictions imposed on social distancing, with some specific to the catering business, including but not limited to a lowered maximum visitor capacity of restaurants. Our Group’s restaurants had adjusted operations accordingly to comply with these measures. The general public has also adopted cautious responses minimizing social gatherings and limiting meals away from home. As a result, the number of customer visits to our restaurants decreased during the year.

In the last year, we closed one restaurant operated under the brand “Mr. Steak” in Shatin, Hong Kong and one restaurant operated under the brand “Sky Bar” in Causeway Bay, Hong Kong (“**SB(CWB)**”) upon the expiry of their leases of premises in April 2018 and November 2018, respectively. In August 2019, our new restaurant operated under the brand “Hana” located at Citygate in Tung Chung, Hong Kong (“**Hana(TC)**”) commenced commercial operation.

During the year ended 31 March 2020 (the “**Year**”), our Group continued to engage in the provision of casual dining in Hong Kong.

## FINANCIAL REVIEW

### Revenue

Our revenue is mainly derived from restaurant operations. For the year ended 31 March 2020, our revenue achieved approximately HK\$225.8 million, representing a decrease of approximately HK\$32.8 million, or 12.7%, from approximately HK\$258.6 million for the year ended 31 March 2019. The decrease in revenue was mainly due to the combined effect of (a) the closure of SB(CWB) in November 2018; and (b) the decrease in number of customer visits to our Group’s restaurants amid weakened market sentiment, ad-hoc variation of shopping mall operating hours under public transport disruptions and regulatory restrictions imposed on social distancing in Hong Kong under the outbreak of COVID-19, with an offset by the increase in revenue due to the opening of Hana(TC) since August 2019.

### Cost of inventories sold

Cost of inventories sold is a major component of our operating expenses and comprises mainly cost of food ingredients and beverages. For the year ended 31 March 2020, our cost of inventories sold amounted to approximately HK\$74.4 million, representing a decrease of approximately HK\$8.5 million, or 10.3%, from approximately HK\$82.9 million for the year ended 31 March 2019. The decrease in cost of inventories sold was mainly due to the combined effect of the decrease in consumption of food ingredients and beverages under the closure of SB(CWB) and the decrease in number of customer visits of our restaurants located in, including but not limited to Causeway Bay, Mongkok and Yuen Long for the reason as discussed above, which were offset by the increase in consumption of food ingredients and beverages under the opening of Hana(TC) since August 2019.

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### Gross profit and gross profit margin

Our gross profit for the year ended 31 March 2020 amounted to approximately HK\$151.4 million, representing a decrease of approximately HK\$24.3 million, or 13.8%, from approximately HK\$175.7 million for the year ended 31 March 2019. The decrease in gross profit was mainly due to the combined effect of the factors as discussed above.

The decrease in gross profit margin from approximately 67.9% for the year ended 31 March 2019 to approximately 67.1% for the year ended 31 March 2020 mainly due to higher average food costs of our restaurant operated under the brand “Mr. Steak — Buffet à la minute” at World Trade Centre, Causeway Bay with a decrease in number of customers visits from the ad-hoc variation or shortening of opening hours of the shopping mall and the outbreak of COVID-19 during the Year.

### Other revenue and other income

Other revenue and other income primarily consist of tips income, sponsorship income, government subsidies and sundry income. Our other revenue and other income increased by approximately HK\$2.0 million, or 181.8%, from approximately HK\$1.1 million for the year ended 31 March 2019 to approximately HK\$3.1 million for the year ended 31 March 2020. The increase in other revenue and other income was mainly due to the receipt of government subsidies amounting to approximately HK\$2.0 million under the Food Licence Holders Subsidy Scheme under the Anti-epidemic Fund.

### Staff costs

Staff costs comprise salaries and benefits, including wages, salaries, bonuses, staff benefits and retirement benefit scheme contributions for all employees.

Our staff costs decreased by approximately HK\$6.5 million, or 8.3%, from approximately HK\$78.2 million for the year ended 31 March 2019 to approximately HK\$71.7 million for the year ended 31 March 2020. The decrease in staff costs was mainly due to the combined effect of (a) the closure of SB(CWB) in November 2018; and (b) the opening of Hana(TC) in August 2019.

### Depreciation

Depreciation represents depreciation charges for our property, plant and equipment which comprise leasehold improvement, furniture and fixtures, catering, other equipment and lease properties and right-of-use assets.

Our depreciation increased by approximately HK\$37.4 million from approximately HK\$5.2 million for the year ended 31 March 2019 to approximately HK\$42.6 million for the year ended 31 March 2020 mainly due to the recognition of right-of-use assets upon the adoption of HKFRS 16 *Leases* for our financial period beginning on 1 April 2019. For the effect upon the adoption of HKFRS 16 *Leases*, please refer to note 2 to the consolidated financial statements included in this annual report.



# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### Rentals and related expenses

Rentals and related expenses primarily represent the rental payments under operating leases, government rates and property management fee paid for our restaurants and office premises.

Our rental and related expenses decreased by approximately HK\$38.9 million, or 72.3%, from approximately HK\$53.8 million for the year ended 31 March 2019 to approximately HK\$14.9 million for the year ended 31 March 2020. The decrease in rental and related expenses was mainly due to the adoption of HKFRS 16 *Leases* from the beginning of the financial year where lease payments were offset against the lease liabilities recognised in the consolidated statement of financial position instead of charging to profit or loss as rental expenses for the year ended 31 March 2020.

### Fuel and utility expenses

Fuel and utility expenses primarily consist of expenses incurred for electricity, gas and water utilities. Our fuel and utility expenses decreased by approximately HK\$0.3 million, or 5.7%, from approximately HK\$5.3 million for the year ended 31 March 2019 to approximately HK\$5.0 million for the year ended 31 March 2020 mainly due to the combined effect of (a) the closure of SB(CWB) in November 2018; and (b) the commencement of operation of Hana (TC) in August 2019.

### Administrative expenses

Administrative expenses mainly include credit card handling charges, advertising and promotion expenses for our brands, cleaning expenses for both our restaurants and office, consumables for our restaurant operations, legal and professional fees, impairment losses and insurance premiums.

Our administrative expenses decreased by approximately HK\$2.8 million, or 12.2%, from approximately HK\$23.0 million for the year ended 31 March 2019 to approximately HK\$20.2 million for the year ended 31 March 2020. The decrease in administrative expenses was mainly due to the combined effect of (a) the decrease in professional expenses where higher professional expenses were incurred in the first year of listing for the year ended 31 March 2019; and (b) the recognition of impairment losses on property, plant and equipment and right-of use assets amounted to approximately HK\$0.4 million.

### Finance costs

Finance costs mainly represent interest on our bank borrowings and interest on lease liabilities. The increase in finance costs by approximately HK\$2.8 million from approximately HK\$0.8 million for the year ended 31 March 2019 to approximately HK\$3.6 million for the year ended 31 March 2020 mainly due to the recognition of interest on lease liabilities upon the adoption of HKFRS 16 *Leases* during the Year.

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### Income tax (credit)/expenses

An income tax credit of approximately HK\$0.6 million was recognised for the year ended 31 March 2020 which is mainly due to the decrease in assessable profits of the Group companies for the year and the recognition of deferred tax assets in respect of unused tax losses for the year. An income tax expense of approximately HK\$2.1 million was recognised for the year ended 31 March 2019.

For the years ended 31 March 2019 and 2020, our restaurant operations in Hong Kong were subject to Hong Kong Profits Tax at an applicable tax rate of 8.25% on estimated assessable profits up to HK\$2 million and 16.5% on any part of the estimated assessable profits over HK\$2 million arising in Hong Kong.

### Loss for the year

For the year ended 31 March 2020, the Group recorded a loss of approximately HK\$2.9 million as compared a profit of approximately HK\$0.8 million for the year ended 31 March 2019. The loss for the year was mainly due to the combined effects as discussed above.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	Notes	As at 31 March	
		2020	2019
Current ratio	1, 4	1.1	2.3
Quick ratio	2, 4	1.1	2.3
Gearing ratio	3	26.9%	27.4%

Notes:

1. Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year.
2. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the year divided by the total current liabilities at the end of the respective year.
3. Gearing ratio is calculated based on the total debts at the end of the year divided by the equity attributable to owners of the Company at the end of the respective year.
4. The decrease in current ratio and quick ratio from 2.3 as at 31 March 2019 to 1.1 as at 31 March 2020 was mainly due to the existence of lease liabilities amounted to HK\$29.1 million as at 31 March 2020 upon the adoption HKFRS 16 *Leases* for the Year.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

As at 31 March 2020, the total equity of the Group was approximately HK\$43.8 million (2019: HK\$61.7 million) which was attributable to owners of the Company. The Group had cash and cash equivalents of approximately HK\$48.5 million as at 31 March 2020 (2019: HK\$65.8 million).

The Group continues to enjoy a cash inflow from operations. During the year ended 31 March 2020, the cash generated from operations amounted to approximately HK\$41.8 million (2019: HK\$2.6 million).

As at 31 March 2020, our Group had total bank borrowings of approximately HK\$11.8 million (2019: HK\$16.9 million). The bank borrowings are interest-bearing at Hong Kong Dollar Prime Rate over or minus a spread as appropriate. Details on bank borrowings of the Group are set out in note 26 to the consolidated financial statements included in this annual report.

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debts in a balanced position.

The Shares in issue of the Company were initially listed on GEM of The Stock Exchange of Hong Kong Limited on the 16 April 2018 by way of share offer as set out in the prospectus of the Company dated 29 March 2018 (the "**Prospectus**" and the "**Share Offer**", respectively). There has been no change in the capital structure of the Group since the Listing Date and up to the date of this annual report.

## CHARGES ON ASSETS

As at 31 March 2020, the pledged bank deposits of the Group were approximately HK\$2.0 million (2019: HK\$2.0 million).

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investment, material acquisitions and disposals of subsidiaries, associated companies or joint ventures during the year ended 31 March 2020.

## SHARE OPTIONS

Details of the Company's share option schemes are set out on pages 40 to 43 of this annual report.

# Management Discussion and Analysis

## PRINCIPAL RISKS

The business operations and results of the Group may be affected by various external and internal risks. Details of the risks are shown on page 43 in the Directors' Report in this annual report.

## FOREIGN CURRENCY

During the year ended 31 March 2020, most of the transactions of the Group were denominated and settled in Hong Kong dollars, the functional and reporting currency of the Group.

The Group does not have a significant foreign exchange exposure and has currently not implemented any foreign currency hedging policy. The management will consider hedging against significant foreign exchange exposure should the need arise.

## USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the issue of a total of 250,000,000 new Shares of the Company at the offering price of HK\$0.27 per share under the Share Offer (the "**Net Proceeds**") as set out in the Prospectus, after deducting underwriting commission and other expenses relating to the Listing, amounted to approximately HK\$39.6 million. The Company intends to apply the Net Proceeds in the same proportion and in the same manner as shown in the Prospectus. An analysis of the utilization of the Net Proceeds from the Listing Date to 31 March 2020 is set out below:

Business objective and strategy	Approximately % of net proceeds %	Planned amount HK\$ million	Actual amount utilized as at 31 March 2020 HK\$ million	Notes
Expanding our restaurant network in strategic locations in Hong Kong	63.5	25.1	3.9	1
Maintaining steady food quality by setting up a central kitchen	14.6	5.8	–	2
Enhancing and upgrading our restaurant facilities	13.5	5.3	0.5	3
Strengthening customer relationship and our brand awareness	5.7	2.3	1.2	4
General working capital	2.7	1.1	1.1	
	100	39.6	6.7	

Notes:

1. Hana(TC) commenced operation in August 2019. Recently, our management team identified a location at Kowloon Bay for the opening of a new restaurant serving Asian cuisine. The Company is currently finalising the lease terms with the Landlord, pending for the signing of tenancy agreement and it is estimated that the new restaurant can commence operation in August 2020.

The Group continues to identify suitable locations fulfilling our expected scale of operations.

# Management Discussion and Analysis

## USE OF NET PROCEEDS FROM THE LISTING (Continued)

Notes: (Continued)

2. The Group is in the progress to identify suitable locations fulfilling our expected scale of operations.
3. Renovation and refurbishment has been carried out in certain of our restaurants and the amount will be incurred when necessary.
4. The Group solicits appropriate social platforms and marketing agents and the amount will be incurred as and when necessary.

The directors of the Company (the “**Directors**”) will continuously evaluate the Group’s business objective and will change or modify the plans against the changing market conditions to suit the business growth of the Group.

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

## CAPITAL COMMITMENT

As at 31 March 2020, the Group did not have any material capital commitment (2019: HK\$ Nil).

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2019 and 2020.

## DIVIDEND

No dividend has been paid or proposed by the Company in respect of the year ended 31 March 2020 (2019: HK1.5 cents per Share).

## EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2020, the Group employed approximately 232 employees (2019: 209 employees). The Group offers attractive remuneration packages, including competitive wages, benefits, discretionary bonuses and internal promotion opportunities to our employees.

The emoluments of the Directors are reviewed and approved by the remuneration committee of the Board, having regard to factors, including the remuneration paid by comparable companies, time commitment, job duties and responsibilities in respect of the relevant positions.

The Company has conditionally adopted by the resolutions in writing of all the Shareholders passed on 23 March 2018 a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme became effective on the Listing Date. The Share Option Scheme enables the Company to grant share options to any director, employee or officer, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company or any of its subsidiaries, as incentives or rewards for their contributions to our Group.

As at 31 March 2020 and the date of this annual report, there was no outstanding share option granted under the Share Option Scheme and no options were exercised or cancelled or lapsed during the year ended 31 March 2020.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Kwong Tai Wah (鄺大華先生) (“Mr. Kwong”)**, aged 65, was appointed to the Board on 8 November 2017 and is our co-founder, the chairman of the Board (the “**Chairman**”), the chief executive officer, an executive director of the Company and the chairman of the nomination committee. He is also a director of all the subsidiaries of the Company. He is responsible for the overall management and strategic planning of our Group. Mr. Kwong obtained his Bachelor’s degree of Arts from the University of Windsor, Canada in May 1978. Mr. Kwong has over 30 years of experience in the food and beverage industry.

Mr. Kwong is the father of Ms. Kwong Man Yui, an executive Director and the vice chairlady of the Company.

**Ms. Kwong Man Yui (鄺文蕊女士) (“Ms. Kwong”)**, aged 35, was appointed to the Board on 15 December 2017 and is the vice chairlady of the Board and an executive director of the Company. Ms. Kwong is responsible for the strategic planning, leasing, marketing, public relations and overall management of our Group. Ms. Kwong obtained her Bachelor’s degree of Commerce with distinction from the University of Toronto, Canada in June 2006 and her Master’s degree of Science in Real Estate with credit from the University of Hong Kong in November 2011. Ms. Kwong has over 9 years of experience in business management and shop leasing and has provided management and consultancy services to our Group since February 2014.

Ms. Kwong is the daughter of Mr. Kwong, the Chairman, the Chief Executive Officer, an executive director and the compliance officer of the Company.

**Mr. Lam On Fai (林安輝先生) (“Mr. Lam”)**, aged 58, was appointed to the Board on 15 December 2017 and is an executive director of our Company. He is responsible for the overall management of the restaurants of our Group. Before joining our Group as a group operation manager in September 2006, Mr. Lam worked in various senior positions with several food and beverage groups and has over 39 years of experience in the operation and management of restaurants.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lai Ming Fai Desmond (黎明輝先生) (“Mr. Lai”)**, aged 47, was appointed as an independent non-executive director of the Company (the “INED”) on 23 March 2018 and is the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Lai is currently a Partner of WWC Professional Corporation Limited, and was the Chief Financial Officer of Asia Television Digital Media Limited, an over-the-top digital entertainment platform and a wholly-owned subsidiary of Asia Television Holdings Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 707). Prior to this, Mr. Lai held senior positions at international accounting firms, leading audit and management consulting practices. Mr. Lai obtained his Bachelor’s degree of Commerce in Accounting and Finance from the University of New South Wales in Australia. He is a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

**Dr. Cheng Lee Lung (鄭利龍博士) (“Dr. Cheng”)**, aged 67, was appointed as an INED on 23 March 2018 and is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Dr. Cheng holds a number of professional, government advisory and public positions in Hong Kong. Dr. Cheng obtained his Bachelor’s degree in Science and Master’s degree in Science from Chelsea College (currently known as King’s College London), University of London in England in August 1976 and July 1981 respectively. He obtained his Doctor’s degree in Information and Communication Engineering from the Tsinghua University in China in July 2004.

**Mr. Kwok Yiu Chung (郭耀松先生) (“Mr. Kwok”)**, aged 57, was appointed as an INED on 23 March 2018 and is the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. Mr. Kwok is the chief executive officer of CBK Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8428). Mr. Kwok has been appointed to various positions of the Hong Kong Federation of Restaurants & Related Trades (香港餐飲聯業協會) (the “**Federation**”) since 2007 and has been a director of the Federation since 2015.

## SENIOR MANAGEMENT

**Mr. Lee Sai Keung (李世強先生) (“Mr. Lee”)**, aged 58, is the executive chef of our Group. Mr. Lee is responsible for the overall management and planning of cuisine and the general management of the culinary team of our Group. Mr. Lee obtained a Certificate in Professional Cookery (Western Style) from the Vocational Training Council in Hong Kong in July 1983. Before joining our Group in February 2009, Mr. Lee worked as section chef, head chef and executive chef in various restaurants operated by hotels, casinos and private employers in Hong Kong and overseas. He has about 40 years of experience in the operation and management of culinary operation.

**Ms. Li Wai Ping (李惠萍女士) (“Ms. Li”)**, aged 40, is the accounting manager of our Group. Ms. Li is responsible for the overall accounting and administrative matters of our Group. Ms. Li obtained her Bachelor’s degree of Arts in Accountancy from The Hong Kong Polytechnic University in October 2009. She is currently a member in good standing of the Association of Chartered Certified Accountants in the United Kingdom. Ms. Li has over 10 years of experience in accounting and taxation and joined our Group in September 2017.

# Corporate Governance Report

The Company is committed to fulfilling its responsibilities to its shareholders (the “**Shareholders**”) and protecting and enhancing Shareholders’ value by devoting considerable effort to identifying and formalizing good corporate governance practices.

The directors of the Company (the “**Directors**”) recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Company and its subsidiaries (collectively referred as to the “**Group**”) so as to achieve effective accountability.

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 March 2020 (the “**Year**”).

## CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code (the “**CG Code**”) as contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) was applicable to the Company for the year ended 31 March 2020. In the opinion of the board of Directors (the “**Board**”), the Company has adopted and complied with all applicable code provisions as set out in the CG Code except for code provision A.2.1 thereof for the year ended 31 March 2020 and up to the date of this annual report.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings in the securities as contained in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”) as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Required Standard of Dealings during the Period and up to the date of this annual report.

Other employees of the Group who are likely to be in possession of unpublished inside information of the Company are also subject to compliance with guidelines on no less than exacting terms than the Required Standard of Dealings set out in 5.48 to 5.67 of the GEM Listing Rules (the “**Written Guidelines**”). No incident of non-compliance of the Written Guidelines by the relevant employees was noted by the Company.

## DELEGATION BY THE BOARD

The daily operation and management of the business of the Group, amongst others, the implementation of strategies are delegated to the executive Directors along with other senior executives. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. They report periodically their work and business decisions to the Board.



# Corporate Governance Report

## BOARD OF DIRECTORS

### Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The responsibilities of these Board committees include monitoring the Group's operational and financial performance, and ensuring that appropriate internal control and risk management are in place. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and other duties assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

### Board Composition

The Company is committed to holding and implementing the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors (the "**INEDs**") so that there is a strong independent element on the Board which can effectively exercise independent judgment.

As at the date of this annual report, the Board comprises the following six Directors, of which the INEDs in aggregate represent 50% of the Board members, exceeding the requirement of the GEM Listing Rules:

#### **Executive Directors**

Mr. Kwong Tai Wah ("**Mr. Kwong**") (*Chairman and Chief Executive Officer*)

Ms. Kwong Man Yui ("**Ms. Kwong**") (*Vice Chairlady*)

Mr. Lam On Fai ("**Mr. Lam**")

#### **INEDs**

Mr. Lai Ming Fai Desmond ("**Mr. Lai**")

Dr. Cheng Lee Lung ("**Dr. Cheng**")

Mr. Kwok Yiu Chung ("**Mr. Kwok**")

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Mr. Kwong is the father of Ms. Kwong. Save as disclosed, there was no financial, business, family or other material relationship among the Directors during the Period.

# Corporate Governance Report

## BOARD OF DIRECTORS (continued)

### Board Composition (continued)

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Period, the Company had three INEDs, which was in compliance with the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules for the Year.

The chairman of the Board (the “**Chairman**”), being an executive Director has at least annually held one meeting with the INEDs without the presence of the other executive Directors.

Proper insurance coverage in respect of legal actions against the Directors’ liability has been arranged by the Company.

### Directors’ Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company’s operations and business and is fully aware of the Director’s responsibilities under statutes and common law, the GEM Listing Rules, legal and regulatory requirements and the Company’s business and governance policies.

The Company will from time to time find and arrange suitable training to all Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company’s expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
Mr. Kwong	A and B
Ms. Kwong	A and B
Mr. Lam	A and B
Mr. Lai	A and B
Dr. Cheng	A and B
Mr. Kwok	A and B

A: attending seminars/briefings/conferences/forums and workshops

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors’ duties and responsibilities

# Corporate Governance Report

## BOARD OF DIRECTORS (continued)

### Meetings of the Board and Directors' Attendance Records

The regular meeting of the Board is scheduled four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "Company Secretary") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

The attendance record of each Director in respect of the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee as well as the annual general meeting on 9 July 2019 (the "AGM") and the extraordinary general meeting on 23 December 2019 (the "EGM") is set out below:

Name of directors	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM	EGM
Executive Directors:						
Mr. Kwong	6/6	N/A	N/A	1/1	1/1	1/1
Ms. Kwong	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Lam	6/6	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors:						
Mr. Lai	6/6	5/5	2/2	N/A	1/1	1/1
Dr. Cheng	6/6	5/5	2/2	1/1	1/1	1/1
Mr. Kwok	6/6	5/5	2/2	1/1	1/1	1/1

The Board held a meeting on 12 June 2020 and, amongst other matters, considered and approved the audited consolidated financial statements of the Group for the Year.

Apart from the Board meetings above, consents and/or approvals of the Board were also obtained by way of written resolutions on a number of matters.

# Corporate Governance Report

## BOARD OF DIRECTORS (continued)

### Board Diversity Policy

The Board adopted a policy of the Board diversity, including the measurable objectives set for implementing the same on 23 March 2018. The Nomination Committee will review these objectives regularly.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board nominations, appointments and re-appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members and the nomination policy of the Company. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

## CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, Mr. Kwong was the Chairman and the chief executive officer (the "CEO") of our Group. In view of the fact that Mr. Kwong has been operating and managing the Group since 2000, the Board believes that it is in the best interest of the Group to have Mr. Kwong taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

## BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and Executive Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

### Audit Committee

The Audit Committee was established on the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, namely Mr. Lai, Dr. Cheng and Mr. Kwok. Mr. Lai is the chairman of the Audit Committee.

# Corporate Governance Report

## BOARD COMMITTEES (continued)

### Audit Committee (continued)

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving their remuneration and terms of engagement, and handling any questions regarding their resignation or dismissal;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing a policy on engaging external auditors to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the arrangements that the employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- considering other topics as defined by the Board.

During the Year, the Audit Committee held five meetings and, amongst other matters, considered and approved (i) audit-related matters, and (ii) the draft audited consolidated financial statements of the Group for the Year 2019, and the draft unaudited consolidated financial statements for the three months ended 30 June 2019, the six months ended 30 September 2019 and the nine months ended 31 December 2019, for presentation to the Board for its consideration and approval.

Each of the INEDs attended the above meetings in the capacity of a member/the chairman of the Audit Committee.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise.

The Group's consolidated financial statements for the Year have been reviewed by the Audit Committee at its meeting held on 12 June 2020. The Audit Committee is of the opinion that such consolidated financial statements comply with applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

# Corporate Governance Report

## BOARD COMMITTEES (continued)

### Nomination Committee

The Nomination Committee was established on the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises two INEDs, namely Dr. Cheng and Mr. Kwok, and Mr. Kwong, the Chairman, an executive Director and the chief executive officer of the Company (the “CEO”). Mr. Kwong is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of the Directors and the succession planning for the Directors, in particular, the Chairman and the chief executive; and
- reviewing and monitoring the implementation of the Board diversity policy as adopted by the Board.

During the Year, the Nomination Committee held one meeting and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the 2019 AGM.

Mr. Kwong, the Chairman, an executive Director and the CEO and Dr. Cheng and Mr. Kwok, both INEDs, attended the above Nomination Committee meeting in the capacity of a member/the chairman of the Nomination Committee.

On 12 June 2020, the Nomination Committee held a meeting and amongst others, reviewed the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM.

# Corporate Governance Report

## BOARD COMMITTEES (continued)

### Procedure and Process for Nomination of Directors

The Nomination Committee will recommend to the Board for the appointment of a Director including an INED in accordance with the following procedures and process:

- i. The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- ii. The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third party agency firm and proposals from the Shareholders with due consideration given to the criteria which include but are not limited to:
  - (a) diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
  - (b) commitment for responsibilities of the Board in respect of available time and relevant interest;
  - (c) qualifications, including accomplishment and experience in the relevant industries in which the Group's business is involved;
  - (d) independence of INEDs;
  - (e) reputation for integrity;
  - (f) potential contributions that the individual can bring to the Board; and
  - (g) plan(s) in place for the orderly succession of the Board.
- iii. The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third party reference checks;
- iv. The Nomination Committee will consider a broad range of candidates who are in and outside of the Board's circle of contacts;
- v. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- vi. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;

# Corporate Governance Report

## **BOARD COMMITTEES (continued)**

### **Procedure and Process for Nomination of Directors (continued)**

- vii. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive Director is considered, the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;
- viii. The Board may arrange for the selected candidate to be interviewed by the members of the Board who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and
- ix. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) with the relevant regulatory authorities, if required.

### **Remuneration Committee**

The Remuneration Committee was established with effect from the Listing Date with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises all the INEDs, namely Mr. Lai, Dr. Cheng and Mr. Kwok. Mr. Kwok is the chairman of the Remuneration Committee.

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on determining the remuneration packages of individual executive Directors and senior management including basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the INEDs;

During the Year, the Remuneration Committee held two meetings, and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management.

Each of the INEDs attended the above meetings in the capacity of a member/the chairman of the Remuneration Committee.

On 12 June 2020, the Remuneration Committee held a meeting and reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management.



# Corporate Governance Report

## BOARD COMMITTEES (continued)

### Corporate Governance Functions

The Board is responsible for performing the corporate governance functions which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this annual report.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company on 23 March 2018 for an initial term of three years commencing on the Listing Date.

Each of the INEDs has entered into a letter of appointment with the Company for a term of three years commencing on the Listing Date.

Save as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the agreements/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors, including INEDs, are subject to retirement by rotation and eligible for re-election in accordance with the Articles of Association. At each AGM, at least one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that each Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and does not offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director is not required to retire upon reaching any particular age.

# Corporate Governance Report

## APPOINTMENT AND RE-ELECTION OF DIRECTORS (continued)

The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, but so that the number of Directors so appointed shall not exceed the maximum number (if any) determined from time to time by the Shareholders in a general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the number of Directors who are to retire by rotation at an AGM.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in note 11 to the consolidated financial statements included in this annual report.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of the Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 1,000,000	2

## INDEPENDENT AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng Limited ("**HLB**") was engaged as the Group's independent auditors for the Year. Apart from the provision of annual audit services, HLB (including its affiliates) provided the audit and non-audit services in connection with the Listing.

The remuneration paid/payable to HLB in respect of the Year is set out below:

Services	Fee paid/ payable (in HK\$'000)
Audit services — Annual audit	673
Non-audit services	—
Total	673

# Corporate Governance Report

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for the preparation and true and fair presentation of the consolidated financial statements of the Company. In preparing the consolidated financial statements, the financial reporting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable judgements and estimates have been made. The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the ongoing concern basis in preparing the consolidated financial statements. The independent auditors' report, which contains the statement of the independent auditor about its reporting responsibilities on the Group's consolidated financial statements, is set out in the "Independent Auditors' Report" of this annual report.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Company has in place policies and procedures in relation to risk management and internal control. The Board, with the support of the Audit Committee, is primarily responsible for overseeing the risk management and internal control systems of the Company and for reviewing their effectiveness. A review on the effectiveness of the Company's risk management and internal control systems is conducted at least annually. The Company's internal control system and procedures are designed to meet its specific business needs and to minimise its risk exposure. The Company has adopted different internal guidelines, along with written policies and procedures to monitor and lessen the impact of risks which are relevant to its business and control its daily business operations. Management will identify the risks associated with the Group's day-to-day operations for review by the Board. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

In preparation for the Listing, the Company has engaged an independent internal control consultant to perform a detailed evaluation of the Group's internal control system including the areas of financial, operation, compliance and risk management with the aims of, among other matters, improving the Group's corporate governance and ensuring compliance with the applicable laws and regulations. Based on its internal control review, the independent internal control consultant concluded that it did not note any material deficiency over the Group's internal control mechanism.

Pursuant to C.2.1 of the CG Code, the Board engaged an independent internal control consultant to review the effectiveness of the Group's risk management and internal control systems to assess their effectiveness and adequacy for the Year and no significant deficiency was noted. With a view to further enhancing the Group's internal control systems on an ongoing basis, the Group will continue to engage external professional advisers to conduct the relevant review and consider establishing a formal in-house internal audit department where necessary from time to time, taking into account the development of the business and the scale and complexity of our operation in the future.

# Corporate Governance Report

## DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements, circulars and the Company’s website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group’s affairs, so that only the executive Directors are authorised to communicate with parties outside the Group.

## COMPANY SECRETARY

The Company has appointed Mr. Poon Tsz Hang (“**Mr. Poon**”) as the Company Secretary since 1 August 2019.

Mr. Poon provides certain corporate secretarial services to the Company and the primary person at the Company with whom Mr. Poon has been contacting in respect of company secretarial matters is Ms. Kwong, the vice chairlady and an executive Director.

Mr. Poon had attended over 15 hours’ relevant continuous professional development training during the Year pursuant to rule 5.15 of the GEM Listing Rules.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary are subject to the Board’s approval.

## SHAREHOLDERS’ RIGHTS

### Procedures for Putting Forward Proposals at Shareholders’ Meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the “**EGM**”) in accordance with the “Procedures for Shareholders to convene an EGM” set out below.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS (continued)

### Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company having the right of voting at general meetings of the Company (the **"Eligible Shareholder(s)"**) shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the **"Requisition"**) signed by the Eligible Shareholder(s) concerned (the **"Requisitionist(s)"**) at the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within two months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) will be advised of the outcome and accordingly, the Board or the Company Secretary will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board or the Company Secretary fails to proceed to convene an EGM, the Requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board or the Company Secretary to convene the EGM shall be reimbursed to the Requisitionist(s) by the Company.

### Procedures for Shareholders to Send Enquires to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Hong Kong at Room 2313, 23/F, Hong Kong Plaza, 186-191 Connaught Road West, Hong Kong (Telephone: (852) 2972-4111 Facsimile: (852) 3016-8662) for the attention of the Company Secretary or the Board.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS (continued)

### Procedures for Shareholders to Send Enquires to the Board (continued)

Upon receipt of the enquiries, the Company Secretary or the Board will forward the communications relating to:

1. the matters within the Board's purview to the executive Directors;
2. the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. ordinary business matters such as suggestions, enquiries and client complaints to the appropriate management of the Company.

## COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS RELATIONS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to the information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, announcements, circulars, AGMs and EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong. Since the Listing Date, there was no change to the Articles of Association.

## DIVIDEND POLICY

On 1 January 2019, the Board approved and adopted a dividend policy (the "**Dividend Policy**") as follows:

The declaration of payment of dividends is subject to the criteria set out in the Dividend Policy and shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Articles of Association and/or the Companies Law, Cap. 22 of the Cayman Islands.

The Board shall also take into account, inter alia, the Group's actual and expected business performance; stable and sustainable returns to the Shareholders; the expected working capital requirements and future expansion plans of the Group; retained earnings and distributable reserves of the Company as required by laws; business cycle on the operation of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and other factors that the Board deems appropriate.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

## CONSTITUTIONAL DOCUMENTS

During the Year, there is no significant change in the constitutional documents of the Company.

# Directors' Report

The board of directors (the “**Directors**” and the “**Board**”, respectively) of MS Concept Limited (the “**Company**”), together with its subsidiaries (the “**Group**”) is pleased to present their report for the year ended 31 March 2020 and the audited consolidated financial statements of the Group to the shareholders of the Company (the “**Shareholders**”).

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is the provision of catering services in Hong Kong. Details of the principal activities of its major subsidiaries are set out in note 31 to the consolidated financial statements.

## BUSINESS REVIEW

A fair review of the business together with a discussion and analysis of the Group for the year ended 31 March 2020 is set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 3 to 11 of this annual report.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five financial years is set out on page 112 of the annual report. The summary does not form part of the audited consolidated financial statements.

## MAJOR SUPPLIERS AND CUSTOMERS

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

The Group’s five largest suppliers together accounted for approximately 62.1% (2019: 67.3%) of the Group’s total purchase for the year ended 31 March 2020. The largest supplier accounted for approximately 45.8% (2019: 41.4%) of the total purchase of the Group for the year ended 31 March 2020.

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 improve the quality of services to the customers.

The Group stays connected with its customers and suppliers and has ongoing communication with them through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

Save as disclosed under the section headed “Non-exempt continuing connected transactions” of this annual report, none of the Directors, any of their associates, or any Shareholder of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company’s share capital) had any significant beneficial interest in the major customers or suppliers.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52 of this annual report.

The Board do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK1.5 cents per Share).

# Directors' Report

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 29 March 2018 (the "**Prospectus**") and in this annual report, the Group did not have other plans for material investments or capital assets as at 31 March 2020.

## USE OF PROCEEDS FROM LISTING

On 16 April 2018 (the "**Listing Date**"), the Company completed its initial public offer (the "**IPO**"). For the use of net proceeds from the IPO, please refer to section headed "Use of Net Proceeds from the Listing" in the Management and Discussion Analysis of this annual report.

## CHARITABLE DONATIONS

The Group made charitable donations totalling HK\$36,000 during the year ended 31 March 2020 (2019: HK\$36,000).

## SHARE CAPITAL

Details of the Company's share capital and movements during the year ended 31 March 2020 are set out in note 27 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company (the "**Articles of Association**") or the laws of the Cayman Islands, which oblige the Company to offer new shares of the Company (the "**Shares**") on a pro-rata basis to existing Shareholders.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its Shares listed and traded on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 March 2020; nor did the Company or any of its subsidiaries purchase or sell any of the Company's Shares during the year ended 31 March 2020.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 March 2020 are set out in the consolidated statement of changes in equity on page 54 of this annual report and note 29 to the consolidated financial statements, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's aggregate reserves available for distribution to equity shareholders of the Company, as calculated in accordance with the Companies Law, Cap 22 of the Cayman Islands, amounted to approximately HK\$24.2 million (2019: HK\$26.8 million) and retained profits and may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, if any, the Company will be able to pay off its debts as and when they fall due in the ordinary course of business.

## 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(a) to the consolidated financial statements.



# Directors' Report

## DIRECTORS

The Directors who held office during the year ended 31 March 2020 and up to the date of this annual report were:

### Executive Directors

Mr. Kwong Tai Wah ("**Mr. Kwong**") (*Chairman and Chief Executive Officer*)

Ms. Kwong Man Yui ("**Ms. Kwong**") (*Vice Chairlady*)

Mr. Lam On Fai ("**Mr. Lam**")

### Independent Non-executive Directors (the "INEDs")

Mr. Lai Ming Fai Desmond ("**Mr. Lai**")

Dr. Cheng Lee Lung ("**Dr. Cheng**")

Mr. Kwok Yiu Chung ("**Mr. Kwok**")

Pursuant to article 84(1) of the Articles of Association, at each annual general meeting of the Company (the "**AGM**"), one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. According to article 84(2) of the Articles of Association, the Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. At the forthcoming AGM (the "**2020 AGM**"), Mr. Lai and Mr. Kwok will retire from office as Directors by rotation and, being eligible, will offer themselves for re-election at the 2020 AGM.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force. Pursuant to the Articles of Association, every Director, independent auditors, secretary or other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices. The Company has taken out and maintained appropriate directors' liability insurance cover in respect of potential legal actions brought against its Directors.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out on pages 12 and 13 of this annual report.

# Directors' Report

## DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with the Company and each of our INEDs has entered into a letter of appointment with the Company for a term of three years commencing on the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to the termination provisions therein and the provisions on retirement by rotation of Directors as set out in the Articles of Association.

Save as disclosed above, none of the Directors proposed for re-election at the 2020 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## 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. The remuneration committee of the Company will review and determine the remuneration and compensation packages of the Directors by reference to their responsibilities, workload and time devoted to the Group and the performance of the Group.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

A master supply agreement entered into between Elite Fresh Food Company Limited ("**Elite**"), a company owned by the parties connected with the controlling shareholders (as defined in the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") of the Company and MS Restaurant Group Limited ("**MS Restaurant**"), a wholly-owned subsidiary of the Company on 23 March 2018 (the "**MS Agreement**") and disclosed in the section headed "Non-exempt continuing connected transactions" of this annual report.

On 8 November 2019, a new master supply agreement was entered into between Elite and MS Restaurant which effected from 1 April 2020 and up to 31 March 2023 (both dates inclusive) ("**New MS Agreement**"). An extraordinary general meeting was held on 23 December 2019 to vote for the transaction and a resolution was passed to approve the New MS Agreement by the Shareholders other than Future More and its associates, who are beneficially interested in 750,000,000 Shares, representing approximately 75% of the issued Shares of the Company and abstained from voting on the resolution.

Except for these, none of the Directors had a material interest, whether directly or indirectly, in any contract, agreement or arrangement of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during or at the end of the year ended 31 March 2020.

As at 31 March 2020, no contract, agreement or arrangement of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR SIGNIFICANT CONTRACTS

Apart from the transactions disclosed in note 30 to the consolidated financial statements, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Directors' Report

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### 1. Master Supply Agreement

Pursuant to the MS Agreement made between Elite and MS Restaurant, a wholly-owned subsidiary of the Company, our Group will purchase chilled and frozen meat and seafood and other food from Elite for the three financial years ending 31 March 2020 in accordance with the terms of the MS agreement. Since Elite is owned as to 50%, 25% and 25% by Ms. Ip Yin King Ingrid ("**Ms. Ingrid Ip**"), Mr. Kwong Tai Wing Joseph ("**Mr. Joseph Kwong**") and Ms. Kwong Ching Yee Melanie ("**Ms. Melanie Kwong**"), who are our controlling shareholders (which has the meaning ascribed to this term under the GEM Listing Rules), Elite is a connected person of our Company and the transactions contemplated under the MS Agreement, therefore, constitute the continuing connected transactions for our Group under Chapter 20 of the GEM Listing Rules. The Stock Exchange has granted a waiver from strict compliance with the requirements in respect of the relevant continuing connected transactions under Chapter 20 of the GEM Listing Rules.

The MS Agreement commenced on 23 March 2018. The purchase price and terms have been determined in accordance with the pricing policies and guideline set out in the Prospectus.

During the year ended 31 March 2020, the total purchases of food from Elite by the Group amounted to HK\$34,183,000 (2019: HK\$36,390,000). The Company confirms that the Company has complied with the reporting and annual review requirements under Chapter 20 of the GEM Listing Rules in respect of the continuing connected transactions set out above. The Company confirms that it has followed the policies and guidelines as set out in the Stock Exchange's Guidance Letter GL73-14 during the year ended 31 March 2020. The Directors, including the INEDs, consider that the continuing connected transactions above and the annual caps are fair and reasonable, and that such transactions have been entered into and will be carried out in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Shareholders as a whole.

### 2. Review by INEDs and Independent Auditors

The INEDs have reviewed the above continuing connected transactions and confirmed that in respect of the MS Agreement, the transactions were carried out during the year (1) in the ordinary and usual course of business of the Group; (2) on normal commercial or better terms; and (3) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent auditors of the Company have performed procedures on the above continuing connected transactions of the Company and issued a letter to the Board confirming that:

- (1) nothing has come to their attention that causes them to believe the above continuing connected transactions have not been approved by the Board;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) nothing has come to their attention that causes them to believe the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4) nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the annual cap.

# Directors' Report

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS (continued)**

The material related party transactions entered into by our Group are set out in note 30 to the consolidated financial statements to this annual report.

Save as disclosed above, none of the related party transactions constituted a connected transaction or continuing connected transaction (as defined in the GEM Listing Rules) that was required to be disclosed. All the connected transactions or continuing connected transactions had complied with the disclosure requirements of the GEM Listing Rules.

## **ANNUAL GENERAL MEETING**

2020 AGM will be held at 11:00 a.m. on Friday, 31 July 2020 at L'hotel Causeway Bay Harbour View, Meeting Room, 6/F, 18 King's Road, Causeway Bay, Hong Kong and the notice of the 2020 AGM will be published and despatched in accordance with the requirements under the Company's articles of association and GEM Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement of the Shareholders to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 27 July 2020 to Friday, 31 July 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2020 AGM, the non-registered Shareholders must lodge all duly completed share transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 24 July 2020.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is devoted to promoting and maintaining the environmental and social sustainable development and has implemented a wide variety of green measures. The Group's operations has complied in all material respects with currently applicable local environmental protection laws and regulations in Hong Kong during the year under review. A separate report on environmental, social and governance matters will be published within three months after the publication of this annual report.

## **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operations of the Group during the year under review.

## **RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS**

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders in order to meet its immediate and long-term goals. During the year under review, there was no material or significant dispute between the Group and its suppliers, customers and other stakeholders.

# Directors' Report

## COMPETITION AND CONFLICT OF INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that competed or might compete, directly or indirectly, with the business of the Group and any other conflict of interests which any such person had or might have with the Group during the year ended 31 March 2020.

Pursuant to a non-competition deed dated 23 March 2018 and executed by Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong, Ms. Melanie Kwong and Future More Company Limited ("**Future More**") (the "**Deed of Non-competition**"), each of them has undertaken to the Company that it/he/she will not engage in, and shall procure its/his/her close associates (other than members of the Group) not to engage in, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group. Details of the Deed of Non-competition have been disclosed in the section headed "Relationship with our Controlling Shareholders — Non-competition Undertaking" of the Prospectus.

The Company has received from each of Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong, Ms. Melanie Kwong and Future More a written confirmation that it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition. The INEDs have reviewed and were satisfied that each of Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong, Ms. Melanie Kwong and Future More had complied with and enforced the provisions of the Deed of Non-competition during the period from the Listing Date and up to the date of this report.

## INDEPENDENCE CONFIRMATION

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

# Directors' Report

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

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

### Long positions in the shares of the Company (the "Shares")

Name of Directors	Capacity/Nature of interest	Number of Shares	Percentage of shareholding (Note 3)
Mr. Kwong (Notes 1 and 2)	Interest of controlled corporation	750,000,000	75%
Ms. Kwong (Notes 1 and 2)	Interest of controlled corporation	750,000,000	75%

Notes:

1. On 23 November 2017, Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong entered into a concert party deed (the "Concert Party Deed") to acknowledge and confirm, among other things, that each of them has acted and shall continue to act in concert in respect of each of Meric Investment Limited ("Meric Investment"), Lord Master Limited ("Lord Master") and the Company. Details of the Concert Party Deed are set out in the section headed "History, Development and Reorganisation — Parties acting in concert" of the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong is deemed to be interested in the Shares registered in the name of Future More (i.e. 75% of the issued share capital of the Company) by virtue of the SFO.
2. As at 31 March 2020, Future More held 750,000,000 Shares and Future More was owned as to 14% by Mr. Kwong, 18% by Ms. Ingrid Ip, 18% by Ms. Kwong, 25% by Mr. Joseph Kwong and 25% by Ms. Melanie Kwong respectively. Mr. Kwong and Ms. Kwong are directors of Future More.
3. These percentages are calculated on the basis of 1,000,000,000 Shares in issue as at 31 March 2020.

# Directors' Report

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

### Long positions in the shares of associated corporation

Name of Directors	Name of associated corporation	Capacity	Number of ordinary shares held	Percentage of shareholding
Mr. Kwong	Future More	Interests held jointly with another person; beneficial owner	14	14%
Ms. Kwong	Future More	Interests held jointly with another person; beneficial owner	18	18%

Save as disclosed above and so far as is known to the Directors, as at 31 March 2020, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (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.

# Directors' Report

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

As at 31 March 2020 and so far as is known to the Directors, the following entities or persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying Shares, 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 substantial shareholders	Capacity/Nature of interests	Number of Shares held	Percentage of shareholding (Note 3)
Future More (Notes 1 and 2)	Beneficial owner	750,000,000	75%

Notes:

1. Pursuant to the Concert Party Deed, Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong have agreed to acknowledge and confirm, among other things, that each of them has acted and will continue to act in concert in respect of each of Meric Investment, Lord Master and the Company. Details of the Concert Party Deed are set out in the section headed "History, Development and Reorganisation — Parties acting in concert" of the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of Mr. Kwong, Ms. Ingrid Ip, Ms. Kwong, Mr. Joseph Kwong and Ms. Melanie Kwong is deemed to be interested in the Shares registered in the name of Future More (i.e. 75% of the issued share capital of the Company) by virtue of the SFO.
2. Future More is a company incorporated in the British Virgin Islands. As at 31 March 2020, Future More was owned as to 14% by Mr. Kwong, 18% by Ms. Ingrid Ip, 18% by Ms. Kwong, 25% by Mr. Joseph Kwong and 25% by Ms. Melanie Kwong, respectively.
3. These percentages are calculated on the basis of 1,000,000,000 Shares in issue as at 31 March 2020.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any interests or short positions owned by any entities or 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 under Section 336 of the SFO.



# Directors' Report

## SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the resolutions in writing of all the Shareholders passed on 23 March 2018 (the "**Adoption Date**"). The Share Option Scheme became effective on the Listing Date. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

### (a) Purpose

The Share Option Scheme enables the Company to grant options to subscribe for the Shares (the "**Options**") to any director, employee or officer, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company or any of the subsidiaries (the "**Eligible Person**"), as incentives or rewards for their contributions to our Group.

### (b) Participants

The basis of eligibility of any person to the grant of any Option shall be determined by our Board from time to time on the basis of his or her contribution or potential contribution to the development and growth of our Group.

### (c) Grant of Options

Our Board shall not offer the grant of Options to any Eligible Persons after an inside information has come to our Company's knowledge until we have announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of our results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

Subject to paragraph (k) below, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted to a participant under the Share Option Scheme and other schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares from time to time in issue, and provided that if approved by Shareholders in general meeting with such participant and his or her close associates (or his or her associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme and other schemes to such participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares from time to time in issue. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses, amongst other, information from time to time as required by the GEM Listing Rules, the number and the terms of the Options to be granted. The number and terms (including the exercise price) of the Option which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the exercise price.

# Directors' Report

## SHARE OPTION SCHEME (continued)

### (d) Exercise Price

The exercise price for any Shares under the Share Option Scheme will be a price determined by our Board and notified to each participant and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a trading day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the relevant Options; and (iii) the nominal value of a Share on the date of the grant.

### (e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and other schemes must not in aggregate exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") unless approved by the Shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or other schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,000,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 100,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) The Scheme Mandate Limit may be renewed by our Shareholders in general meeting provided always that to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and other schemes under the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and other schemes (including those exercised, outstanding, cancelled or lapsed in accordance with the terms thereof) shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information from time to time as required by the GEM Listing Rules.
- (iii) Subject to the terms of the Share Option Scheme and the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing such relevant information from time to time as required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, no Options may be granted by our Company if the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and other schemes in aggregate exceeds 30% of the Shares in issue from time to time.

No Option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Listing Date and up to 31 March 2020 and thereafter up to the date of this annual report. Accordingly, the total number of Shares available for issue under the Share Option Scheme is 100,000,000 Shares, representing 10% of the issued Shares as at the date of this annual report.

# Directors' Report

## SHARE OPTION SCHEME (continued)

### (f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period, provided that, amongst others, the period within which the Option must be exercised shall not be more than 10 years from the date on which that Option is deemed to have been granted. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each participant, which our Board may in its absolute discretion determine.

### (g) Rights are personal to grantee

An Option shall be personal to the participant and shall not be assignable or transferable and no participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

### (h) Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Board.

### (i) Amount payable on application or acceptance of the Option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid

The Eligible Person shall remit HK\$1.00 to our Company as consideration for the grant upon acceptance of the Option. The Option shall be offered for acceptance for a period of not less than 5 business days from the date on which the Option is granted. For the purpose of this paragraph (i), a business day shall mean any day other than a Saturday, Sunday or public holiday in Hong Kong.

### (j) Period of Share Option Scheme

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

The Board may impose such terms and conditions on the offer of Option(s) either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme, including but not limited to the minimum period for which such an Option must be held, if applicable.

# Directors' Report

## SHARE OPTION SCHEME (continued)

### (k) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Any grant of Options to any director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the INEDs (excluding any INED who is a proposed participant). If a grant of Options to a substantial shareholder of our Company or an INED, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including the Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Options must be approved by our Shareholders on a poll in a general meeting. The participant, his or her associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information as required under the GEM Listing Rules. In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to a participant who is a substantial shareholder of our Company, an INED or any of their respective associates. The circular must contain the following:

- (i) details of the number and terms of the Options (including the exercise price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price;
- (ii) a recommendation from our INEDs (excluding any INED who is a proposed participant) to the independent Shareholders as to voting; and
- (iii) all the information as required under the GEM Listing Rules from time to time.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive of our Company set out in this paragraph do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

## 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 ended 31 March 2020, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## MANAGEMENT CONTRACTS

No contracts (except for the service contracts of the executive Directors) concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

# Directors' Report

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report is expected to be published on the respective websites of the Stock Exchange and the Company no later than three months after this annual report has been published.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

- If we are unable to find suitable premises with commercially reasonable lease terms when we relocate or open new restaurants, or if we negotiate the terms of renewal with the landlords before the expiry of the lease agreements, we cannot assure that we would be able to renew such lease agreements on terms acceptable to us, in which cases our operation, relocation plans or expansion plans may be delayed or disrupted and our results of operation and financial conditions could be adversely affected.
- Substantial cost such as rental deposits, renovation cost and cost on utensils would be incurred for the opening of new restaurants. Our ability to successfully open new restaurants is subject to risks and uncertainties, such as securing lease agreements for suitable locations and on reasonable terms, obtaining all the necessary licences and permits in a timely manner, recruiting qualified employees and ensuring timely delivery of renovation works. In addition, a new restaurant generally generates lower profit due to lower sales and higher start-up operating costs in the initial stage and requires a period of time from its opening to achieve the breakeven, which may place substantial strain on the managerial, operational and financial resources of our Group.
- Statutory minimum wage rate in Hong Kong was raised to HK\$37.5 per hour with effect from 1 May 2019. If there is any further increase in the statutory minimum wage rate in Hong Kong, our staff costs would likely increase correspondingly. As wages increase, competition for qualified employees also increases, which may indirectly result in a further increase in our staff costs. Given the competitive market environment in Hong Kong, we may not be able to increase our prices high enough to pass these increased staff costs onto our customers, in which case our business and results of operations would be affected.
- After the outbreak of COVID-19 since January 2020, regulatory restrictions imposed on social distancing by the Hong Kong government, with some specific to the catering business and lowered the maximum capacity of restaurants. The customer visits of our restaurants decreased and the businesses were affected. If the regulatory restrictions imposed on social distancing measure continues to in place, or additional tightened measures implementing by the Hong Kong government to control the outbreak COVID-19, it is expected the recovery of business will be slow and our results of operations would be affected.

## INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Alliance Capital Partners Limited (“ACP”) to be the compliance adviser. As informed by ACP, neither ACP 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 ACP dated 16 April 2018.

# Directors' Report

## CORPORATE GOVERNANCE CODE

In the opinion of the Directors, except for deviations from code provision A.2.1 as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (the “**CG Code**”) which is explained in the section headed “Corporate Governance Report”, the Group has complied with all code provisions as set out in the CG Code throughout the accounting period covered by this annual report. A report on the principal corporate governance practices adopted by the Company is set out in the section headed “Corporate Governance Report” of this annual report.

## 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 the Company has maintained a sufficient public float (i.e. at least 25% of the issued Shares in public hands) as required under the GEM Listing Rules throughout the period from the Listing Date to the date of this annual report.

## AUDIT COMMITTEE

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

## RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

## EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this annual report.

## FUTURE PROSPECT

The pandemic has recently shown signs of stabilising when compared to the onset of the outbreak in Hong Kong, and the Government had refined and relaxed certain control measures in relation to COVID-19. However, the scale of the pandemic remains uncertain and the Hong Kong economy, especially the consumption market and catering industry, will take an extended period of time to recover. We will continue to review and assess the business performance of each restaurants and will try our utmost effort to negotiate the most favourable terms with the relevant landlords upon the leases of premises are expiring so as to maintain the sustainability of our business.

Despite the difficult business environment, our experienced management team will continue to adopt cost saving measures, as well as explore the appropriate opportunities to expand our restaurant business in Hong Kong with a more prudent approach to maximize the return to shareholders. Recently, our management team identified a location at Kowloon Bay for the opening of a new restaurant serving Asian cuisine. The Company is currently finalising the lease terms with the landlord, pending for the signing of tenancy agreement and it is estimated that the new restaurant can commence operation in August 2020. Further announcements will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

# Directors' Report

## INDEPENDENT AUDITORS

The consolidated financial statements of the Company for the year ended 31 March 2020 have been audited by HLB Hodgson Impey Cheng Limited, the independent auditors, which will retire and, being eligible, offer themselves for re-appointment.

A resolution will be proposed at the 2020 AGM to re-appoint HLB Hodgson Impey Cheng Limited as the independent auditors of the Company until the conclusion of the next AGM and to authorize the Board to fix their remuneration.

On behalf of the Board

**Kwong Tai Wah**

*Chairman*

Hong Kong, 12 June 2020

# Independent Auditors' Report



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

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MS CONCEPT LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of MS Concept Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 52 to 111, which comprise the consolidated statement of financial position as at 31 March 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**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.



# Independent Auditors' Report

## KEY AUDIT MATTERS

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

### Key audit matter

### How our audit addressed the key audit matter

#### ***Revenue recognition from the Group's restaurants operations***

Refer to note 7 to the consolidated financial statements

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

Our procedures in relation to revenue recognition from restaurants operations including but not limited to:

- Obtaining an understanding of the Group's revenue recognition policy for the Group's restaurants operations;
- Obtaining an understanding of the revenue business processes and key controls, and testing key manual and information technology controls for validity of revenue recognition from restaurants operations; and
- Verifying the revenue from restaurant operations by tracing revenue recognised for restaurants operations to daily sales reports and cash receipts and credit card settlements, on a sample basis.

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

# Independent Auditors' Report

## KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Impairment of property, plant and equipment and right-of-use assets</i></b></p> <p>Refer to note 16(a) and note 16(b) to the consolidated financial statements.</p> <p>We identified the impairment of property, plant and equipment and right-of-use assets as a key audit matter due to the significance of the balance on the consolidated statement of financial position as at 31 March 2020 and the significant judgement and estimates were involved in assessment of the recoverable amounts of property, plant and equipment and right-of-use assets based on value-in-use calculations.</p>	<p>Our procedures in relation to management's impairment assessment including but not limited to:</p> <ul style="list-style-type: none"><li>• assessing the appropriateness of the methodology, key assumptions and estimates used in management's discount cash flow projections, based on our knowledge of the relevant industry and using our valuation experts;</li><li>• challenging the reasonableness of key assumptions used based on our knowledge of the business and industry; and</li><li>• checking, on a sampling basis, the accuracy and relevance of the input data used.</li></ul> <p>We found that the key assumptions used by management in the impairment assessment of property, plant and equipment and right-of-use assets were supported by available evidence.</p>

## 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.

# Independent Auditors' Report

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. The report is made 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Independent Auditors' Report

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.
- 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.

# Independent Auditors' Report

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Ng Ka Wah.

### **HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

### **Ng Ka Wah**

Practicing Certificate Number: P06417

Hong Kong, 12 June 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	7	<b>225,764</b>	258,561
Cost of inventories sold		<b>(74,401)</b>	(82,866)
Gross profit		<b>151,363</b>	175,695
Other revenue and other income	8	<b>3,053</b>	1,050
Staff costs		<b>(71,730)</b>	(78,244)
Depreciation		<b>(42,560)</b>	(5,237)
Rentals and related expenses		<b>(14,858)</b>	(53,847)
Fuel and utility expenses		<b>(4,996)</b>	(5,308)
Administrative expenses		<b>(20,223)</b>	(22,971)
Listing expenses		–	(7,443)
Finance costs	9	<b>(3,570)</b>	(844)
(Loss)/profit before tax	10	<b>(3,521)</b>	2,851
Income tax credit/(expenses)	13	<b>646</b>	(2,077)
(Loss)/profit for the year and total comprehensive (loss)/income for the year		<b>(2,875)</b>	774
(Loss)/profit for the year and total comprehensive (loss)/income for the year attributable to owners of the Company		<b>(2,875)</b>	774
<b>(Loss)/earnings per share</b>			
Basic and diluted (loss)/earnings per share (HK cents)	15	<b>(0.29)</b>	0.08

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

# Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16(a)	5,455	6,167
Right-of-use assets	16(b)	42,071	–
Deferred tax assets	17	2,745	2,127
Non-current rental deposits	20	7,255	7,591
		<b>57,526</b>	15,885
<b>Current assets</b>			
Inventories	18	597	495
Trade receivables	19	572	3,096
Deposits, prepayments and other receivables	20	9,401	8,925
Prepaid tax		1,161	1,133
Pledged deposits	21	2,029	2,019
Cash and cash equivalents	22	48,479	65,804
		<b>62,239</b>	81,472
<b>Current liabilities</b>			
Trade payables	23	10,616	15,170
Accruals and other payables	24	6,845	3,537
Contract liabilities	25	211	70
Bank borrowings	26	11,787	16,879
Lease liabilities	16(b)	29,117	–
		<b>58,576</b>	35,656
<b>Net current assets</b>		<b>3,663</b>	45,816
<b>Total assets less current liabilities</b>		<b>61,189</b>	61,701
<b>Non-current liability</b>			
Lease liabilities	16(b)	17,363	–
<b>Net assets</b>		<b>43,826</b>	61,701
<b>Capital and reserve</b>			
Share capital	27	10,000	10,000
Reserve		33,826	51,701
<b>Total equity</b>		<b>43,826</b>	61,701

The consolidated financial statements were approved and authorised for issue by the board of directors on 12 June 2020 and signed on its behalf by:

**Kwong Tai Wah**  
Director

**Kwong Man Yui**  
Director

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

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2018	–	–	3,988	3,988
Profit for the year and total comprehensive income for the year	–	–	774	774
Capitalisation issue	7,500	(7,500)	–	–
Issue of shares by way of share offer	2,500	65,000	–	67,500
Share issuing expenses	–	(10,561)	–	(10,561)
At 31 March 2019 and at 1 April 2019	10,000	46,939	4,762	61,701
Loss for the year and total comprehensive loss for the year	–	–	(2,875)	(2,875)
Dividend paid (Note 14)	–	(15,000)	–	(15,000)
<b>At 31 March 2020</b>	<b>10,000</b>	<b>31,939</b>	<b>1,887</b>	<b>43,826</b>



# Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(3,521)	2,851
Adjustments for:			
Finance costs	9	3,570	844
Interest income	8	(489)	(259)
Impairment loss of property, plant and equipment	10	23	–
Impairment loss of right-of-use assets	10	341	–
Loss on written-off of property, plant and equipment	10	2	29
Depreciation of property, plant and equipment	10	4,065	5,237
Depreciation of right-of-use assets	10	38,495	–
Operating cash flows before movements in working capital		42,486	8,702
(Increase)/decrease in inventories		(102)	366
Decrease/(increase) in trade receivables		2,524	(416)
(Increase)/decrease in deposits, prepayments and other receivables		(140)	2,582
Decrease in trade payables		(4,554)	(2,390)
Increase/(decrease) in accruals and other payables		1,449	(6,158)
Increase/(decrease) in contract liabilities		141	(92)
Cash generated from operations		41,804	2,594
Profit tax paid		–	(4,728)
<b>Net cash generated from/(used in) operating activities</b>		<b>41,804</b>	<b>(2,134)</b>
<b>Cash flows from investing activities</b>			
Interest received		489	259
Purchase of property, plant and equipment	16(a)	(3,378)	(357)
Placement of pledged deposits		(10)	(4)
<b>Net cash used in investing activities</b>		<b>(2,899)</b>	<b>(102)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(671)	(848)
Proceeds from issue of new shares		–	67,500
Share issuing expenses		–	(10,561)
Repayments of lease liabilities	16(b)	(35,467)	–
Repayment to a related company		–	(74)
Proceeds from bank borrowings		–	5,000
Repayment of bank borrowings		(5,092)	(6,747)
Dividend paid	14	(15,000)	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(56,230)</b>	<b>54,270</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17,325)</b>	<b>52,034</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>65,804</b>	<b>13,770</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>48,479</b>	<b>65,804</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 8 November 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 2313, 23/F, Hong Kong Plaza, 186–191 Connaught Road West, Hong Kong. In the opinion of the directors, the immediate and ultimate holding company of the Company is Future More Company Limited ("**Future More**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability.

The Company's shares are listed on Growth Enterprises Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company is an investment holding company and the Group is principally engaged in provision of catering services in Hong Kong.

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

### New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and interpretations (collectively referred to as the "**new and amendments to HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), for the first time in the current year:

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

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

### HKFRS 16 Leases

The Group has applied HKFRS 16 Lease ("**HKFRS 16**") for the first time in the current year. HKFRS 16 superseded HKAS 17 Lease ("**HKAS 17**") and the related interpretations.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

### HKFRS 16 Leases (continued)

#### **Definition of a lease**

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

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

#### **As a lessor**

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

#### **As a lessee**

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information in previous reporting period has not been restated.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

### HKFRS 16 Leases (continued)

#### As a lessee (continued)

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

The Group recognised lease liabilities of approximately HK\$61.0 million and right-of-use assets approximately HK\$61.0 million at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.25%.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed at 31 March 2019	65,283
Less: total future interest expenses	(4,240)
Lease liabilities relating to operating leases recognised upon application of HKFRS16 as at 1 April 2019	61,043
Analysed as	
Current	31,192
Non-current	29,851
	61,043

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

	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	61,043
	HK\$'000
By class:	
Leased properties	61,043

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

### HKFRS 16 Leases (continued)

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

#### Impact on the consolidated statement of financial position

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Impact on application of HKFRS 16 HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
<b>Non-current assets</b>			
Right-of-use assets	–	61,043	61,043
<b>Current liabilities</b>			
Lease liabilities	–	31,192	31,192
<b>Non-current liabilities</b>			
Lease liabilities	–	29,851	29,851

Note:

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

#### New and amendments to HKFRSs in issue but not yet effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material <sup>1</sup>
HKFRS 3 (Amendments)	Definition of a business <sup>2</sup>
HKFRS 9, HKAS 39, and HKFRS7 (Amendments)	Interest Rate Benchmark Reform <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 16 (Amendments)	Covid-19 Related Rent Concession <sup>5</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020.

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> No mandatory effective date is determined yet but early application is permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework in HKFRS Standards” will be effective for annual periods beginning on or after 1 January 2020. The directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 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 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 (the “**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 at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and 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.

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

### Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. 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.

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	20%
Catering and other equipment	20% to 30%

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

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.

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets 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 to which the asset belongs. When reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amounts of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs at the end of each reporting period, as explained in the accounting policies set out below. In addition, the Group assesses whether there is indication that corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to reduce the carrying amount of any goodwill (if applicable) and then to other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of property, plant and equipment and right-of-use assets (continued)

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

### Inventories

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

### Financial instruments

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

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

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

### Financial assets

*Classification and subsequent measurement of financial assets*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Amortised cost and interest income*

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

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits, other receivables, pledged deposits and cash and cash equivalents), which are subject to impairment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group always recognise lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for credit card trade receivables and collectively for corporate customers using a provision matrix with past due status grouping.

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

##### *Significant increase in credit risk*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Significant increase in credit risk (continued)*

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

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

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

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

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

##### *Definition of default*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Impairment of financial assets (continued)*

##### *Credit-impaired financial assets*

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### *Measurement and recognition of ECL*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

*Impairment of financial assets (continued)*

*Measurement and recognition of ECL (continued)*

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

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

*Derecognition of financial assets*

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

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

### Financial liabilities and equity instruments

*Classification as debt or equity*

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

*Equity instruments*

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

#### *Financial liabilities at amortised cost*

Financial liabilities (including trade payables, accruals and other payables (excluding receipt in advance), lease liabilities and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

#### *Derecognition of financial liabilities*

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

### Contingent liabilities and contingent assets

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Revenue from contracts with customers**

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

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

### **Revenue from restaurants operations**

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

### **Revenue from sales of goods**

Revenue from sales of goods is recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. The normal credit term is up to 90 days upon delivery.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue from contracts with customers (continued)

#### **Sponsorship income**

Under the terms of contracts, sponsorship income is recognised as a performance obligation satisfied over sponsorship period.

#### **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.

### Leasing (Upon application of HKFRS 16 in accordance with transition in note 2)

#### **Definition of a lease**

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

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

#### **As a lessee**

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *Short-term lease and lease of low-value assets*

The Group applies the short-term lease recognition exemption to leases of properties, machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (Upon application of HKFRS 16 in accordance with transition in note 2) (continued)

#### As a lessee (continued)

##### *Right-of-use assets (continued)*

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

##### *Lease liabilities*

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

The lease payments include:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (Upon application of HKFRS 16 in accordance with transition in note 2) (continued)

#### As a lessee (continued)

##### *Lease liabilities (continued)*

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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

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

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

##### *Lease modification*

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (before application of HKFRS 16 on 1 April 2019)

#### **Definition of a lease**

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

#### **The Group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Variable lease payments 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.

### Employee benefits

#### **Short term employee benefits**

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### **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.

#### **Borrowing costs**

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

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### **Deferred tax**

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease portion of lease liabilities resulting in net deductible temporary differences.

#### **Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

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

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

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

### 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.

### Dividend distribution

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. 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 directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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.

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

### **Determination on lease term of contracts with renewal options**

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to restaurants. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs);

During the year ended 31 March 2020, the Group did not exercise any of its renewal options in respect of the leases.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Impairment assessment of property, plant and equipment and right-of-use assets

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

As at 31 March 2020, the carrying amounts of right-of-use assets and property, plant and equipment are HK\$42,071,000 and HK\$5,455,000 (2019: Nil and HK\$ 6,167,000) respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in Note 16(a) & 16(b), respectively.

### 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

Fixed assets are depreciated 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.

### Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the deferred tax assets are contained in note 17 to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
Amortised cost:		
— Trade receivables	572	3,096
— Deposits and other receivables	15,702	15,584
— Pledged deposits	2,029	2,019
— Cash and cash equivalents	48,479	65,804
<b>Financial liabilities</b>		
Amortised costs:		
— Trade payables	10,616	15,170
— Accruals and other payables	6,845	3,537
— Bank borrowings	11,787	16,879
— Lease liabilities	46,480	–

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

The Group major financial instruments include trade receivables, deposits, other receivables, pledged deposits, cash and cash equivalents, trade payables, accruals and other payables, lease liabilities and bank borrowings. Details of the financial instruments for the Group are disclosed in respective notes to the consolidated financial statements.

The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### **Market risk**

##### *Interest rate risk*

The Group is exposed to interest rate risk relates primarily to variable rate borrowings (note 26). 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, the directors 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 year were outstanding for the whole year. A 25 basis points (2019: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the directors' assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2019: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2020 would increase/decrease by approximately HK\$24,000 (2019: post-tax profit for the year ended 31 March 2019 would decrease/increase by approximately HK\$35,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings.

#### **Credit risk and impairment assessment**

The Group's credit risk is primarily attributable to trade receivables, deposits, other receivables, pledged deposits and cash and cash equivalents at 31 March 2020 and 2019.

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

The Group assesses concentration of credit risk by monitoring the individual profile of its trade receivables on an ongoing basis.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### **Credit risk and impairment assessment (continued)**

The Group deposited its pledged deposits and cash and cash equivalents with reputable banks with high credit ratings assigned by international credit-rating agencies. Bankruptcy or insolvency of the banks may cause the Group's right with respect to pledged deposits and cash and cash equivalents held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk at 31 March 2020 and 2019 were minimal.

At 31 March 2020 and 2019, no impairment allowance was recognised for the Group's financial assets as the amounts are insignificant.

#### **Liquidity risk**

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

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

	Weighted average effective interest rate	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
<b>At 31 March 2020</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	-	10,616	-	-	10,616	10,616
Accruals and other payables	-	6,845	-	-	6,845	6,845
Bank borrowings	6.19%	12,517	-	-	12,517	11,787
Lease liabilities	5.25%	30,770	17,841	-	48,611	46,480
		60,748	17,841	-	78,589	75,728

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

	Weighted average effective interest rate	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
<b>At 31 March 2019</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	-	15,170	-	-	15,170	15,170
Accruals and other payables	-	3,537	-	-	3,537	3,537
Bank borrowings	7.02%	18,064	-	-	18,064	16,879
		36,771	-	-	36,771	35,586

Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. At 31 March 2020, the aggregate carrying amounts of these bank borrowings amounted to HK\$11,787,000 (2019: HK\$16,879,000). Taking into account the Group's consolidated 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 repayment 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.

	Within 1 year HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
<b>Bank borrowings with a repayment on demand clause</b>					
<b>At 31 March 2020</b>	<b>4,471</b>	<b>8,046</b>	<b>-</b>	<b>12,517</b>	<b>11,787</b>
At 31 March 2019	6,065	11,999	-	18,064	16,879

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 5. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value of financial assets and financial liabilities carried at other than fair value

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

### (d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amounts of dividend paid to the shareholders or issue of new shares or redemption of existing shares as well as issue of new debts or redemption of existing debts.

The Group is not subject to any externally imposed capital requirements. The Group's overall strategy remains unchanged from prior years.

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

	2020 HK\$'000	2019 HK\$'000
Total borrowings (note (i))	11,787	16,879
Less: Cash and cash equivalent (note (ii))	(50,508)	(67,823)
Net cash	(38,721)	(50,944)
Total equity	43,826	61,701
Total debts to equity ratio	27%	27%

Notes:

- (i) Total borrowings include bank borrowings in note 26 to the consolidated financial statement.
- (ii) Cash and cash equivalents include pledged deposits and cash and cash equivalents in notes 21 and 22 to the consolidated financial statements respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 6. SEGMENT INFORMATION

The Group is principally engaged in the provision of catering services through a chain of restaurants in Hong Kong. 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

### *Disaggregation of revenue from contracts with customers*

	2020 HK\$'000	2019 HK\$'000
Restaurants operations	223,945	256,268
Sales of food	1,819	2,293
Revenue from contracts with customers	225,764	258,561

	2020 HK\$'000	2019 HK\$'000
<i>Timing of revenue recognition</i>		
A point in time	225,764	258,561

### *Transaction allocated to the remaining performance obligation for contract with customer*

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its restaurants operations such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations.

## 8. OTHER REVENUE AND OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income	489	259
Tips income	241	313
Sponsorship income	150	75
Government subsidies	2,000	–
Sundry income	173	403
	3,053	1,050

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 9. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	671	844
Interest on lease liabilities	2,899	–
	<b>3,570</b>	844

## 10. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Auditors' remuneration:		
— Audit services	673	899
— Non-audit services	–	129
	<b>673</b>	1,028
Cost of inventories sold	74,401	82,866
Depreciation of property, plant and equipment	4,065	5,237
Depreciation of right-of-use assets	38,495	–
Impairment of property, plant and equipment	23	–
Impairment of right-of-use assets	341	–
Loss on written-off of property, plant and equipment	2	29
Operating lease charges on properties		
— Minimum lease payments	–	38,116
— Variable lease payments	2,804	4,588
— Short term lease expenses	36	–
	<b>2,840</b>	42,704
Employee benefit expenses (including directors' remuneration):		
— Salaries and other allowances	67,343	72,943
— Staff benefits	1,419	1,988
— Retirement benefit scheme contributions	2,968	3,313
	<b>71,730</b>	78,244
Listing expenses	–	7,443

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 11. DIRECTORS' REMUNERATION

The remuneration of directors were set out below:

	Year ended 31 March 2020			
	Directors' fees HK\$'000	Salaries, allowance, and benefits in kind HK\$'000	Retirement benefit scheme contribution HK\$'000	Total HK\$'000
<b>Executive directors:</b>				
Mr. Kwong Tai Wah ("Mr. Kwong")	–	3,360	11	3,371
Ms. Kwong Man Yui ("Ms. Kwong")	–	2,240	18	2,258
Mr. Lam On Fai	–	952	18	970
<b>Independent non-executive directors:</b>				
Mr. Lai Ming Fai Desmond	185	–	–	185
Dr. Cheng Lee Lung	185	–	–	185
Mr. Kwok Yiu Chung	185	–	–	185
	<b>555</b>	<b>6,552</b>	<b>47</b>	<b>7,154</b>

	Year ended 31 March 2019			
	Directors' fees HK\$'000	Salaries, allowance, and benefits in kind HK\$'000	Retirement benefit scheme contribution HK\$'000	Total HK\$'000
<b>Executive directors:</b>				
Mr. Kwong	–	2,915	19	2,934
Ms. Kwong	–	1,894	20	1,914
Mr. Lam On Fai	–	899	19	918
<b>Independent non-executive directors:</b>				
Mr. Lai Ming Fai Desmond <i>(appointed on 23 March 2018)</i>	176	–	–	176
Dr. Cheng Lee Lung <i>(appointed on 23 March 2018)</i>	176	–	–	176
Mr. Kwok Yiu Chung <i>(appointed on 23 March 2018)</i>	176	–	–	176
	<b>528</b>	<b>5,708</b>	<b>58</b>	<b>6,294</b>

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 11. DIRECTORS' REMUNERATION (continued)

During the years ended 31 March 2020 and 2019, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during the years ended 31 March 2020 and 2019.

No share options were granted to the directors during the years ended 31 March 2020 and 2019.

Except as disclosed in note 30 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 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 employees of the Group during the year include three (2019: three) directors, whose emoluments are disclosed in note 11 to the consolidated financial statements, for the year ended 31 March 2020. Details of the emoluments for the year of the remaining two (2019: two) highest paid employees who are not director or chief executive of the Company are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowance and benefits in kind	1,205	1,214
Retirement benefit scheme contributions	33	35
	<b>1,238</b>	1,249

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

	2020	2019
Nil to HK\$1,000,000	2	2

During the years ended 31 March 2020 and 2019, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

No share options were granted to five highest paid employees for both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 13. INCOME TAX (CREDIT)/EXPENSES

	2020 HK\$'000	2019 HK\$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Charge for the year	12	2,252
(Over)/under-provision in prior years	(40)	109
	(28)	2,361
Deferred tax credit ( <i>note 17</i> )	(618)	(284)
	(646)	2,077

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

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before tax	(3,521)	2,851
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	(581)	470
Tax relief of 8.25% on first HK\$2 million assessable profit	(32)	(165)
Tax effect of expenses not deductible for tax purpose	155	1,178
Tax effect of income not taxable for tax purpose	(409)	(42)
Tax effect of tax loss not recognised	490	539
Tax effect of temporary difference not recognised	(209)	28
(Over)/under-provision in prior years	(40)	109
One-off tax reduction of Hong Kong Profits Tax by Inland Revenue Department	(20)	(40)
Income tax (credit)/expenses for the year	(646)	2,077

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 14. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Dividend paid during the year:		
Final dividends for 2019 — HK1.5 cents per ordinary share	<b>15,000</b>	—

The directors do not recommend the payment of final dividends for the year ended 31 March 2020.

On 9 July 2019, the Company declared a final dividend of HK1.5 cents per ordinary share, in respect of the year ended 31 March 2019, with total dividends of HK\$15,000,000 to shareholder have been approved by the shareholders in the annual general meeting. The dividend was paid in July 2019.

## 15. (LOSS)/EARNINGS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
<b>(Loss)/earnings per share</b>		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	<b>(2,875)</b>	774

	2020 '000	2019 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,000,000</b>	989,726

The calculation of basic (loss)/earnings per share for the years ended 31 March 2020 and 2019 is based on (loss)/profit attributable to owners of the Company and the weighted average number of shares.

For the year ended 31 March 2019, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share have been adjusted for the effect of placing completed on 16 April 2018.

Diluted (loss)/earnings per share were same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares in issue.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16(a) PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Catering and other equipment HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 April 2018	28,074	3,206	8,532	39,812
Additions	80	132	145	357
Disposal and written-off	(33)	(271)	(347)	(651)
At 31 March 2019 and at 1 April 2019	28,121	3,067	8,330	39,518
Additions	2,404	244	730	3,378
Written-off	(3,867)	(299)	(468)	(4,634)
<b>At 31 March 2020</b>	<b>26,658</b>	<b>3,012</b>	<b>8,592</b>	<b>38,262</b>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2018	19,810	2,303	6,623	28,736
Charge for the year	3,901	401	935	5,237
Eliminated upon disposal and written-off	(27)	(262)	(333)	(622)
At 31 March 2019 and at 1 April 2019	23,684	2,442	7,225	33,351
Charge for the year	3,123	323	619	4,065
Impairment	–	14	9	23
Eliminated upon written-off	(3,867)	(297)	(468)	(4,632)
<b>At 31 March 2020</b>	<b>22,940</b>	<b>2,482</b>	<b>7,385</b>	<b>32,807</b>
<b>Carrying amounts</b>				
<b>At 31 March 2020</b>	<b>3,718</b>	<b>530</b>	<b>1,207</b>	<b>5,455</b>
At 31 March 2019	4,437	625	1,105	6,167

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16(a) PROPERTY, PLANT AND EQUIPMENT (continued)

### IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2020, the Group's management identified certain restaurants which have continued to underperform and estimated the corresponding recoverable amounts of the property, plant and equipment of each individual restaurant cash generating unit. The estimates of the recoverable amount were based on the value-in-use of these property, plant and equipment, determined using pre-tax discount rates in the range of 7.1% to 12.3% (2019: Nil). Based on these estimates, an impairment loss of HK\$23,000 (2019: Nil) was recognised to write down the carrying amount of property, plant and equipment to its recoverable amount as at 31 March 2020.

## 16(b) LEASES

### THE GROUP AS A LESSEE

This note provides information for leases where the Group is a lessee. The Group has lease contracts for certain of its office premises and restaurants properties. Leases for leased properties are for a period of two to six years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

The consolidated statement of financial position shows the following amounts relating to leases:

	31 March 2020 HK\$'000
<b>Right-of-use assets</b>	
Leased properties	<b>42,071</b>
<b>Lease liabilities</b>	<b>46,480</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16(b) LEASES (continued)

### (i) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the year are as follows:

	<b>Lease properties</b> HK\$'000
At 1 April 2019	61,043
Additions	23,860
Depreciation	(38,495)
Lease modification	(3,996)
Impairment	(341)
At 31 March 2020	<b>42,071</b>

As at 31 March 2020, the Group's management identified certain restaurants which have continued to underperform and estimated the corresponding recoverable amounts of the right-of-use assets of each individual restaurant cash generating unit. The estimates of the recoverable amount were based on the value-in-use of these right-of-use assets, determined using pre-tax discount rate of in the range of 7.1% to 12.3% (2019: Nil). Based on the estimates, an impairment loss of HK\$341,000 (2019: Nil) was recognised to write down the carrying amount of right-of-use assets to its recoverable amount as at 31 March 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16(b) LEASES (continued)

### (ii) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	Lease properties HK\$'000
At 1 April 2019	61,043
New leases	22,001
Lease modification	(3,996)
Interest on lease liabilities	2,899
Lease payments	(35,467)
At 31 March 2020	<b>46,480</b>
<b>Analysed into:</b>	
Current	<b>29,117</b>
Non-current	<b>17,363</b>
	<b>46,480</b>
	2020 HK\$'000
Lease liabilities repayable:	
Within one year	<b>29,117</b>
More than one year, but not later than two years	<b>15,291</b>
More than two years, but not later than five years	<b>2,072</b>
	<b>46,480</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16(b) LEASES (continued)

- (iii) The amounts recognised in the consolidated statement of profit or loss and other comprehensive income in relation to leases are as follows:

	2020 HK\$'000
Interest on lease liabilities	2,899
Depreciation of right-of-use assets	38,495
Expenses relating to short-term leases	36
Impairment of right-of-use assets	341
Variable lease payments not included in the measurement of lease liabilities	2,804
Total amount recognised in the consolidated statement of profit or loss and other comprehensive income	44,575

The total cash outflow for leases is disclosed in note 32 to the consolidated financial statements.

### (iv) The Group's leasing activities and how these are accounted for

The Group leases various office and restaurant outlets. Rental contracts are typically made for fixed periods of 2 to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

### (v) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a restaurant outlet. In aggregate, 7.4% of total lease payments are on the basis of variable payment terms of each restaurant with percentages ranging from 12% to 16% of sales. The payment terms are common in restaurants in Hong Kong where the Group operates.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 17. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2018	1,843	–	1,843
Credit to profit or loss ( <i>note 13</i> )	284	–	284
At 31 March 2019 and at 1 April 2019	2,127	–	2,127
Credit to profit or loss ( <i>note 13</i> )	54	564	618
<b>At 31 March 2020</b>	<b>2,181</b>	<b>564</b>	<b>2,745</b>

As at 31 March 2020, the Group has unused tax losses of approximately HK\$9,657,000 (2019: HK\$3,265,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$3,420,000 (2019: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$6,237,000 (2019: HK\$3,265,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$6,237,000 (2019: HK\$3,265,000) that may be carried forward indefinitely.

## 18. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Food and beverage, and other operating item for restaurant operations	<b>597</b>	495

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 19. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Credit card receivables	286	2,624
Other trade receivables	286	472
	<b>572</b>	3,096

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. Generally, there is no credit period granted to customers, except for certain well-established corporate customers in which credit period of up to 90 days is granted by the Group. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade receivables are interest-free.

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

	2020 HK\$'000	2019 HK\$'000
0-30 days	440	3,011
31-60 days	119	81
61-90 days	10	2
Over 90 days	3	2
	<b>572</b>	3,096

At 31 March 2020, trade receivables with the amount of approximately HK\$256,000 (2019: HK\$2,421,000) was due from the Group's top debtor.

Details of impairment assessment of trade receivables as at 31 March 2020 and 2019 are set out in note 5 to consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

### Non-current portion

	2020 HK\$'000	2019 HK\$'000
Rental deposits	7,255	7,591

### Current portion

	2020 HK\$'000	2019 HK\$'000
Rental deposits	5,856	6,301
Utility and other deposits	1,806	1,631
Prepayments	954	932
Other receivables	785	61
	9,401	8,925

Prepayments mainly consists of prepaid insurance and prepaid license fee.

Details of impairments assessments of deposits and other receivables as at 31 March 2020 and 2019 are set out in note 5 to consolidated financial statements.

## 21. PLEDGED DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Pledged deposits held at bank	2,029	2,019

At 31 March 2020, pledged deposits are interest bearing at 0.54% (2019: 0.7%) per annum and mature within 3 months (2019: 3 months) from the placement date.

Pledged deposits are used for general banking facilities grant to the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 22. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	2019 HK\$'000
Cash on hand and cash at bank	23,363	30,598
Short-term time deposits	25,116	35,206
	<b>48,479</b>	65,804

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 two to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposits rates ranging from 1.04% to 2.15% (2019: 1.23% to 1.4%) per annum.

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

## 23. TRADE PAYABLES

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

	2020 HK\$'000	2019 HK\$'000
0–30 days	4,622	6,429
31–60 days	3,064	6,254
61–90 days	2,930	2,487
	<b>10,616</b>	15,170

The average credit period granted by suppliers is normally within 90 days.

At 31 March 2020, amount of approximately HK\$6,424,000 (2019: HK\$7,842,000) included in trade payables was due to a related company, Elite Fresh Food Company Limited (“Elite”), which is a company controlled by Mr. Joseph Kwong and Ms. Melanie Kwong, who are the controlling shareholders of the Company and Ms. Ingrid Ip, who is the close family member of Mr. Kwong and Ms. Kwong and one of the controlling shareholders of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 24. ACCRUALS AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Accruals	6,839	3,106
Other payables	6	431
	<b>6,845</b>	3,537

Accruals mainly consist of accrued auditors' remuneration for audit services and non-audit services, accrued staff costs, accrued rental expenses, accrued fuel and utilities expenses and accrued reinstatement cost.

## 25. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Deposits received from customers	97	63
Cash coupon	114	7
	<b>211</b>	70

	2020 HK\$'000	2019 HK\$'000
Movement in Contract liabilities		
Balance as at 1 April	70	162
Consideration received during the year	457	893
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(70)	(162)
Revenue recognised that was included in the contract liabilities incurred during the year	(246)	(823)
Balance as at 31 March	<b>211</b>	70

For the contract liabilities at 31 March 2019, the entire balances are recognised as revenue during the year ended 31 March 2020.

Typical payment terms which impact on the amounts of contract liabilities recognised are as follows:

### Deposits received from customers

The Group received certain amounts from customers for restaurant operations while the services had not been rendered to customers at 31 March 2020. The deposits are non-refundable.

### Cash coupon

The Group received the face value of cash coupon and the cash coupon are non-refundable and will be expired within 4 months.

The Group classifies these contract liabilities as current because the Group expects to them to be settled in its normal operating cycle which is within 12 months after the end of the reporting period.

No cash coupon included in contract liabilities as at 31 March 2020 was sold to Elite (2019: HK\$7,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 26. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Unsecured bank borrowings	<b>11,787</b>	16,879
Carrying amount (shown under current liabilities) that contain a repayment on demand clause based on scheduled repayment terms:		
— Within one year	<b>4,010</b>	5,426
— More than 1 year but less than 5 years	<b>7,777</b>	11,453
	<b>11,787</b>	16,879

The bank borrowings are interest bearing at Hong Kong Dollar Prime Rate over a spread or minus a spread as appropriate. The interest rate on the Group's bank borrowings ranged from 4.25% to 4.90% per annum (2019: 4.43% to 4.79% per annum).

At 31 March 2020 and 2019, unsecured bank borrowings are guaranteed by the Company and certain group companies.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 27. SHARE CAPITAL

	No. of shares		Amounts	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
<b>Authorised:</b>				
At the beginning and the end of the year				
Ordinary share of HK\$0.01 each	<b>1,500,000</b>	1,500,000	<b>15,000</b>	15,000

	No. of shares		Amounts	
	2020	2019	2020 HK\$'000	2019 HK\$'000
<b>Issued and fully paid:</b>				
At the beginning of the year	<b>1,000,000,000</b>	100	<b>10,000</b>	–
Capitalisation issue ( <i>note a</i> )	–	749,999,900	–	7,500
Issue of shares by way of share offer ( <i>note b</i> )	–	250,000,000	–	2,500
At the end of the year	<b>1,000,000,000</b>	1,000,000,000	<b>10,000</b>	10,000

Notes:

- (a) Pursuant to the resolutions of shareholders passed on 23 March 2018, the directors are authorised to issue and allot a total of 749,999,900 shares credited as fully paid at par to Future More, being the shareholder at 13 April 2018 in proportion to shareholding by way of capitalisation of the sum of HK\$7,499,999, standing to the credit of the share premium of the Company.
- (b) On 16 April 2018, the Company issued and allotted 250,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.27 per share by way of share offer for a total gross proceeds of HK\$67,500,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 28. LEASES COMMITMENTS

### The Group as lessee

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

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK\$'000
Within one year	34,379
In the second to fifth years, inclusive	30,904
	<hr/> 65,283

In addition, the operating leases rentals for certain restaurants are determined at the higher of a fixed rental or a pre-determined percentage on revenue of respective restaurants pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants could not be reliably determined, the relevant variable lease payments have 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 29. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

### (a) Statement of financial position of the Company

	2020 HK\$'000	2019 HK\$'000
<b>Non-current asset</b>		
Investment in a subsidiary	–	–
<b>Current assets</b>		
Prepayments and other receivables	217	277
Amounts due from subsidiaries	5,507	62
Cash and cash equivalents	28,900	37,053
	<b>34,624</b>	37,392
<b>Current liabilities</b>		
Accruals and other payables	441	591
Amount due to a subsidiary	14	–
	<b>455</b>	591
<b>Net current assets</b>	<b>34,169</b>	36,801
<b>Net assets</b>	<b>34,169</b>	36,801
<b>Capital and reserves</b>		
Share capital	10,000	10,000
Reserves	24,169	26,801
<b>Total equity</b>	<b>34,169</b>	36,801

Signed on behalf of the board of directors:

**Kwong Tai Wah**  
Director

**Kwong Man Yui**  
Director

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 29. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY (continued)

### (b) Movement of reserves of the Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2018	–	(10,312)	(10,312)
Loss for the year and total comprehensive loss for the year	–	(9,826)	(9,826)
Capitalisation issue	(7,500)	–	(7,500)
Issue of shares by way of share offer	65,000	–	65,000
Share issuing expenses	(10,561)	–	(10,561)
At 31 March 2019 and at 1 April 2019	46,939	(20,138)	26,801
Profit for the year and total comprehensive income for the year	–	12,368	12,368
Dividend paid	(15,000)	–	(15,000)
<b>At 31 March 2020</b>	<b>31,939</b>	<b>(7,770)</b>	<b>24,169</b>

## 30. MATERIAL RELATED PARTY TRANSACTION

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

	2020 HK\$'000	2019 HK\$'000
Purchase of food paid/payable to a related company ( <i>note i</i> )	<b>34,183</b>	36,390
Sales of cash coupon received/receivable from a related company ( <i>note ii</i> )	–	16

Notes:

- On 23 March 2018, the Group had entered into the master supply agreement (the "Master Supply Agreement") with Elite whereby the Group will purchase and Elite will supply chilled and frozen meat and seafood and other food ingredients to the Group for restaurants operations. The term of the Master Supply Agreement will commence on 16 April 2018 (the "Listing Date"), until 31 March 2020. The purchase price will be determined with reference to the prevailing comparable market price. The transaction under the Master Supply Agreement is constituted as continuing connected transaction under chapter 20 of the GEM Listing Rules.
- In the opinion of the directors, the transactions were fully exempted from shareholders' approval, annual review and all the disclosure requirements of continuing connected transaction as set out in Chapter 20 of the GEM Listing Rules.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 30. MATERIAL RELATED PARTY TRANSACTION (continued)

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

	2020 HK\$'000	2019 HK\$'000
Salaries, allowance and benefits in kind	8,667	6,846
Retirement benefit schemes contributions	101	96
	<b>8,768</b>	6,942

- (c) Elite had provided corporate guarantee and pledged its properties to secured bank borrowings granted to the Group during the year ended 31 March 2018 without any charge. The corporate guarantees and pledged properties were released during the year ended 31 March 2019.
- (d) Mr. Kwong, the director of the Company, Mr. Joseph Kwong and Ms. Melanie Kwong, had provided personal guarantee for bank borrowings during the year ended 31 March 2018 without any charge. The personal guarantees were released during the year ended 31 March 2019.
- (e) Details of the balances with related parties at the end of the reporting period are set out in notes 23 and 25 to the consolidated financial statements respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 31. PARTICULARS OF SUBSIDIARIES

The following table lists the subsidiaries of the Company:

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
				2020 %	2019 %	
Lord Master Limited	Hong Kong	Ordinary	HK\$4	100	100	Provision of catering services
MS Restaurant	BVI	Ordinary	US\$1	100	100	Investment holdings
Meric Investment Limited	Hong Kong	Ordinary	HK\$4	100	100	Provision of catering services
Lord Restaurant Limited	Hong Kong	Ordinary	HK\$1	100	–	Provision of catering services
Meric Restaurant Limited	Hong Kong	Ordinary	HK\$1	100	–	Provision of catering services

Except for MS Restaurant which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

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

## 32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major Non-Cash Transactions

The Group had entered into the followings non-cash investing activity, which has not been reflected in the consolidated statement of cash flow.

During the year ended 31 March 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$22,001,000, in respect of lease arrangements for leased properties (2019: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) 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.

	Dividend payable HK\$'000	Interest payable HK\$'000	Bank borrowings HK\$'000	Amount due to a related company HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2018	-	37	18,626	74	-	18,737
<b>Non-cash changes</b>						
— Interest expenses on bank borrowings (note 9)	-	844	-	-	-	844
<b>Cash flows</b>						
— Inflow from financing activities	-	-	5,000	-	-	5,000
— Outflow from financing activities	-	(848)	(6,747)	(74)	-	(7,669)
At 31 March 2019 and at 1 April 2019	-	33	16,879	-	-	16,912
<b>Non-cash changes</b>						
— Interest expenses on bank borrowings (note 9)	-	671	-	-	-	671
— Effect of adoption of HKFRS 16 (note 16(b))	-	-	-	-	61,043	61,043
— Dividend declared	15,000	-	-	-	-	15,000
— Interest expenses on lease liabilities (note 9)	-	-	-	-	2,899	2,899
— Additions of lease liabilities (note 16(b))	-	-	-	-	22,001	22,001
— Lease modification (note 16(b))	-	-	-	-	(3,996)	(3,996)
<b>Cash flows</b>						
— Outflow from financing activities	(15,000)	(671)	(5,092)	-	(35,467)	(56,230)
<b>At 31 March 2020</b>	<b>-</b>	<b>33</b>	<b>11,787</b>	<b>-</b>	<b>46,480</b>	<b>58,300</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 33. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,500 (the "**Mandatory Contributions**"), and this is the only obligation of the Group with respect to the MPF Scheme to make the required contribution. The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65, death or total incapacity.

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

The contributions paid and payable to the retirement benefits scheme by the Group are disclosed in note 10 to the consolidated financial statements.

## 34. SHARE OPTION SCHEME

The share option scheme (the "**Share Option Scheme**") conditionally adopted by the resolutions in writing of all the shareholders passed on 23 March 2018 (the "**Adoption Date**").

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

### (a) Purpose of the Share Option Scheme

The Share Option Scheme enables the Company to grant options (the "**Options**") to any director, employee or officer, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company or any of the subsidiaries (the "**Eligible Persons**"), as incentives or rewards for their contributions to the Group.

### (b) Participants

The basis of eligibility of any person to the grant of any Option shall be determined by the board of the directors from time to time on the basis of his or her contribution or potential contribution to the development and growth of the Group. Upon acceptance of the Option, the Eligible Person shall remit HK\$1.00 to the Company as consideration for the grant. The Option shall be offered for acceptance for a period of not less than 5 business days from the date on which the Option is granted.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 34. SHARE OPTION SCHEME (continued)

### (c) Grant of Options

The total number of shares issued and to be issued upon exercise of the Options granted and to be granted to a participant under the Share Option Scheme and other schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the shares from time to time in issue, and provided that if approved by shareholders in general meeting with such participant and his or her close associates (or his or her associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme and other schemes to such participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the shares from time to time in issue.

### (d) Exercise Price

The exercise price for any shares under the Share Option Scheme will be a price determined by the board of the directors and notified to each participant and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of grant of the relevant Options; and (iii) the nominal value of a share on the date of the grant.

### (e) Maximum number of Shares

- (i) The total number of shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and other schemes must not in aggregate exceed 10% of the shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) unless approved by the shareholders pursuant to the terms of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or other schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,000,000,000 shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 100,000,000 shares, representing 10% of the shares in issue as at the Listing Date.
- (ii) The Scheme Mandate Limit may be renewed by the shareholders in general meeting provided always that to the extent that the total number of shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and other schemes under the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of such shareholders’ approval provided that Options previously granted under the Share Option Scheme and other schemes (including those exercised, outstanding, cancelled or lapsed in accordance with the terms thereof) shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 34. SHARE OPTION SCHEME (continued)

### (e) Maximum number of Shares (continued)

- (iii) Subject to the terms of the Share Option Scheme and the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such shareholders' approval is sought.
- (iv) Notwithstanding the foregoing, no Options may be granted by the Company if the maximum number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and other schemes in aggregate exceeds 30% of the Shares in issue from time to time.

The total number of shares available for issue under the Share Option Scheme is 100,000,000 Shares, representing 10% of the issued Shares as at the date of this annual report.

### (f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the applicable option period, provided that, amongst others, the period within which the Option must be exercised shall not be more than 10 years from the date on which that Option is deemed to have been granted. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by the board of directors to each Participant, which the board of the directors may in its absolute discretion determine.

### (g) Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an Option granted must be held before it can be exercised except otherwise imposed by the board of the directors.

### (h) Period of Share Option Scheme

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

The board of the directors may impose such terms and conditions on the offer of Option(s) either on a case-by-case basis or generally as are not inconsistent with the Share Option Scheme, including but not limited to the minimum period for such an Option must be held, if applicable.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 34. SHARE OPTION SCHEME (continued)

### (i) Granting of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates

Any grant of Options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive directors (excluding any independent non-executive director who is the proposed participant). If a grant of Options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates will result in the total number of the shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such further grant of Options must be approved by the shareholders on a poll in a general meeting.

At 31 March 2020 and 2019, no Options has been granted or agreed to be granted under the Share Option Scheme.

## 35. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019. Under the transition methods, comparative information is not restated.

## 36. EVENT AFTER REPORTING PERIOD

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020, the Hong Kong Government has implemented a series of precautionary and control measures which have certain impact on business and economic activities in Hong Kong.

The Group will continue to monitor the developments of COVID-19 closely, assess and react actively to its impacts on its restaurants operations and the financial position and operating results of the Group.

## 37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 12 June 2020.

# Financial Summary

For the year ended 31 March 2020

A summary of the published results and of the assets and liabilities of the Group for each of the two years ended 31 March 2016 and 2017, as extracted from the prospectus of the Company dated 29 March 2018 and for the years ended 31 March 2018, 2019 and 2020 pursuant to Rule 18.33 of the GEM Listing Rules, is set out below:

	Years ended 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
<b>Results</b>					
Revenue	<b>225,764</b>	258,561	262,758	234,873	194,780
<b>(Loss)/profit before tax</b>	<b>(3,521)</b>	2,851	8,645	13,508	12,669
Income tax credit/(expenses)	<b>646</b>	(2,077)	(3,089)	(2,196)	(2,053)
<b>(Loss)/profit for the year and total comprehensive (loss)/income for the year attributable to owners of the Company</b>	<b>(2,875)</b>	774	5,556	11,312	10,616
	As at 31 March				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	<b>119,765</b>	97,357	51,343	52,221	52,097
Total liabilities	<b>(75,939)</b>	(35,656)	(47,355)	(38,989)	(37,827)
<b>Net assets</b>	<b>43,826</b>	61,701	3,988	13,232	14,270
<b>Total equity</b>	<b>43,826</b>	61,701	3,988	13,232	14,270